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)

2020
ANNUAL REPORT

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

NAME OF THE COMPANY

招金礦業股份有限公司

ENGLISH NAME OF THE COMPANY

Zhaojin Mining Industry Company Limited*

LEGAL REPRESENTATIVE

Mr. Weng Zhanbin

EXECUTIVE DIRECTORS

Mr. Weng Zhanbin *(Chairman)*
Mr. Dong Xin *(President)*
Mr. Wang Ligang *(Vice-President and Board Secretary)*

NON-EXECUTIVE DIRECTORS

Mr. Zhang Banglong *(Vice Chairman)*
(Appointed on 24 April 2020)
Mr. Liu Yongsheng
Mr. Gao Min
Mr. Huang Zhen
Mr. Xu Xiaoliang *(Resigned on 24 April 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORY COMMITTEE MEMBERS

Mr. Wang Xiaojie
(Chairman of the Supervisory Committee)
Mr. Zou Chao
Ms. Zhao Hua

SECRETARY TO THE BOARD

Mr. Wang Ligang

COMPANY SECRETARY

Ms. Ng Ka Man

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. Huang Zhen

STRATEGIC COMMITTEE MEMBERS

Mr. Weng Zhanbin
(Chairman of the Strategic Committee)
Mr. Zhang Banglong *(Appointed on 24 April 2020)*
Mr. Liu Yongsheng
Mr. Xu Xiaoliang *(Resigned on 24 April 2020)*

NOMINATION AND REMUNERATION COMMITTEE MEMBERS

Mr. Choy Sze Chung Jojo
(Chairman of the 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
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Dongcheng District
Beijing
PRC

LEGAL ADVISERS

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Shanghai International Commerce Center
999 Middle Huai Hai Road
Shanghai
PRC
Postal code: 200031

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Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

REGISTERED OFFICE

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Zhaoyuan City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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 (Group) Co., Ltd. ("Yuyuan"), Shenzhen Guangxin Investments Co., Ltd.* ("Guangxin Investments") and Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold") and have obtained 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. Principal products of the Company include standard Au9999 and Au9995 gold bullions. The Company's 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 2020, the Company owned a number of subsidiaries and joint stock enterprises nationwide, with their businesses covering major gold production regions in the PRC. As at 31 December 2020, in accordance with the standard set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), the gold ore resources reserve of the Company was approximately 38,464.2 kozs, and the recoverable gold reserves of the Company was approximately 15,430.7 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 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.

FINANCIAL SUMMARY

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,648,587**	6,329,928	7,177,057	6,673,999	6,664,785
Gross profit	**3,615,171**	2,289,963	2,482,208	2,634,529	2,729,320
Share of profit of associates	**18,918**	7,453	6,195	4,274	7,622
Share of profit/(loss) of joint ventures	**3,679**	(55,268)	17,306	9,750	(1,628)
Profit before tax	**1,337,421**	595,687	756,703	888,184	799,444
Profit attributable to equity holders of the Company	**1,052,163**	479,270	474,287	643,951	353,322
Earnings per share (RMB)	**0.32**	0.15	0.15	0.20	0.12

SUMMARY OF ASSETS

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**39,689,617**	40,251,780	35,887,179	33,812,886	32,963,659
Cash and cash equivalents	**1,840,469**	3,508,307	1,143,299	1,847,169	1,437,951
Total liabilities	**(22,632,646)**	(22,888,922)	(19,079,614)	(17,048,978)	(18,828,442)
Net assets	**17,056,971**	17,362,858	16,807,565	16,763,908	14,135,217
Net assets per share (RMB)	**5.22**	5.31	5.22	5.21	4.77

The above earnings per share for 2020 is based on the weighted average number of ordinary shares of 3,270,393,000 (2016: 2,965,827,000; 2017: 3,155,675,000; 2018: 3,220,696,000; 2019: 3,221,376,000) in issue during the year. The above net assets per share for 2020 is based on the ending number of ordinary shares of 3,270,393,000 (2016: 2,965,827,000; 2017: 3,220,696,000; 2018: 3,220,696,000; 2019: 3,270,393,000) in issue during the year.

To Shareholders,

I am pleased to present the annual report of the Group for the year ended 31 December 2020 (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

2020 is a crucial year for the Company to consistently uphold strategic planning and comprehensively create a new round of ten-year development. 2020 is also a crucial year to realize high quality development through intensive efforts, synergy and breakthrough. Adhering to the main direction of "Tough War, Major Challenge and Great Opportunity", the Company solidly proceeded with the "five-optimal competition" and "tackling problems", and delivered satisfactory performance by taking the initiative and advancing practical work.

OUTLOOK

2021 is the opening year for the Company to consistently uphold strategic planning and the "Fourteenth Five-year Plan". 2021 is also a crucial year to realize high quality development through upgrading and iterative promotion. We will deeply grasp the new pattern of the "two-loop" strategy, and seize the new strategic opportunities afforded by the "Fourteenth Five-year Plan". By following the guideline of high-quality and comprehensive development to address tackling problems and strengthen operational protections, we are aiming to strengthen and optimize core business, in order to kick off a good start for the Company's development under the "Fourteenth Five-year Plan".

ACKNOWLEDGEMENT

In 2020, the Group managed to cope with the impact of the pandemic and delivered promising results, and achieved "double victory" in terms of pandemic containment and development. Its excellent performance not only resulted from the improvement of the Group's capabilities in production management, cost control and corporate governance, but also relied on the diligent work and tireless efforts from all employees. Apart from the above, it is also closely related to the strong support given to the Group by its caring Shareholders, as well as the encouragement from all stakeholders of the Group.

I would like to express my sincere gratitude to all Shareholders and the public who 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 create more values for Shareholders!

Weng Zhanbin
Chairman

24 March 2021

RESULTS FOR THE YEAR

GOLD OUTPUT

For the Year, the Group's total output of gold amounted to 35,615.93 kg (approximately 1,145,077.92 ozs), representing an increase of approximately 8.93% as compared to the previous year. Among which, 20,098.25 kg (approximately 646,173.37 ozs) of gold was mine-produced gold, representing an increase of approximately 1.67% as compared to the previous year, and 15,517.68 kg (approximately 498,904.55 ozs) was smelted and processed gold, representing an increase of approximately 20.03% as compared to the previous year.

COPPER OUTPUT

For the Year, the Group's total output of content copper amounted to 6,036 tons, representing a decrease of approximately 45.83% as compared to the previous year.

REVENUE

For the Year, the Group's revenue was approximately RMB7,648,587,000 (2019: RMB6,329,928,000), representing an increase of approximately 20.83% as compared to the previous year.

NET PROFIT

For the Year, the Group's net profit was approximately RMB1,234,798,000 (2019: RMB438,235,000), representing an increase of approximately 181.77% as compared to the previous year. The increase in net profit was primarily due to the substantial increase of gold price and the strengthening of operation management during the Year.

EARNINGS PER SHARE

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.32 and RMB0.32, respectively (2019: RMB0.15 and RMB0.15, respectively), representing an increase of approximately 113.33% and 113.33% respectively as compared to the previous year.

DISTRIBUTION PROPOSAL

The Board proposed the payment of a cash dividend of RMB0.05 (tax included) per share (2019: RMB0.04 (tax included)) to the Shareholders.

Regarding the distribution of cash dividend, dividends for Shareholders of domestic shares will be declared and paid in Renminbi, whereas dividends for Shareholders of H shares (the "H Shareholders") will be declared in Renminbi 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 "2020 AGM"), which will be held on Monday, 7 June 2021.

If the distribution proposal is approved at the 2020 AGM, it is expected that the final dividend for the Year will be paid on or before Wednesday, 30 June 2021 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 15 June 2021.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold and pay the corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company on Tuesday, 15 June 2021.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 15 June 2021. 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 rate 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) (《國家税務總局關於印發〈非居民享受税收協議待遇管理辦法(試行)〉的通知》(國税發[2009]124號)). For individual H Shareholders who are residents of those countries having bilateral tax treaties with China for individual income tax rate in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H Shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for individual income tax in respect of dividend of 20% and for other situations, the Company would withhold and pay the individual income tax at a tax rate of 20%.

In accordance with the PRC Tax Law, the Company has an obligation to withhold and pay the corporate income tax and individual income tax for payment of the final dividend to non-resident enterprises and individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 15 June 2021. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 15 June 2021 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, 10 June 2021. 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 2020, under the impact of the global outbreak of COVID-19 pandemic, the deteriorating global economy and the further easing of monetary policies of countries across the world, the gold price generally experienced a V-shaped rebound with wide fluctuations. Since the decrease of the international gold price to US$1,451.08/oz in March, the lowest level in the Year, the gold price had gradually and steadily increased. As the US Federal Reserve reduced the interest rate to the lowest level in late June, the gold price continued to rise. The gold price hit a record high of US$2,075.14/oz in early August before starting to fall. With the volatility of the pandemic and the US election, the gold price fluctuated at high levels of US$1,800-2,000/oz in the fourth quarter. For the Year, the international gold price opened at US$1,517.18/oz and closed at US$1,897.90/oz, once hitting the high of US$2,075.14/oz and the low of US$1,451.08/oz and recording an average of US$1,772.73/oz for the entire year. The 9995 gold traded on the Shanghai Gold Exchange (the "SGE") opened at RMB340.90/g, once hit the high of RMB448.00/g and the low of RMB330.80/g, and then closed at RMB392.60/g, recording an average of RMB386.24/g for the whole year and increasing by 25.06% on a year-on-year basis.

The data from the China Gold Association showed that as affected by the COVID-19 pandemic, the gold output had further declined. China's gold output amounted to 365.34 tons in 2020, representing a decrease of 3.91% on a year-on-year basis.

BUSINESS REVIEW

COMBATING THE PANDEMIC, GRASPING OPPORTUNITIES AND IMPROVING PERFORMANCE TO ACHIEVE A "DOUBLE VICTORY" IN PANDEMIC CONTAINMENT AND DEVELOPMENT

In 2020, in the face of the challenges arising from the pandemic, the Company deployed its concerted efforts to overcome each and every difficulty under the mindset of "Tough War, Major Challenge and Great Opportunity", thus achieving steady progress in pandemic containment and resumption of production. The Company accumulated 35,615.93 kg of total gold output (approximately 1,145,077.92 ozs) and 20,098.25 kg of mine-produced gold (approximately 646,173.37 ozs), of which 16,467.48 kg (approximately 529,441.37 ozs) were self-produced, representing an increase of 5.61% against the trend. The Company continued to increase its investment in mine exploration, so as to constantly strengthen its resource reserves. It invested a total of RMB112 million in geological exploration, resulting in an additional output of 22.75 tons of gold metal and an additional output of 1,510 tons of copper metal. As of the end of the Year, the Company's gold resource reserves amounted to 1,196.37 tons, and the mineable reserves were 479.95 tons.

FOCUSING ON KEY POINTS, SOLVING DIFFICULT PROBLEMS AND PROMOTING IMPLEMENTATION TO ACHIEVE QUALITY DEVELOPMENT AND UPGRADE

In 2020, the Company emphasized on "double focus", solved major difficult problems and continued to overcome challenges. With key projects such as Ruihai Mining and Caogoutou mining area as the spearhead, the Company cumulatively invested RMB789 million in infrastructure and technical transformation for the Year. The ore treatment plant expansion and process optimization projects of Fengningjinlong and Zhaojin Baiyun were successfully completed and achieved the targeted output and quality, and the transportation system optimization project of the Xiadian Gold Mine was completed ahead of schedule. With the full circulation of H shares, the Company has achieved "first to file, first to get approved and listed within the year", providing strong support for the Company's value creation and realization. With respect to technology innovation, the Company had 53 technical innovation projects throughout the Year and invested a total of RMB54 million. The Company had 109 patent applications and 91 licensed patents. The fine tailings filling experience at Canzhuang Gold Mine was successfully promoted and applied, opening up a new channel for the construction of tailings-free mines, and the intelligent mine construction at Dayingezhuang Gold Mine was successfully completed and has passed all examinations. Three new manufacturing innovation centres and new research and development institutions at the provincial level and of Yantai were established, while two new high and new technology enterprises were added, bringing the total number to 11.

ENHANCING MANAGEMENT, STRENGTHENING OPERATION AND PROMOTING LONG-TERM DEVELOPMENT TO BUILD A SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT

In 2020, the Company steadily promoted the upgrading of line management and operation. The Company's safety and environmental protection is stable as a whole, and it had further consolidated and deepened regional management, with the full launch of a three-year special rectification campaign for safe production. The Company invested a total of RMB145 million as safety capital, continuously upgraded the construction of intelligent mines, and further realized the intrinsic safety management of the Company through the application of and investment in mechanization, automation and "four new technologies". A total of RMB68 million was invested as environmental protection capital throughout the Year to develop the "Beautiful Environment" competition continuously and promote the "Lucid Waters and Lush Mountains Program". The Company further added 44 hectares of green areas and 2 national graded green mines throughout the Year and recorded 18 green mines (plants) in total, continuing to maintain its leading position in the industry.

HEEDING PEOPLE'S WISHES, SOLVING THEIR PROBLEMS AND OFFERING WARM SUPPORT TO SHOW ZHAOJIN'S RESPONSIBILITY AND COMMITMENT

In 2020, guided by the Party building and culture, the Company launched a variety of excellent themed activities. These include the further advancement of "Ten Pro-people Projects" and caring measures for families of off-site workers, appropriate subsidies for off-site workers, work opportunities for children of senior employees, assistance offered to the poor and the needy, the Golden Autumn Scholarship and the "4411" construction project to offer support and care. The Company helped enhance the community relations and the relations between the management and citizens, and had therefore effectively implemented the goal for stabilization. The Company also demonstrated its responsibilities and commitments to the community through practical actions with targeted poverty alleviation that supported 110 poor families, and donated over RMB6 million to combat the pandemic and other difficulties.

Table 1: Statistics of Zhaojin Mining's Mineral Resources (as at 31 December 2020)

No.	Name of mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
1	Xiadian Gold Mine	Gold	Ore (Mt)	22.153	14.040
			Grade (g/t)	2.87	3.21
			Metal (t)	63.58	45.04
2	Hedong Gold Mine	Gold	Ore (Mt)	1.120	2.164
			Grade (g/t)	3.89	4.46
			Metal (t)	4.36	9.65
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	48.733	43.428
			Grade (g/t)	2.50	2.47
			Metal (t)	121.73	107.42
4	Jinchiling Gold Mine	Gold	Ore (Mt)	0.350	0.580
			Grade (g/t)	5.73	9.55
			Metal (t)	2.00	5.53
5	Jintingling Mining	Gold	Ore (Mt)	1.241	1.259
			Grade (g/t)	3.17	11.64
			Metal (t)	3.94	14.66
6	Canzhuang Gold Mine	Gold	Ore (Mt)	1.938	4.791
			Grade (g/t)	2.90	4.47
			Metal (t)	5.62	21.41
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)	0.308	1.808
			Grade (g/t)	4.61	4.61
			Metal (t)	1.42	8.33
11	Minxian Tianhao	Gold	Ore (Mt)	2.912	0.329
			Grade (g/t)	2.51	3.90
			Metal (t)	7.31	1.28
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.137	0.130
			Grade (g/t)	4.90	5.26
			Metal (t)	0.67	0.68

No.	Name of mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
13	Fengningjinlong	Gold	Ore (Mt)	1.332	1.101
			Grade (g/t)	3.56	3.53
			Metal (t)	4.74	3.88
14	Zaozigou Gold Mine	Gold	Ore (Mt)	4.088	9.020
			Grade (g/t)	4.40	3.54
			Metal (t)	17.97	31.92
15	Xinyuan Mining	Gold	Ore (Mt)	0.060	0.024
			Grade (g/t)	6.52	8.07
			Metal (t)	0.39	0.19
16	Liangdang Zhaojin	Gold	Ore (Mt)	1.187	8.404
			Grade (g/t)	2.55	2.09
			Metal (t)	3.03	17.56
17	Zhaojin Baiyun	Gold	Ore (Mt)	1.083	12.079
			Grade (g/t)	4.07	2.71
			Metal (t)	4.41	32.74
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
23	Yuantong Mining	Gold	Ore (Mt)	0.368	0.505
			Grade (g/t)	4.45	4.60
			Metal (t)	1.64	2.32
24	Fengye Mining	Gold	Ore (Mt)	0.300	0.572
			Grade (g/t)	6.54	6.47
			Metal (t)	1.96	3.70
25	Jinwang Mining	Gold	Ore (Mt)	0.062	0.721
			Grade (g/t)	3.77	4.44
			Metal (t)	0.23	3.20

No.	Name of mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
26	Tonghui Mining	Copper	Ore (Mt)	2.712	1.678
			Grade (%)	1.74	1.27
			Metal (kt)	47.08	21.27
27	Dishui Copper Mine	Copper	Ore (Mt)	8.938	16.102
			Grade (%)	1.05	1.01
			Metal (kt)	94.27	162.17
	Total amount of mineral resources	Gold	Ore (Mt)	147.119	195.398
			Grade (g/t)	3.63	3.39
			Metal (t)	534.27	662.10
		Copper	Ore (Mt)	11.651	17.780
			Grade (%)	1.21	1.03
			Metal (kt)	141.35	183.44
	Total amount of mineral resources owned by Zhaojin Mining	Gold	Ore (Mt)	123.045	148.289
			Grade (g/t)	3.44	3.34
			Metal (t)	423.06	495.78
		Copper	Ore (Mt)	9.557	14.265
			Grade (%)	1.23	1.04
			Metal (kt)	117.79	147.69

Table 2: Statistics of Zhaojin Mining's Recoverable Reserve (as at 31 December 2020)

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
1	Xiadian Gold Mine	Gold	Ore (Mt)	3.933	18.220	22.153	14.040	3.937	18.242	22.179
			Grade (g/t)	2.84	2.88	2.87	3.21	2.69	2.72	2.72
			Metal (t)	11.17	52.41	63.58	45.04	10.59	49.67	60.25
2	Hedong Gold Mine	Gold	Ore (Mt)	0.330	0.790	1.120	2.164	0.332	0.793	1.124
			Grade (g/t)	5.09	3.39	3.89	4.46	4.83	3.21	3.69
			Metal (t)	1.68	2.68	4.36	9.65	1.60	2.55	4.15
3	Dayingezhuang Gold Mine	Gold	Ore (Mt)	5.566	43.167	48.733	43.428	5.745	44.559	50.304
			Grade (g/t)	2.56	2.49	2.50	2.47	2.38	2.31	2.32
			Metal (t)	14.25	107.48	121.73	107.42	13.66	102.99	116.65
4	Jinchiling Gold Mine	Gold	Ore (Mt)	–	0.350	0.350	0.580	–	0.377	0.377
			Grade (g/t)	–	5.73	5.73	9.55	–	5.03	5.03
			Metal (t)	–	2.00	2.00	5.53	–	1.90	1.90
5	Jintingling Mining	Gold	Ore (Mt)	–	1.241	1.241	1.259	–	1.265	1.265
			Grade (g/t)	–	3.17	3.17	11.64	–	3.02	3.02
			Metal (t)	–	3.94	3.94	14.66	–	3.82	3.82
6	Canzhuang Gold Mine	Gold	Ore (Mt)	0.355	1.582	1.938	4.791	0.357	1.588	1.945
			Grade (g/t)	2.45	3.00	2.90	4.47	2.32	2.84	2.75
			Metal (t)	0.87	4.75	5.62	21.41	0.83	4.52	5.34

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
7	Daqinjia Mining	Gold	Ore (Mt)	0.044	0.225	0.269	0.226	0.046	0.233	0.279
			Grade (g/t)	3.33	4.11	3.99	3.55	3.03	3.74	3.62
			Metal (t)	0.15	0.92	1.07	0.80	0.14	0.87	1.01
8	Jishan Mining	Gold	Ore (Mt)	0.108	0.244	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)	0.018	0.290	0.308	1.808	0.018	0.294	0.311
			Grade (g/t)	4.56	4.62	4.61	4.61	4.09	4.14	4.13
			Metal (t)	0.08	1.34	1.42	8.33	0.07	1.21	1.29
11	Minxian Tianhao	Gold	Ore (Mt)	–	2.912	2.912	0.329	–	2.958	2.958
			Grade (g/t)	–	2.51	2.51	3.90	–	2.32	2.32
			Metal (t)	–	7.31	7.31	1.28	–	6.86	6.86
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)	0.371	0.960	1.332	1.101	0.354	0.915	1.268
			Grade (g/t)	3.77	3.48	3.56	3.53	3.37	3.11	3.18
			Metal (t)	1.40	3.34	4.74	3.88	1.19	2.84	4.03
14	Zaozigou Gold Mine	Gold	Ore (Mt)	0.219	3.869	4.088	9.020	0.222	3.919	4.141
			Grade (g/t)	4.84	4.37	4.40	3.54	4.60	4.15	4.18
			Metal (t)	1.06	16.91	17.97	31.92	1.02	16.28	17.30
15	Xinyuan Mining	Gold	Ore (Mt)	–	0.060	0.060	0.024	–	0.062	0.062
			Grade (g/t)	–	6.52	6.52	8.07	–	6.01	6.01
			Metal (t)	–	0.39	0.39	0.19	–	0.37	0.37
16	Liangdang Zhaojin	Gold	Ore (Mt)	–	1.187	1.187	8.404	–	1.272	1.272
			Grade (g/t)	–	2.55	2.55	2.09	–	2.32	2.32
			Metal (t)	–	3.03	3.03	17.56	–	2.95	2.95
17	Zhaojin Baiyun	Gold	Ore (Mt)	–	1.083	1.083	12.079	–	1.010	1.010
			Grade (g/t)	–	4.07	4.07	2.71	–	3.84	3.84
			Metal (t)	–	4.41	4.41	32.74	–	3.88	3.88
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

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
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)	0.003	0.365	0.368	0.505	0.003	0.356	0.359
			Grade (g/t)	5.96	4.44	4.45	4.60	5.87	4.37	4.39
			Metal (t)	0.02	1.62	1.64	2.32	0.02	1.56	1.57
24	Fengye Mining	Gold	Ore (Mt)		0.300	0.300	0.572	–	0.234	0.234
			Grade (g/t)		6.54	6.54	6.47	–	5.38	5.38
			Metal (t)		1.96	1.96	3.70	–	1.26	1.26
25	Jinwang Mining	Gold	Ore (Mt)	0.029	0.033	0.062	0.721	0.027	0.031	0.058
			Grade (g/t)	3.47	4.03	3.77	4.44	3.24	3.77	3.52
			Metal (t)	0.10	0.13	0.23	3.20	0.09	0.12	0.21
26	Tonghui Mining	Copper	Ore (Mt)	0.263	2.449	2.712	1.678	0.256	2.377	2.633
			Grade (%)	1.37	1.78	1.74	1.27	1.34	1.74	1.70
			Metal (kt)	3.60	43.47	47.08	21.27	3.43	41.37	44.80
27	Dishui Copper Mine	Copper	Ore (Mt)	3.289	5.649	8.938	16.102	2.995	5.145	8.140
			Grade (%)	1.02	1.07	1.05	1.01	0.93	0.98	0.96
			Metal (kt)	33.69	60.58	94.27	162.17	27.99	50.32	78.31
	Total amount of recoverable reserve	Gold	Ore (Mt)	26.336	120.783	147.119	195.398	25.515	120.437	145.951
			Grade (g/t)	4.83	3.37	3.63	3.39	4.41	3.05	3.29
			Metal (t)	127.19	407.08	534.27	662.10	112.42	367.53	479.95
		Copper	Ore (Mt)	3.553	8.098	11.651	17.780	3.251	7.522	10.773
			Grade (%)	1.05	1.28	1.21	1.03	0.97	1.22	1.14
			Metal (kt)	37.30	104.05	141.35	183.44	31.42	91.70	123.11
	Total amount of recoverable reserve owned by Zhaojin Mining	Gold	Ore (Mt)	20.485	102.560	123.045	148.289	20.032	103.109	123.141
			Grade (g/t)	4.46	3.23	3.44	3.34	4.02	3.05	3.11
			Metal (t)	91.29	331.77	423.06	495.78	80.58	302.62	383.20
		Copper	Ore (Mt)	2.841	6.716	9.557	14.265	2.602	6.251	8.853
			Grade (%)	1.05	1.31	1.23	1.04	0.97	1.24	1.16
			Metal (kt)	29.93	87.85	117.79	147.69	25.26	77.82	103.08

Notes:

1. The consumption of gold ore reserve in 2020 was 7,291,590 tonnes. The grade was 2.66 gram per tonne. 430 gold exploration drill holes were conducted, 26,550.28 meters of tunneling footage and 135,582.27 meters of drilling footage were completed.

2. The consumption of copper ore reserve in 2020 was 469,924 tonnes. The grade was 1.32%. 2 copper exploration drill holes were conducted, 998 meters of tunneling footage and 2,244.41 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 18 and 19 of this annual report.

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

The same assumptions as those applied in the 2019 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 2019, 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 2020 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 12 gold productive mines was approximately 92.05%, while the dilution rate was approximately 7.11%; 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

Based on the level of mineral resources as at the end of 2019, Beijing Haidiren updated the estimates by incorporating the mining consumption of copper mineral resources between January to December 2020, 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 1 copper mines was approximately 93.95%, while the dilution rate was approximately 2.10%; 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 2020 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.

IMPACT OF THE COVID-19 PANDEMIC ON THE OPERATION OF THE GROUP

As affected by the COVID-19 pandemic, the migrant labours of certain subsidiaries of the Group could not return to work in a timely manner after the Spring Festival in 2020, which affected the resumption of production of the Group to a certain extent. To address the impact caused by the pandemic, the Group solidly proceeded with activities such as the "five-optimal competition", "tackling problems" and "partner assistance" with a focus on combating the pandemic, performance assessment and capturing development opportunities, to resolve the adverse situation brought by the pandemic, and had resumed full production by the end of March 2020. The business activities of the Group had decreased in 2020 as a result of the pandemic. In particular, the onsite investigations and business negotiations of the Group's overseas projects had been affected to some extent. However, by virtue of the outstanding performance of the gold price in 2020, the production and operation indicators of the Group rallied and maintained a good momentum in general. The Company has sufficient liquidity and working capital, and the financial position and operation of the Group have not been materially affected by the pandemic.

FINANCIAL ANALYSIS

REVENUE

For the Year, the Group's revenue was approximately RMB7,648,587,000 (2019: RMB6,329,928,000), representing an increase of approximately 20.83% (2019: a decrease of approximately 11.80%) as compared to the previous year. The increase was mainly due to the substantial increase of gold price and effective organisation of production during the Year.

COST OF SALES

For the Year, the Group's cost of sales was approximately RMB4,033,416,000 (2019: RMB4,039,965,000), representing a decrease of approximately 0.16% (2019: a decrease of approximately 13.95%) as compared to the previous year.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Year, the Group's gross profit and gross profit margin were approximately RMB3,615,171,000 (2019: RMB2,289,963,000) and approximately 47.27% (2019: 36.18%), respectively, representing an increase in gross profit of approximately 57.87% (2019: a decrease of approximately 7.74%) and an increase in gross profit margin of approximately 30.65% (2019: an increase of approximately 4.60%), respectively, as compared to the previous year. The increase in gross profit was primarily due to the substantial increase of gold price during the Year.

OTHER INCOME AND GAINS

During the Year, the Group's other income and gains were approximately RMB806,759,000 (2019: RMB497,525,000), representing an increase of approximately 62.15% (2019: an increase of approximately 13.06%) as compared to the previous year. The increase in other income and gains was mainly due to the increase in investment income during the Year as compared to the previous year.

SELLING AND DISTRIBUTION EXPENSES

For the Year, the Group's selling and distribution expenses were approximately RMB45,026,000 (2019: RMB55,782,000), representing a decrease of approximately 19.28% (2019: an increase of approximately 0.36%) as compared to the previous year. The decrease was mainly due to the decrease in expenditure on overseas marketing activities during the Year.

ADMINISTRATIVE AND OTHER EXPENSES

The Group's administrative and other operating expenses were approximately RMB2,362,636,000 during the Year (2019: RMB1,426,024,000), representing an increase of approximately 65.68% (2019: a decrease of approximately 13.73%) as compared to 2019. The increase was primarily due to the impairment losses on assets of the Group during the Year.

FINANCE COSTS

For the Year, the Group's finance costs were approximately RMB699,444,000 (2019: RMB662,180,000), representing an increase of approximately 5.63% (2019: an increase of approximately 37.80%) as compared to 2019. The increase was mainly due to the fact that the average interest-bearing debt of the Group during the Year was higher as compared to the previous year.

INCOME TAX EXPENSES

For the Year, the Group's income tax expenses decreased by approximately RMB54,829,000 as compared to the previous year. The decrease was primarily due to the increase in the proportion of profit before tax from the companies that applied the 15% tax rate. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2019: 25%) on the taxable income (except for the high and new technology enterprises and 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% (2019: 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 7.70% during the Year (2019: 26.43%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB1,052,163,000, representing an increase of approximately 119.53% (2019: an increase of approximately 1.05%) from approximately RMB479,270,000 in 2019.

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 RMB3,508,307,000 as at 31 December 2019 to approximately RMB1,840,469,000 as at 31 December 2020. The decrease was mainly because the cash inflow from operating activities was less than the cash outflow of investing activities and financing activities.

As at 31 December 2020, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB207,133,000 (2019: RMB141,544,000), those denominated in US dollars amounted to approximately RMB488,859,000 (2019: RMB2,015,572,000), those denominated in Australian dollars amounted to approximately RMB3,101,000 (2019: RMB4,499,000), those denominated in Kazakhstani tenge amounted to approximately RMB3,000 (2019: RMB3,000). All other cash and cash equivalents held by the Group are denominated in RMB.

BORROWINGS

As at 31 December 2020, 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 RMB9,179,109,000 (2019: RMB8,775,174,000), of which approximately RMB8,444,969,000 (2019: RMB8,386,684,000) shall be repaid within one year, and approximately RMB734,140,000 (2019: RMB388,490,000) shall be repaid within two to five years. As at 31 December 2020, the Group had outstanding corporate bonds of approximately RMB3,448,895,000, which shall be repaid in one year (2019: RMB508,629,000) and approximately RMB4,780,379,000 (2019: RMB9,170,130,000), which shall be repaid within two to five years. The increase in the Group's borrowings during the Year was mainly because the Group adjusted its debt structure during the Year.

As at 31 December 2020, bank loans are denominated in RMB. As at 31 December 2020, approximately 78.78% 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 2020, the gearing ratio of the Group was 47.72% (31 December 2019: 46.26%). As the Group's financing needs had increased during the Year, the gearing ratio had 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 operational results.

During the Year, the Group has, under certain circumstances, entered into AU (T+D) contracts, which are substantially forward commodity contracts, on SGE to hedge potential price fluctuations of gold. Under the framework of these contracts, the Group can buy or sell gold forwards at day price with a margin payment of 10% of the total trading value, and it can close the deal by either physical delivery or entering into an offsetting arrangement. There is no restriction imposed on the settlement period. During the Year, the Group has not entered into any long-term AU (T+D) framework contract.

The Group also entered into copper cathode and gold forward contracts on the Shanghai Futures Exchange to hedge 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 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 deposits 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 deposits, 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 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, the earnings of and any dividend declared by the Group in Hong Kong dollars. In addition, in order to reduce the exchange risk, the Group has engaged in exchange rate lock-in activities to preserve the value of the US dollars exchanged during the Year.

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. Changes in relevant industry policies may have corresponding effects on the Company's production and operation.

PLEDGE

As at 31 December 2020, except RMB560,000,000 of discounted bills that were used for repurchase rediscount, the Group has not pledged any assets.

FULFILMENT OF POST-COMPLETION GUARANTEE FOR THE OPERATING RESULTS OF ZHAOJIN GEOLOGY EXPLORATION

References are made to the announcements of the Company dated 27 September 2019, 14 November 2019 and 2 January 2020, and the circular of the Company dated 30 October 2019.

On 27 September 2019, the Company and Zhaojin Group entered into the transfer agreement, pursuant to which the Company conditionally agreed to acquire, and Zhaojin Group conditionally agreed to sell, amongst others, the 100% equity interest in Shandong Zhaojin Geology Exploration Company Limited* (山東招金地質勘查有限公司) ("Zhaojin Geology Exploration"). The aggregate consideration under the transfer agreement was satisfied in full by the allotment and issuance of 49,697,009 new domestic shares of the Company to Zhaojin Group at the issue price of RMB8.09 per share.

The Company completed the share registration procedures with China Securities Depository and Clearing Corporation Limited in connection with the non-public issuance of the new domestic shares under specific mandate to Zhaojin Group on 27 December 2019 (the "Share Registration Completion Date").

Pursuant to the transfer agreement, Zhaojin Group has also granted a guarantee letter dated 27 September 2019 to the Company in respect of the operating results of Zhaojin Geology Exploration, pursuant to which Zhaojin Group guaranteed that Zhaojin Geology Exploration shall narrow the loss by 50%, achieve breakeven and record a profit of RMB3 million (excluding the revenue from disposal of the mining right in Madagascar at a price lower than the cost) within 12 months, 24 months and 36 months, respectively, from the Share Registration Completion Date. If Zhaojin Geology Exploration fails to meet the above targets within 36 months from the Share Registration Completion Date, Zhaojin Group shall make up the difference in the relevant operating results of Zhaojin Geology Exploration to the Company (the "Post-completion Guarantee").

In respect of the Post-completion Guarantee for the operating results of Zhaojin Geology Exploration within 12 months from the Share Registration Completion Date, the Board confirmed that based on the audited consolidated financial statements of Zhaojin Geology Exploration for the year ended 31 December 2020, Zhaojin Geology Exploration recorded a net profit (after tax) of RMB1,249,765.92, representing an increase of approximately 106% as compared with its net loss (after tax) of RMB19,331,894.40 for the year ended 31 December 2019.

Therefore, the Post-completion Guarantee for the operating results of Zhaojin Geology Exploration within 12 months from the Share Registration Completion Date has been met.

BUSINESS OUTLOOK

In 2021, with anticipated inflation following the world's economic recovery in the post-pandemic era, the need for risk aversion due to increasing worldwide uncertainties, and the continued weakening of US dollar, it is expected that gold, copper and other non-ferrous metals could welcome new opportunities. 2021 marks the beginning of the 14th five-year plan, and the Company will seize the opportunity to thoroughly implement the concept of new development by focusing on quality and effectiveness, with reform and innovation as motivation. The Company will further promote the upgrade and improvement for various tasks by fostering reform and strengthening management, improving deficiencies and enhancing living standards, preventing risks and maintaining stability, thus creating a new era of comprehensive and quality development.

FULLY PROMOTING KEY PROJECT CONSTRUCTION TO ACHIEVE OPERATIONAL UPGRADE FOR KEY BUSINESSES

In 2021, the Company will continue to tackle difficulties for achieving production and operation targets throughout its key businesses by implementing goals by phases with reward and penalty policies, and to achieve stability and expansion of production. The Company plans to realize an annual aggregate gold production of 36,259.63 kg (approximately 1,165,800 ozs) with an investment of RMB1,091 million in the infrastructure and technical transformation. Leveraging on the implementation of key projects such as Ruihai Mining and Caogoutou Project, the Company further accelerates the construction of the deep exploration projects of Xiadian Gold Mine, Dayingezhuang Gold Mine and Zaozigou Gold Mine, to ensure that the infrastructure and technical transformation projects will be completed smoothly, hence providing momentum for the continuous development of production stabilization, the increase of production as well as the expansion of production capacity.

ADHERING TO TECHNOLOGY INNOVATION IN THE INTELLIGENT MINE CONSTRUCTION TO EFFECTIVELY ENHANCE GOLD RESOURCES

In 2021, the Company will continue its emphasis on technology innovation through an investment of RMB64 million in technology innovation for the whole year to conduct 48 technology innovation projects. The Company will focus on the research of comprehensive utilization technology of tailings resources, and the scientific research project including deep-well and high-ground pressure mining method in relation to production continuity. By applying "four new technologies", the Company aims to improve its digitization and intelligence comprehensively. In 2021, the Company plans 68 construction projects applying the "four new technologies" with a total investment of RMB103 million, focusing on aspects including industrial Internet, intelligent mines, big data analysis, industrial control and safety, data governance, the upgrade and improvement on the business system, and the subsystem of mines. The Company will further improve its digitization and intelligence, refine its management as well as accelerate the transformation to digitization.

STRENGTHENING THE WORK INTENSITY OF EXTERNAL DEVELOPMENT PROJECTS AND CULTIVATING THE STRATEGIC GROWTH POLES

In 2021, the Company will focus on international strategies while continuing the reform of the investment and development procedures to enhance the workflows, arranging areas for investment and broadening the information channels to establish an international investment team. For domestic regions, the Company mainly integrates its existing businesses while developing new premium projects, whereas for overseas regions, the Company focuses on areas with lower policy risks to cultivate the growth poles for the Company's international strategies. At the same time, it gathers capital and construction efforts together with enhancing mine exploration to ensure that better results can be achieved in the increase of resource reserves. The Company plans to invest RMB195 million in geological prospecting throughout the year, resulting in an additional output of 44 tons of gold resource reserves and additional output of 1,200 tons of copper metal in order to safeguard the resources required for achieving the strategic goals.

ADHERING TO THE SAFETY BOTTOM LINE AND FURTHER ENHANCING THE INTRINSIC SAFETY LEVEL

Safety is the basis and premise for development and the top priority of all. In 2021, the Company will strictly implement national laws and regulations and adhere to the spirit of the safe production meetings organized by central/provincial/municipal governments, and carry out safe production in the most stringent manner with corresponding measures, aiming to stay cautious and careful in adhering to the safety bottom line. By carrying out safety and environmental protection inspection and reform and zoning management, the Company constantly fosters safety culture and develops new approaches for safety training, enhances the safety protection for key production system as well as raises employees' awareness of safety. The Company will continue to enhance its accuracy and depth of safety management and consolidate its foundation for stable and green development.

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 55, 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 30 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 55, 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 vice-chairman of China Association of Plant Engineering. Currently, Mr. Dong is a 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 has been granted 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 49, was born in 1972. He graduated from Shandong Economic University majoring in labour economy management and obtained an EMBA degree from Tsinghua University and a Master of Engineering. He has the qualification of Senior Gold Investment Analyst and is an affiliated person to The Hong Kong Institute of Chartered Secretaries. He is currently an executive Director, a vice president and the secretary to the Board of the Company. Currently, Mr. Wang is the director of Sparky International Company Limited (斯派柯國際有限公司) and other positions. Mr. Wang has served in various managerial positions for Zhaoyuan Beijie Gold Mine and Zhaojin Group. Since 2004, he has 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. Zhang Banglong, aged 58, was born in 1963. He holds a master's degree and is a senior gold investment analyst. From December 1992 to October 2000, Mr. Zhang served as the deputy chief accountant and chief accountant of the China Yangzi Group Co. Limited. He served as the chief accountant of Guangdong Macat Group Textile Co., Ltd from November 2000 to September 2004 and served as the financial controller and the chief financial officer of the Company from October 2004 to February 2013. From March 2013 to March 2020, he served as the deputy general manager and chief financial officer, the managing director of the Mineral Resources Division of Fosun Group, the senior assistant to the president of Fosun Group and the president of Resources Group. From April 2020, he has been serving as the co-chairman of Yuyuan Jewelry Fashion Group of Yuyuan, and a non-executive Director of the Company.

Mr. Liu Yongsheng, aged 56, was born in 1965. He graduated from the Party School of the Central Committee of Communist Party of China with a major in law, 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 has 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 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. Gao Min, aged 48, 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, and global partner, vice president, co-chief human resource officer of Fosun International Limited (stock code: 00656), a company listed on the Stock Exchange, the vice chairman of BabyTree Group (stock code: 01761), a company listed on the Stock Exchange, the non-executive director of Tebon Securities Co., Ltd. and the non-executive director of Baihe Jiayuan Co., Ltd.. Mr. Gao has served as a non-executive director, a vice president of Shanghai Yuyuan (stock code: 600655), a company listed on the Shanghai Stock Exchange ("SSE"), and chairman of its subordinate industry group, a non-executive director of Shanghai Ganglian E-Commerce Holdings Co., Ltd (上海鋼聯電子商務有限公司), 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.

Mr. Huang Zhen, aged 50, was born in 1971 and holds a master's degree. He is a non-executive Director of the Company and the chairman and president of Yuyuan (stock code: 600655), a company listed on the SSE, and the director of Jinhui Liquor Co., Ltd. (stock code: 603919), a company listed on SSE. From October 2012 to July 2013, Mr. Huang served as the head of business unit II of Shanghai Jahwa United Co., Ltd. ("Shanghai Jahwa") and the general manager of Shanghai Herborist Cosmetics Co., Ltd. (上海佰草集化妝品有限公司) ("Herborist"). From July 2013 to May 2014, he served as the assistant to the general manager and the head of business unit II of Shanghai Jahwa and the general manager of Herborist. From May 2014 to January 2017, he served as the deputy general manager of Shanghai Jahwa and the general manager of the business unit of Herborist. From January 2017 to September 2017, he served as the deputy general manager of Shanghai Jahwa. From September 2017 to December 2019, he served as the vice-president of Shanghai Yuyuan. Since December 2019, he has been the president of Shanghai Yuyuan. Mr. Huang has been a non-executive Director of the Company since October 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Jinrong, aged 62, was born in 1959. She graduated from Renmin University of China and is an associate professor. She is a qualified accountant in China and a qualified independent director. She is an independent non-executive Director of the Company, and a lecturer at the School of Economics and Management of Tsinghua University and Beijing Union University, director of risk control of Shandong Institute of Industrial Technology and executive president of Chanyan Bozheng School of Management. Ms. Chen is also an independent non-executive director of SSE listed companies, Geovis Technology Co., Ltd (中科星圖股份有限公司) (stock code: 688568), Beijing Sifang Automation Co., Ltd. (北京四方繼保自動化股份有限公司) (stock code: 601126), and BOCO Inter-Telecom Company Limited (億陽信通股份有限公司) (stock code: 600289). Ms. Chen mainly focuses on researching 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 has 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. Ms. Chen has been an independent non-executive Director of the Company since April 2007.

Mr. Choy Sze Chung Jojo, aged 62, was born in 1959. He obtained his Master of Business Administration Degree from the University of Wales, United Kingdom, his Master of Business Law Degree from Monash University, Australia, his Honorary Doctorate of Management from Lincoln University and was awarded fellow of the Canadian Institute of Chartered Management. 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 companies listed on the Main Board of the Stock Exchange namely 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 GEM listed 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 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 execute committee member of Shantou Overseas Friendship Association, and an honorary principal of Chen Po Sum School. Mr. Choy has extensive experience in the securities industry and business management. Mr. Choy has been an independent non-executive Director of the Company since May 2007.

Mr. Wei Junhao, aged 60, 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 30 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 120 masters and doctoral students. Mr. Wei has been an independent non-executive Director of the Company since February 2016.

Mr. Shen Shifu, aged 55, was born in 1966. He is a professor in engineering, a tutor of doctorate 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 and 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 is also an independent non-executive director of Huaiji Dengyun Auto-parts (Holding) Co., Ltd. (stock code: 002715), a company listed on Shenzhen Stock Exchange. Mr. Shen once worked at Tsingtao Lubi Cement Co., Ltd. (Original Tsingtao Laoshan Cement Plant) as their 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) and professor committee member of China Nonferrous Metals Society Technical Experts Working Committee (中國有色金屬學會技術專家工作委員會). As the main operator, Mr. Shen has 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, State 973 Project, and major science and technology innovation projects of Shandong Province. Mr. Shen has undertaken more than 40 enterprise commissions (including the beneficiation of various kinds of minerals, the comprehensive utilization of tailings, and the harmless disposal of hazardous waste and comprehensive utilization of mineral material). Mr. Shen has been awarded four Ministerial First Prize of Technology Progress, six Institute First Prize of Technology Progress, and more than 20 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.

Details of the Director who resigned during the period from 1 January 2020 to the date of this annual report are set out below:

Mr. Xu Xiaoliang, aged 48, was born in 1973. He graduated from East China Normal University School of Business Management and was awarded a master's degree. He is an executive director and the co-CEO 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 Industrial City Development Association, the president of Shanghai International Fashion Federation. He has over 18 years of experience in real estate distribution services and investment development, and has 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, the chairman of Yuyuan, the vice-chairman and non-executive director of the Company. He was successively granted the "Shanghai 4 May Youth Medal" and the "Shanghai Top Ten Youth Business Persons". Mr. Xu has resigned from his position as the vice-chairman and a non-executive Director of the Company on April 2020.

For information regarding changes in composition of the Board for the period from 1 January 2020 to the date of this annual report, please refer to page 63 of this annual report.

SUPERVISORS

Mr. Wang Xiaojie, aged 48, was born in 1973. He is currently the chairman of the Supervisory Committee of the Company, the director and the deputy secretary of the Party Committee of Zhaojin Group and the chairman of the labour union of Zhaojin Group. He has served as the deputy manager of Zhaoyuan City Gold Software Science and Technology Co., Ltd., and subsequently the deputy manager and manager of the Information Centre of Zhaojin Group. Mr. Wang graduated with a degree in applied electronic technology from the Institute of Information Engineering of Shandong, a degree in computer application from Qingdao Chemical & Engineer College and a degree in economics and management from the Party School of the Shandong Provincial Committee of the Communist Party of China. Mr. Wang has 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 39, was born in 1982 and graduated from the Shanghai University of Finance and Economics with a master's degree in business management. He is currently a supervisor of the Company, the executive president and chief financial officer of Yuyuan, the director of Jinhui Liquor Co., Ltd. (stock code: 603919), a company listed on SSE, which is listed on the SSE. Mr. Zou has served as an assistant manager of KPMG Huazhen Certified Public Accountants, a senior financial manager of the Financial Management Center of Shimao Real Estate and the head of Innovation Finance Department. He has served as a director of Budget Analysis and a 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 Forte Land (Group) Co., Ltd. (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 44, 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.

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 the 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. Zou Qingli, aged 45, was born in November 1976. He is a senior accountant and certified tax agents, graduated from the Xi'an Petroleum Institute (西安石油學院) majoring in financial management and a part-time MBA student. 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) and finance team partner. 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 49, was born in 1972. She graduated from the University of International Business and Economics with a bachelor's degree in economics and management, and she has obtained qualifications of senior economist, senior finance manager and senior human resource management professional. Ms. Wang is the vice president, and the secretary of 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, the director of inspectors office and the human resource director of Zhaojin Group. She has 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 has been the vice president of the Company with effect from March 2018 and the secretary of the disciplinary committee of the Company with effect from January 2019.

Mr. Tang Zhanxin, aged 55, was born in 1966. He graduated from the China University of Geosciences with a master's degree in geology and mineral exploration, and he has obtained an EMBA degree from Cheung Kong Graduate School of Business and 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 deputy director of Xiadian Gold Mine, 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 has served as the assistant to the president of the Company, and he has been the vice president of the Company with effect from March 2018.

Mr. Wang Chunguang, aged 51, was born in 1970. He graduated from the Shandong University of Technology with a bachelor's degree in mining, and he has obtained the qualification of senior 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 has been 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 2020.

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 119 to 127 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 by the Group, analysis using financial key performance indicators and our indication of likely future developments in the Group's business, can be found in Management Discussion and 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 2020 are set out in the consolidated Statement of Profit or Loss on page 110 of this annual report.

MANAGEMENT CONTRACTS

During the Year, the Company did not enter into or have any contracts regarding the overall management or administration of the whole or any substantial part of the business of the Group.

PROFIT DISTRIBUTION

As of the date of this annual report, the final dividend for the financial year ended 31 December 2019 paid by the Company was approximately RMB130,816,000 (2018: RMB128,828,000).

The Board proposed the payment of a final cash dividend of RMB0.05 (tax included) (2019: RMB0.04 (tax included)) per share to all Shareholders for 2020.

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 7 June 2021).

The proposed distributions are subject to the approval by the Shareholders at the 2020 AGM of the Company to be held on 7 June 2021.

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 85.94% (2019: 81%) of the total sales was conducted on the SGE. Similar to a stock exchange, the SGE is a trading platform for gold transactions. Under the circumstances where purchasers and sellers are unknown to each other, all transactions are conducted under the coordination and supervision of the SGE. Therefore, the SGE is deemed to be the Group's sole major customer.

Transactions between the Group and its suppliers are conducted on normal commercial terms. The total amount of purchases from the five largest suppliers did not exceed 30.49% (2019: 34.36%) of the Group's total amount of purchases. The amount of purchases from the largest supplier was 17.81% 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 close associates (as defined in Listing Rules) or any Shareholders (who to the knowledge of the Director own 5% or more of the number of issued shares in the Company's share capital) 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 2020 are set out on pages 215 to 218 of this annual report.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2020 are set out in note 40 to the financial statements on page 218 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 2020, 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 RMB4,520,103,000 (2019: RMB3,814,846,000), of which approximately RMB163,520,000 are proposed to be the final cash dividend of the Year (2019: dividend of RMB130,816,000).

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 dollars, 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 13 to the financial statements on pages 177 to 179 of this annual report.

The Group did not hold any investment property, nor did the Group hold any property for development and/or sale.

SHARE CAPITAL

On 7 August 2020, 1,560,340,597 domestic shares of the Company were converted into H shares of the Company and, on 10 August 2020, the converted H shares were listed on the Stock Exchange. As at 31 December 2020, there were a total of 660,837,607 domestic shares and 2,609,555,597 H shares in the share capital of the Company.

During the Year, details of changes in share capital of the Company are set out in note 38 to the financial statements on page 214 of this annual report.

CHARITABLE DONATIONS

During the Year, the Group made various kinds of charitable donations which amounted to RMB6,089,000 (2019: RMB10,604,000) in total.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 32 to the financial statements on pages 206 to 207 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 10 to the financial statements on pages 174 to 175 of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision or regulation on pre-emptive rights under the Articles of Association or the PRC laws which require the Company to issue new shares to 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, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the Year 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)*
Mr. Wang Ligang *(Vice-President and Board Secretary)*

NON-EXECUTIVE DIRECTORS

Mr. Zhang Banglong *(Vice Chairman)*
(appointed with effect from 24 April 2020)
Mr. Liu Yongsheng
Mr. Gao Min
Mr. Huang Zhen
Mr. Xu Xiaoliang (resigned as vice chairman and a non-executive Director of the Company due to re-allocation of work with effect from 24 April 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

Mr. Wang Xiaojie
Mr. Zou Chao
Ms. Zhao Hua

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 35 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 9 to the financial statements on pages 169 to 173 of this annual report. No Directors waived or agreed to waive any emoluments in the year ended 31 December 2020 (2019: 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 in addition to statutory compensation.

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

None of the Directors or Supervisors (or the entities connected with the Directors or the 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 or fellow subsidiaries was a party during the Year.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance 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, details of which could be found on pages 88 to 89 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 complying with regulatory requirements and the risk of non-compliance with such requirements of which could lead to serious adverse consequences. The Group has sufficient resources to ensure ongoing compliance with rules and regulations and to effectively maintain cordial working relationships with relevant authorities through effective communication.

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 its 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 has maintained good relationship with its customers during the Year.

MATERIAL CONTRACTS IN WHICH CONTROLLING SHAREHOLDERS HAVE INTERESTS

Particulars of the material contracts entered into between the Company, (or any of this subsidiaries), and the controlling Shareholder, (or any of its subsidiaries), were disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this Report of the Directors.

FIVE HIGHEST-PAID PERSONNEL

The five highest-paid individuals in the Group during the Year include three Directors. Full details of the five highest by paid personnel's remuneration are set out in note 9 to the financial statements on pages 172 to 173 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 diversified development paths to its staff in order to increase their initiative and creativity.

As of 31 December 2020, the Company had a total of 6,786 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 RMB138.71 million 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 2020 are as follows:

Classification	Number of Shareholders
Domestic shares	2
Overseas-listed foreign shares – H shares	1,447
Total number of Shareholders	1,449

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 2020, the interests or short position of the Directors, Supervisors and chief executives 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 H shares of the Company %	Long position/ Short position/
1	Weng Zhanbin (Chairman and executive Director)	H shares	Beneficiary of a trust (other than a discretionary interest)	1,200,000 *(Note 1)*	0.04%	0.05%	Long position
2	Dong Xin (Executive Director and president)	H shares	Beneficiary of a trust (other than a discretionary interest)	300,000 *(Note 1)*	0.009%	0.01%	Long position
3	Wang Ligang (Executive Director and vice president)	H shares	Beneficiary of a trust (other than a discretionary interest)	1,000,000 *(Note 1)*	0.03%	0.04%	Long position
4	Zhao Hua (Supervisor)	H shares	Beneficiary of a trust (other than a discretionary interest)	200,000 *(Note 1)*	0.006%	0.008%	Long position

Note:

1. 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 executives. Under the ESSP, one ESSP Portion corresponds to one H share. The ESSP Portions held by the above Directors, Supervisor and chief executives of the Company were converted from domestic shares into H shares on 7 August 2020 as part of the H-share full circulation of the Company. For details of the ESSP, please refer to pages 47 and 48 of this annual report.

Save as disclosed above, as at 31 December 2020, 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 2020, 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	618,437,607 *(Note 1)*	18.91	93.58	–	Long position
		H shares	Beneficial owner	517,773,402 *(Note 1)*	15.83	–	19.84	Long position
		H shares	Interest of controlled corporation	77,623,195 *(Notes 1 and 3)*	2.37	–	2.97	Long position
2	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.	H shares	Beneficial owner	742,000,000	22.69	–	28.43	Long position
		H shares	Interest of controlled corporation	21,200,000 *(Notes 1 & 2)*	0.65	–	0.81	Long position
3	Guo Guangchang	H shares	Interest of controlled corporation	869,200,000 *(Note 4)*	26.58	–	33.31	Long position
4	Fosun International Limited	H shares	Interest of controlled corporation	869,200,000 *(Note 4)*	26.58	–	33.31	Long position
5	Fosun International Holdings Ltd.	H shares	Interest of controlled corporation	869,200,000 *(Note 4)*	26.58	–	33.31	Long position
6	VanEck Vectors ETF – VanEck Vectors Gold Miners ETF	H shares	Beneficial owner	146,750,500 *(Note 5)*	4.49	–	5.62	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
7	Van Eck Associates Corporation	H shares	Investment manager	210,434,900 *(Note 5)*	6.43	–	8.06	Long position
8	Deutsche Bank Aktiengesellschaft	H shares	Beneficial owner	47,804,200	1.46	–	4.56	Long position
		H shares	Beneficial owner	60,470,400	1.86	–	5.76	Short position
9	State Street Bank & Trust Company	H shares	Approved lending agent	216,123,108 *(Note 6)*	6.61	–	8.28	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) Yuyuan holds 100% equity interests in Laomiao Gold and therefore the 21,200,000 H shares held by Laomiao Gold in the Company is shown as long position of Yuyuan.

(3) Zhaojin Group holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous") and therefore the 50,967,195 H 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 26,656,000 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) Van Eck Associates Corporation is the investment manager of the VanEck Vectors ETF – VanEck Vectors Gold Miners ETF.

(6) State Street Bank & Trust Company is interested in the shares of the Company through its directly or indirectly controlled companies.

As at 31 December 2020, 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.

CHANGES IN DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors, Supervisors and chief executives of the Company since the Company's last published interim report and up to the date of this annual report are as follows:

Name of Director	Details of change
Mr. Gao Min	Ceased to serve as a director of Yuyuan since March 2021 and served as the director of BabyTree Group (listed on Stock Exchange with stock code 01761) since January 2021
Mr. Huang Zhen	Served as the chairman of Yuyuan since December 2020 and a director of Jinhui Liquor Co., Ltd. (listed on the SSE with stock code 603919) since November 2020
Mr. Shen Shifu	Served as an independent non-executive director of Huaiji Dengyun Auto-parts (Holding) Co., Ltd. (listed on Shenzhen Stock Exchange with stock code 002715) since March 2021
Mr. Zou Chao	Served as a director of Jinhui Liquor Co., Ltd. (listed on the SSE with stock code 603919) since October 2020

Save as disclosed above and in this annual report, there is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

EQUITY-LINKED AGREEMENT – EMPLOYEE SHARES SUBSCRIPTION PLAN ("ESSP")

On 29 December 2015, the Board passed resolutions to implement 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 the 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 even date.

On 31 March 2017, the Company completed share registration procedures with China Securities Depository and Clearing Corporation Limited in connection with the issuance of 80 million new domestic shares under the specific mandate of 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 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 of ensuring the long-term sound development of the Company.

(b) CONDITIONS THAT 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 the State-Owned Assets Supervision and Administration Commission of Shandong Province or all other relevant authorities (if any); and

(2) obtaining approval from 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 THAT TARGET PARTICIPANTS MUST MEET BEFORE SUBSCRIBING FOR SHARES

Employees of the Company who have 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 dollars should be the middle rate announced by the 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); and 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 OF DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

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 or Supervisors of the Company to have the right to acquire benefits by means of acquisition of shares in or debentures of 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 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 ended 31 December 2018, 2019 and 2020 were 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.

(2) 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 ended 31 December 2018, 2019 and 2020 were 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.

(3) 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 a 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 ended 31 December 2018, 31 December 2019 and 31 December 2020 were approximately RMB9,750,000, RMB9,600,000 and RMB9,450,000, respectively.

(4) 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 a 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 ended 31 December 2018, 31 December 2019 and 31 December 2020 were RMB12,600,000, RMB12,600,000 and RMB12,600,000, respectively.

(5) 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 before 25 November 2019) 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 ended 31 December 2018, 31 December 2019 and 31 December 2020 were RMB30,000,000, RMB32,000,000 and RMB35,000,000, respectively.

(6) 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 ended 31 December 2018, 31 December 2019 and 31 December 2020 were RMB200,000,000, RMB240,000,000 and RMB288,000,000, respectively.

(7) 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 ended 31 December 2018, 31 December 2019 and 31 December 2020 were RMB90,000,000, RMB95,000,000 and RMB95,000,000, respectively.

(8) 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 ended 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.

(9) 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 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 2018 Water Treatment Engineering Services Agreement is more than 0.1% but less than 5%, 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 announcement of the Company dated 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 23 August 2019, the Company entered into the Exploration, Environmental Governance and Related Technical Services Framework Agreement with the Third Institute of Geological and Mineral Exploration of Gansu Provincial Bureau of Geology and Mineral Resources* (甘肅省地質礦產勘查開發局第三地質礦產勘查院) ("No. 3 Exploration Institute", a substantial shareholder of Gansu Province Zaozigou Gold Mine Company Limited* (甘肅省早子溝金礦有限責任公司) ("Zaozigou Gold Mine Company"), Gansu Xinrui Mining Company Limited* (甘肅鑫瑞礦業有限公司) ("Xinrui Mining") and Gansu Zhaojin Precious Metal Smelting Company Limited* (甘肅招金貴金屬冶煉有限公司) ("Zhaojin Precious Metal Smelting"). Pursuant to the Exploration, Environmental Governance and Related Technical Services Framework Agreement, the maximum aggregated value of exploration, environmental governance and related technical services for the three years ending 31 December 2019, 31 December 2020 and 31 December 2021 are approximately RMB32 million, RMB32 million and RMB32 million, respectively.

No. 3 Exploration Institute holds 30%, 34% and 30% of the shares in Zaozigou Gold Mine Company, Xinrui Mining and Zhaojin Precious Metal Smelting, which are subsidiaries of the Company, respectively. Therefore, No. 3 Exploration Institute is a connected person of the Company. Accordingly, the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Exploration, Environmental Governance and Related Technical Services Framework Agreement exceeds 0.1% but is less than 5%, the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder are subject to annual review, reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 23 August 2019 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 16 October 2019, the Company entered into the Framework Agreement for Sales of Silver with Yongxing Zhaojin Precious Metal Processing Manufacturing Co., Ltd.* (永興招金貴金屬加工製造有限公司) ("Yongxing Zhaojin"). Pursuant to the Framework Agreement for Sales of Silver, the annual caps of the sales of silver (excluding value-added tax) for the three years ending 31 December 2019, 31 December 2020 and 31 December 2021 are approximately RMB75 million, RMB100 million and RMB125 million, respectively.

Zhaojin Group is the controlling Shareholder of the Company. Yongxing Zhaojin is indirectly held as to 47.71% by Zhaojin Group through its subsidiaries and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement for Sales of Silver constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Framework Agreement for Sales of Silver is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement for Sales of Silver are subject to the reporting and announcement requirements but are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 16 October 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(12) On 31 December 2019, the Company entered into the Processing and Smelting, Treatment of Waste Water, Waste Gas and Waste Residue, Testing and Related Technical Services Framework Agreement with Shandong Zhaojin Technology Company Limited* (山東招金科技有限公司) ("Shandong Zhaojin Technology"). Pursuant to the Processing and Smelting, Treatment of Waste Water, Waste Gas and Waste Residue, Testing and Related Technical Services Framework Agreement, the maximum aggregated value of processing and smelting, treatment of waste water, waste gas and waste residue, testing and related technical services for the three years ending 31 December 2020, 31 December 2021 and 31 December 2022 are approximately RMB27.5 million, RMB29 million and RMB29 million, respectively.

Zhaojin Group is the controlling Shareholder of the Company and thus a connected person of the Company. Shandong Zhaojin Technology, being a subsidiary of the Company, is held as to 35% by Zhaojin Group. As Shandong Zhaojin Technology is a connected subsidiary of the Company as well as an associate of Zhaojin Group, Shandong Zhaojin Technology is a connected person of the Company. Accordingly, the Processing and Smelting, Treatment of Waste Water, Waste Gas and Waste Residue, Testing and Related Technical Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the highest annual cap in respect of the Processing and Smelting, Treatment of Waste Water, Waste Gas and Waste Residue, Testing and Related Technical Services Framework Agreement exceeds 0.1% but is less than 5%, the Processing and Smelting, Treatment of Waste Water, Waste Gas and Waste Residue, Testing and Related Technical Services Framework Agreement and the transactions contemplated thereunder are subject to annual review, reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 31 December 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(13) On 25 August 2020, Zhaojin Geology Exploration and Zhaojin Group entered into the geological prospecting services framework agreement in relation to the provision of geological prospecting services from Zhaojin Geology Exploration to Zhaojin Group from 1 January 2020 to 31 December 2022 (the "Geological Prospecting Services Framework Agreement").

The Company expects that the maximum aggregate annual caps in respect of the transactions contemplated under the Geological Prospecting Services Framework Agreement are RMB16,000,000, RMB16,000,000 and RMB16,000,000 for the year ended 31 December 2020, and the years ending 31 December 2021 and 31 December 2022, respectively.

(14) On 25 August 2020, Zhaoyuan Gold Materials Supply Center Co., Ltd* (招遠市黃金物資供應中心有限公司) ("Materials Supply Center") and Zhaojin Group entered into the material procurement framework agreement in relation to the provision of material procurement services by Materials Supply Center to Zhaojin Group in the PRC from 1 January 2020 to 31 December 2022 (the "Material Procurement Framework Agreement").

The Company expects that the maximum aggregate annual caps in respect of the transactions contemplated under the Material Procurement Framework Agreement are RMB80,000,000, RMB90,000,000 and RMB100,000,000 for the year ended 31 December 2020, and the years ending 31 December 2021 and 31 December 2022, respectively.

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

Relevant details were set out in the announcement of the Company dated 25 August 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(15) On 31 December 2020, the Company entered into the Land Lease Framework Agreement with Zhaojin Group. Pursuant to the Land Lease Framework Agreement, the annual caps for the the total value of right-of-use assets involved in the subject land use rights for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB9,000,000, RMB9,000,000 and RMB8,600,000, respectively.

(16) On 31 December 2020, the Company entered into the Gold Refinery Agreement with Zhaojin Refinery. Pursuant to the Gold Refinery Agreement, the annual caps for the annual fees for the provision of gold refining services for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB11,000,000, RMB13,000,000 and RMB15,000,000, respectively.

(17) On 31 December 2020, Goldsoft Technology entered into the Informatization Services Framework Agreement with Zhaojin Group. Pursuant to the Informatization Services Framework Agreement, the annual caps for the provision of informatization services for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB17,000,000, RMB17,000,000 and RMB17,000,000, respectively.

(18) On 31 December 2020, the Company entered into the Property Lease Framework Agreement with Zhaojin Group. Pursuant to the Property Lease Framework Agreement, the annual caps for the total rentals and relevant tax expense payable for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB12,000,000, RMB12,500,000 and RMB13,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company. Zhaojin Refinery is a subsidiary of Zhaojin Group and is therefore a connected person of the Company, and Goldsoft Technology is a subsidiary of the Company. Accordingly, the transactions contemplated under the Land Lease Framework Agreement, the Gold Refinery Agreement, the Informatization Services Framework Agreement and the Property Lease Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Land Lease Framework Agreement, the Gold Refinery Agreement, the Informatization Services Framework Agreement and the Property Lease Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Land Lease Framework Agreement, the Gold Refinery Agreement, the Informatization Services Framework Agreement and the Property Lease Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 31 December 2020 and the supplemental announcement of the Company dated 8 January 2021 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(19) On 31 December 2020, the Company and Finance Company entered into the 2020 Group Financial Services Agreement. According to the 2020 Group Financial Services Agreement, the annual caps for the years ending 31 December 2021, 2022 and 2023 are as follows: (i) RMB4,000,000,000, RMB4,500,000,000 and RMB5,000,000,000, respectively, for deposit services (including interest accrued thereon); (ii) RMB1,500,000,000, RMB2,000,000,000 and RMB2,500,000,000, respectively, for bill discounting services (including interest accrued thereon); (iii) RMB4,500,000,000, RMB5,000,000,000 and RMB5,500,000,000, respectively, for loan services (including interest accrued thereon).

(20) On 31 December 2020, Zhaojin Group and Finance Company entered into the 2020 Parent Group Financial Services Agreement. According to the 2020 Parent Group Financial Services Agreement, the annual caps for the years ending 31 December 2021, 2022 and 2023 are as follows: (i) RMB5,000,000,000, RMB5,500,000,000 and RMB6,000,000,000, respectively, for deposit services (including interest accrued thereon); (ii) RMB2,000,000,000, RMB2,500,000,000 and RMB2,500,000,000, respectively, for bill discounting services (including interest accrued thereon); (iii) RMB4,000,000,000, RMB4,500,000,000 and RMB5,000,000,000, respectively, for loan services (including interest accrued thereon).

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 2020 Group Financial Services Agreement and the 2020 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 2020 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, annual review, announcement and independent Shareholders' approval requirements since no security 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 each of (i) the provision of deposit services by the Finance Company to the Group; and (ii) the provision of bill discounting services by Finance Company to the Group under the 2020 Group Financial Services Agreement is more than 25%, the provision of deposit services and bill discounting services under the 2020 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 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 2020 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, annual review, 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; (ii) bill discounting services; and (iii) loan services by Finance Company to Zhaojin Group under the 2020 Parent Group Financial Services Agreement is more than 25%, the provision of deposit services, bill discounting services and loan services under the 2020 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 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 2020 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, annual review, announcement and independent Shareholders' approval requirements.

During the period from 1 January 2021 to the 2021 first extraordinary general meeting of the Company ("Transition Period"), the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of each of (i) the deposit services; and (ii) the bill discounting services by Finance Company to the Group under the 2020 Group Financial Services Agreement is more than 0.1% but less than 5%, the provision of deposit services and bill discounting services during the Transition Period under the 2020 Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of each of (i) the deposit services; (ii) the bill discounting services; and (iii) the loan services by Finance Company to Zhaojin Group and its subsidiaries under the 2020 Parent Group Financial Services Agreement is more than 0.1% but less than 5%, the provision of deposit services, bill discounting services and loan services during the Transition Period under the 2020 Parent Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement and circular of the Company both dated 31 December 2020 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

On 30 November 2020, the Company and Zhaoyuan Zhaojin Yinlou Building Comprehensive Development Co., Ltd.* (招遠市招金銀樓大廈綜合開發有限公司) ("Zhaojin Yinlou Development") entered into a property transfer contract (the "Acquisition SPA"), pursuant to which the Company agreed to acquire and Zhaojin Yinlou Development agreed to sell Zhaojin Building and Related Assets at a consideration of RMB441,427,275.84. Zhaojin Building and Related Assets comprises the housing constructions (structures) of the main building of the Zhaojin Building project located at 118 Wenquan Road, Zhaoyuan City, Shandong Province and the corresponding land use right thereof, together with the low-value consumables in the building.

On 30 November 2020, the Company and Shandong Zhaojin Yinlou Co., Ltd.* (山東招金銀樓有限公司) ("Zhaojin Yinlou") entered into a property transfer contract (the "Disposal SPA"), pursuant to which the Company agreed to sell and Zhaojin Yinlou agreed to acquire the original office of Zhaojin Mining and related assets at a consideration of RMB72,039,973.00. The original office of Zhaojin Mining and related assets comprises the housing constructions (structures) and assets of equipment category, low-value consumables, and the corresponding land use right located at No. 299 Jinhui Road, Zhaoyuan City, Shandong Province.

Zhaojin Group is the controlling Shareholder of the Company and thus a connected person of the Company. Zhaojin Yinlou is held as to 40% and 60% by Zhaojin Group and Zhaojin Refinery, respectively, and Zhaojin Refinery is a 80.5% owned subsidiary of Zhaojin Group. Zhaojin Yinlou Development is a wholly-owned subsidiary of Zhaojin Yinlou. Zhaojin Yinlou and Zhaojin Yinlou Development are therefore connected persons of the Company.

Accordingly, the Acquisition SPA and the Disposal SPA both constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the respective highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Company in respect of the Acquisition SPA and the Disposal SPA exceeds 0.1% but is less than 5%, the acquisition and the disposal are subject to reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 30 November 2020 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 43 to financial statements in this annual report, and are of the view that the 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 transactions disclosed in note 43 to the consolidated financial statements which constituted connected transactions or continuing connected transactions 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 2020 or before:

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 caps disclosed in the respective announcements or circulars issued 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 2021, 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 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in this report, as at 31 December 2020, 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 5 June 2020, the following proposals, among other things, were reviewed at the 2019 annual general meeting of the Company (the "2019 AGM"):

   (1) the Company's profit distribution proposal for the year ended 31 December 2019 to distribute a cash dividend of RMB0.04 (tax included) per share to all Shareholders. On 30 June 2020, the Company distributed the cash dividend of RMB0.04 (tax included) per share for 2019 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 total number 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 total number of the issued H shares of the Company as at the date of passing such resolution;

   (4) amending Article 8.5, Article 8.6, Article 8.7, Article 8.9, and Article 9.6 of the Articles of Association of the Company;

   (5) amending Article 18, Article 26, Article 27 Article 33, Article 34, and Section 2 of the rules of procedures for general meetings of the Company; and

   (6) the appointment of Mr. Huang Zhen and Mr. Zhang Banglong as non-executive Directors.

The proposals were approved at the 2019 AGM.

Relevant details of the 2019 AGM were set out in the circular and notice both dated 21 April 2020, the supplemental circular and supplemental notice of the Company both dated 20 May 2020 and the voting results announcement dated 5 June 2020 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 5 June 2020, the following proposals, among other things, were reviewed at the domestic shares class meeting and the H shares class meeting (collectively, the "Class Meetings") respectively:

   (1) authorizing the Board to repurchase H shares of up to a maximum of 10% of the total number of the issued H shares of the Company as at the date of passing such resolution;

   (2) amending Article 8.5, Article 8.6, Article 8.7, Article 8.9, and Article 9.6 of the Articles of Association of the Company; and

   (3) amending Article 18, Article 26, Article 27 Article 33, Article 34, and Section 2 of the rules of procedures for general meetings of the Company.

   The proposals were approved at the domestic shares class meeting and the H shares class meeting, respectively.

   Relevant details of the Class Meetings were set out in the circular and notice both dated 21 April 2020, the supplemental circular and supplemental notice of the Company both dated 20 May 2020 and the voting results announcement dated 5 June 2020 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. On 15 September 2020, the following proposals, among other things, were reviewed at the 2020 first extraordinary general meeting of the Company (the "2020 EGM"):

   (1) the proposed registration and issuance of corporate bonds of not more than RMB6.0 billion in the PRC and to grant authority to the Board to deal with such matters relating to its registration and issuance;

   (2) the proposed registration and issuance of medium-term notes of not more than RMB6.0 billion in the PRC and to grant authority to the Board to deal with such matters relating to its registration and issuance;

   (3) the proposed registration and issuance of perpetual medium-term notes of not more than RMB6.0 billion in the PRC and to grant authority to the Board to deal with such matters relating to its registration and issuance; and

   (4) the proposed amendment to the Article 3.5 of the Articles of Association of the Company.

   The proposals were approved at the 2020 EGM.

   Relevant details of the 2020 EGM were set out in the announcement dated 25 August 2020, the circular and the notice both dated 31 August 2020, and the voting results announcement dated 15 September 2020 published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Completion of the H Share Full Circulation

On 13 January 2020, the Company has received an official letter from the China Securities Regulatory Commission (the "CSRC"), stating the CSRC had accepted the Company's application regarding the implementation of the H share full circulation. Under its application, the Company would apply for the conversion of up to 1,560,340,597 domestic shares into H shares of the Company and the listing thereof (the "Conversion and Listing"). On 18 June 2020, the Company received the formal approval (the "Approval") from the CSRC approving the Conversion and Listing. The Approval shall be valid for 12 months from 17 June 2020. During such 12-month period, the Company shall complete the Conversion and Listing. On 3 August 2020, the Company received the approval from the Stock Exchange for the listing of and the permission to deal in 1,560,340,597 H shares (the "Converted H Shares"). The conversion was completed on 7 August 2020. The listing of the Converted H Shares on the Stock Exchange commenced at 9:00 a.m. on 10 August 2020.

Relevant details were set out in the announcements of the Company dated 13 January 2020, 18 June 2020, 3 August 2020 and 10 August 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Entering into the Management Incentive Agreement for Zhaojin Mining Industry Company Limited

On 13 January 2020, the Company entered into the Management Incentive Agreement for Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司管理層激勵協議書) (the "Management Incentive Agreement") with Yuyuan and Shanghai Fosun, respectively, aiming to provide incentives to the management of the Company to effectively facilitate the full conversion of domestic shares of the Company into listed H shares for full circulation, and the management of market capitalization of the Company. Pursuant to the Management Incentive Agreement, Yuyuan and Shanghai Fosun Investment shall respectively provide the incentives in cash to the management of the Company conditionally. The conditions of the incentives are the realization of conversion of domestic shares of the Company into listed H shares for full circulation, management of its market capitalization and gains from any disposal of shares.

Relevant details were set out in the announcement of the Company dated 13 January 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Redemption of Medium-term Notes and Corporate Bonds

On 19 March 2020, the Company redeemed the first tranche of medium-term notes for the year of 2015 with a par value of RMB500 million at an interest rate of 5.9% per annum.

Relevant details were set out in the announcement of the Company dated 10 March 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 8 July 2020, the Company redeemed the second tranche of medium-term notes for the year of 2015 with a par value of RMB1.6 billion at an interest rate of 5.2% per annum.

Relevant details were set out in the announcement of the Company dated 2 July 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 29 July 2020, the Company redeemed the corporate bonds for the year of 2014 with a par value of RMB507 million at an interest rate of 4.8% per annum.

Relevant details were set out in the announcement of the Company dated 20 July 2020 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 and Member of the Strategic Committee under the Board

The Company held the 11th meeting of the sixth session of the Board on 24 April 2020, at which Mr. Xu Xiaoliang tendered his resignation as a non-executive Director, vice chairman and a member of the Strategic Committee of the Company due to the reallocation of his work arrangement. His resignation was with effect from 24 April 2020. The Board appointed Mr. Zhang Banglong as a non-executive Director, vice chairman and a member of the Strategic Committee of the Company. His appointment was with effect from 24 April 2020.

The details of changes in the composition of the Board were set out in the announcement of the Company dated 24 April 2020 and the supplemental circular of the Company dated 20 May 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

8. Changes in Senior Management

The Company held the 11th meeting of the sixth session of the Board on 24 April 2020. As Mr. Sun Xiduan had reached the age of retirement and transfer, he applied for retirement and transfer. The Board agreed to dismiss Mr. Sun Xiduan from the position of vice president of the Company, and the dismissal date was with effect from 24 April 2020.

9. Issuance of Super Short-term Bonds

On 25 March 2020, the Company issued the first tranche of super short-term bonds for the year of 2020 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.28% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 24 March 2020 and 27 March 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 15 April 2020, the Company issued the second tranche of super short-term bonds for the year of 2020 with a par value of RMB1 billion for a term of 180 days and bearing interest rate of 1.60% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 14 April 2020 and 16 April 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 20 April 2020, the Company issued the third tranche of super short-term bonds for the year of 2020 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 1.80% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 17 April 2020 and 21 April 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 18 May 2020, the Company issued the fourth tranche of super short-term bonds for the year of 2020 with a par value of RMB1 billion for a term of 265 days and bearing interest rate of 1.50% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 15 May 2020 and 20 May 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 31 August 2020, the Company issued the fifth tranche of super short-term bonds for the year of 2020 with a par value of RMB0.5 billion for a term of 120 days and bearing interest rate of 2.20% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcement of the Company dated 28 August 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 22 October 2020, the Company issued the sixth tranche of super short-term bonds for the year of 2020 with a par value of RMB1 billion for a term of 180 days and bearing interest rate of 2.55% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 21 October 2020 and 23 October 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 18 November 2020, the Company issued the seventh tranche of super short-term bonds for the year of 2020 with a par value of RMB0.5 billion for a term of 270 days and bearing interest rate of 2.17% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 17 November 2020 and 20 November 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

10. Issuance of Corporate Bonds

On 24 August 2020, the Company issued the first tranche of renewable corporate bonds for the year 2020 with a par value of RMB1 billion. The term of the renewable corporate bonds shall be three interest accruing years. At the end of each term, the issuer is entitled to renew the renewable corporate bonds for an additional term, or repay and redeem the renewable bonds in full as they fall due at the end of the term. The interest rate for this tranche of renewable corporate bonds was 4.16%.

Relevant details were set out in the announcements of the Company dated 20 August 2020, 24 August 2020 and 26 August 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

11. Entering Into the Geological Prospecting Services Framework Agreement and the Material Procurement Framework Agreement

On 25 August 2020, Zhaojin Geology Exploration and Zhaojin Group entered into the geological prospecting services framework agreement in relation to the provision of geological prospecting services from Zhaojin Geology Exploration to Zhaojin Group from 1 January 2020 to 31 December 2022 (the "Geological Prospecting Services Framework Agreement").

The Company expects that the maximum aggregate annual caps in respect of the transactions contemplated under the Geological Prospecting Services Framework Agreement are RMB16,000,000, RMB16,000,000 and RMB16,000,000 for the year ended 31 December 2020, and the years ending 31 December 2021 and 31 December 2022, respectively.

On 25 August 2020, Zhaoyuan Gold Materials Supply Center Co., Ltd* (招遠市黃金物資供應中心有限公司) ("Materials Supply Center") and Zhaojin Group entered into the material procurement framework agreement in relation to the provision of material procurement services by Materials Supply Center to Zhaojin Group in the PRC from 1 January 2020 to 31 December 2022 (the "Material Procurement Framework Agreement").

The Company expects that the maximum aggregate annual caps in respect of the transactions contemplated under the Material Procurement Framework Agreement are RMB80,000,000, RMB90,000,000 and RMB100,000,000 for the year ended 31 December 2020, and the years ending 31 December 2021, and 31 December 2022, respectively.

Zhaojin Group is the controlling Shareholder of the Company and thus a connected person of the Company. Both of Zhaojin Geology Exploration and Materials Supply Center are wholly-owned subsidiaries of the Company. Therefore, according to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Geological Prospecting Services Framework Agreement and the Material Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As all the percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Geological Prospecting Services Framework Agreement and the Material Procurement Framework Agreement are more than 0.1% but less than 5%, the Geological Prospecting Services Framework Agreement, the Material Procurement Framework Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 25 August 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

12. Entering Into the Acquisition of Properties and Disposal of Properties Agreements

On 30 November 2020, the Company and Zhaoyuan Zhaojin Yinlou Building Comprehensive Development Co., Ltd.* (招遠市招金銀樓大廈綜合開發有限公司) ("Zhaojin Yinlou Development") entered into a property transfer contract (the "Acquisition SPA"), pursuant to which the Company agreed to acquire and Zhaojin Yinlou Development agreed to sell Zhaojin Building and related assets at a consideration of RMB441,427,275.84. Zhaojin Building and related assets comprises the housing constructions (structures) of the main building of the Zhaojin Building project located at 118 Wenquan Road, Zhaoyuan City, Shandong Province and the corresponding land use right thereof, together with the low-value consumables in the building.

On 30 November 2020, the Company and Shandong Zhaojin Yinlou Co., Ltd.* (山東招金銀樓有限公司) ("Zhaojin Yinlou") entered into a property transfer contract (the "Disposal SPA"), pursuant to which the Company agreed to sell and Zhaojin Yinlou agreed to acquire the original office of Zhaojin Mining and related assets at a consideration of RMB72,039,973.00. The original office of Zhaojin Mining and related assets comprises the housing constructions (structures) and assets of equipment category, low-value consumables, and the corresponding land use right located at No. 299 Jinhui Road, Zhaoyuan City, Shandong Province.

Zhaojin Group is the controlling Shareholder of the Company and thus a connected person of the Company. Zhaojin Yinlou is held as to 40% and 60% by Zhaojin Group and Shandong Zhaojin Gold and Silver Refinery Company Limited* (山東招金金銀精煉有限公司) ("Zhaojin Refinery"), respectively, and Zhaojin Refinery is a 80.5% owned subsidiary of Zhaojin Group. Zhaojin Yinlou Development is a wholly-owned subsidiary of Zhaojin Yinlou. Zhaojin Yinlou and Zhaojin Yinlou Development are therefore connected persons of the Company.

Accordingly, the Acquisition SPA and the Disposal SPA both constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the respective highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Company in respect of the Acquisition SPA and the Disposal SPA exceeds 0.1% but is less than 5%, the acquisition and the disposal are subject to reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 30 November 2020 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 Land Lease Framework Agreement, the Gold Refinery Agreement, the Informatization Services Framework Agreement and the Property Lease Framework Agreement

On 31 December 2020, the Company entered into the Land Lease Framework Agreement with Zhaojin Group. Pursuant to the Land Lease Framework Agreement, the annual caps for the the total value of right-of-use assets involved in the subject land use rights for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB9,000,000, RMB9,000,000 and RMB8,600,000, respectively.

On 31 December 2020, the Company entered into the Gold Refinery Agreement with Zhaojin Refinery. Pursuant to the Gold Refinery Agreement, the annual caps for the annual fees for the provision of gold refining services for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB11,000,000, RMB13,000,000 and RMB15,000,000, respectively.

On 31 December 2020, Shandong Goldsoft Technology Company Limited* (山東金軟科技股份有限公司) ("Goldsoft Technology") entered into the Informatization Services Framework Agreement with Zhaojin Group. Pursuant to the Informatization Services Framework Agreement, the annual caps for the provision of informatization services for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB17,000,000, RMB17,000,000 and RMB17,000,000, respectively.

On 31 December 2020, the Company entered into the Property Lease Framework Agreement with Zhaojin Group. Pursuant to the Property Lease Framework Agreement, the annual caps for the total rentals and relevant tax expense payable for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB12,000,000, RMB12,500,000 and RMB13,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company. Zhaojin Refinery is a subsidiary of Zhaojin Group and is therefore a connected person of the Company, and Goldsoft Technology is a subsidiary of the Company. Accordingly, the transactions contemplated under the Land Lease Framework Agreement, the Gold Refinery Agreement, the Informatization Services Framework Agreement and the Property Lease Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Land Lease Framework Agreement, the Gold Refinery Agreement, the Informatization Services Framework Agreement and the Property Lease Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Land Lease Framework Agreement, the Gold Refinery Agreement, the Informatization Services Framework Agreement and the Property Lease Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 31 December 2020 and the supplemental announcement of the Company dated 8 January 2021 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

14. Renewal of the Provision of Financial Services

On 31 December 2020, the Company and Shandong Zhaojin Finance Company Limited* (山東招金集團財務有限公司) ("Finance Company") entered into the 2020 Group Financial Services Agreement. According to the 2020 Group Financial Services Agreement, the annual caps for the three years ending 31 December 2021, 2022 and 2023 are as follows: (i) RMB4,000,000,000, RMB4,500,000,000 and RMB5,000,000,000, respectively, for deposit services (including interest accrued thereon); (ii) RMB1,500,000,000, RMB2,000,000,000 and RMB2,500,000,000, respectively, for bill discounting services (including interest accrued thereon); (iii) RMB4,500,000,000, RMB5,000,000,000 and RMB5,500,000,000, respectively, for loan services (including interest accrued thereon).

On 31 December 2020, Zhaojin Group and Finance Company entered into the 2020 Parent Group Financial Services Agreement. According to the 2020 Parent Group Financial Services Agreement, the annual caps for the three years ending 31 December 2021, 2022 and 2023 are as follows: (i) RMB5,000,000,000, RMB5,500,000,000 and RMB6,000,000,000, respectively, for deposit services (including interest accrued thereon); (ii) RMB2,000,000,000, RMB2,500,000,000 and RMB2,500,000,000, respectively, for bill discounting services (including interest accrued thereon); (iii) RMB4,000,000,000, RMB4,500,000,000 and RMB5,000,000,000, respectively, for loan services (including interest accrued thereon).

Zhaojin Group is the controlling Shareholder of the Company and it is therefore a connected person of the Company. Finance Company is a non-wholly-owned 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 2020 Group Financial Services Agreement and the 2020 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 2020 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, annual review, announcement and independent Shareholders' approval requirements since no security 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 each of (i) the provision of deposit services by the Finance Company to the Group; and (ii) the provision of bill discounting services by Finance Company to the Group under the 2020 Group Financial Services Agreement is more than 25%, the provision of deposit services and bill discounting services under the 2020 Group Financial Services Agreement constitute major transactions and nonexempt 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 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 2020 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, annual review, 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; (ii) bill discounting services; and (iii) loan services by Finance Company to Zhaojin Group under the 2020 Parent Group Financial Services Agreement is more than 25%, the provision of deposit services, bill discounting services and loan services under the 2020 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 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 2020 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, annual review, announcement and independent Shareholders' approval requirements.

During the period from 1 January 2021 to the 2021 first extraordinary general meeting of the Company ("Transition Period"), the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of each of (i) the deposit services; and (ii) the bill discounting services by Finance Company to the Group under the 2020 Group Financial Services Agreement is more than 0.1% but less than 5%, the provision of deposit services and bill discounting services during the Transition Period under the 2020 Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the provision of each of (i) the deposit services; (ii) the bill discounting services; and (iii) the loan services by Finance Company to Zhaojin Group and its subsidiaries under the 2020 Parent Group Financial Services Agreement is more than 0.1% but less than 5%, the provision of deposit services, bill discounting services and loan services during the Transition Period under the 2020 Parent Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement and circular of the Company both dated 31 December 2020 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. On 29 January 2021, the following resolutions were passed at the 2021 first extraordinary general meeting of the Company:

   (1) consider and approve the provision of deposit and bills discounting services and the relevant proposed annual caps under the 2020 Group Financial Services Agreement entered into between the Company and Finance Company on 31 December 2020;

   (2) consider and approve the provision of deposit, loan and bills discounting services and the relevant proposed annual caps under the 2020 Parent Group Financial Services Agreement entered into between Zhaojin Group and Finance Company on 31 December 2020; and

   (3) amending Article 1.2 of the Articles of Association of the Company.

   Relevant details of the 2021 first extraordinary general meeting were set out in the announcements dated 31 December 2020 and 18 January 2021, the circular and notice both dated 31 December 2020 and the voting results announcement dated 29 January 2021 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 24 March 2021, the Company entered into the Framework Agreement for Sales of Silver with Zhaojin Refinery, pursuant to which the Group agreed to sell silver to Zhaojin Refinery and its subsidiaries for a term of three years commencing from 1 January 2021 to 31 December 2023. According to the Framework Agreement for Sales of Silver, the annual caps for the sales of silver (excluding value-added tax) for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB200 million, RMB210 million and RMB230 million, respectively.

   Zhaojin Group is the controlling Shareholder of the Company. Zhaojin Refinery is a subsidiary of Zhaojin Group and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement for Sales of Silver constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Framework Agreement for Sales of Silver is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement for Sales of Silver is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

   Relevant details were set out in the announcement of the Company dated 24 March 2021 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 to the Listing Rules (collectively, the "Code") during the year ended 31 December 2020. 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 73 to 101 of this annual report.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors.

The Board is pleased to confirm that, 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 during the Year.

AUDIT COMMITTEE

The Audit Committee of the sixth session of the Board of the Company comprises one non-executive Director and two independent non-executive Directors, namely Mr. Huang Zhen, 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 which have been agreed by the Company's auditor, and is of the view that the Group's audited consolidated financial statements for the Year are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The Audit Committee has also reviewed the annual results for the Year.

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it had 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 24 March 2021. 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 2020 AGM, the register of members will be closed from 2 June 2021 to 7 June 2021, 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 2020 AGM and in order to determine the Shareholders who are entitled to receive the final dividend for the Year, the register of members will be closed between 11 June 2021 and 15 June 2021, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2020 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 business address of the Company at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the PRC (for holders of domestic shares) for registration at or before 4:30 p.m. on Tuesday, 1 June 2021.

To be qualified for receiving the final dividend for 2020, 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 business address of the Company at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the PRC (for holders of domestic shares) for registration at or before 4:30 p.m. on Thursday, 10 June 2021.

AUDITOR

The financial statements of the Group for the year ended 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards have been audited by Ernst & Young. The auditor is subject to re-election at the 2020 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 2020 AGM. There was no change in auditors in any of the preceding three years.

By the order of the Board
Weng Zhanbin
Chairman

24 March 2021

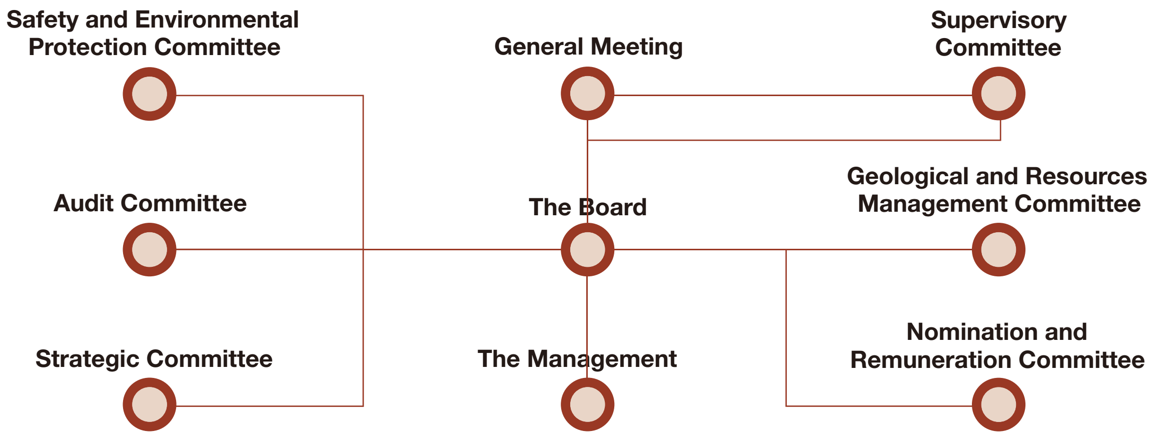
CORPORATE GOVERNANCE PRACTICE REPORT

As one of the largest overseas-listed gold mining 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 a high standard of corporate governance is essential to the success of the Company and have always strived to maintain a high level of corporate governance standard and practice.

(A) CORPORATE GOVERNANCE PRACTICE

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

For the year ended 31 December 2020, the corporate governance structure of the Company is set out as follows:



(B) SECURITIES TRANSACTION OF DIRECTORS

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

Being the 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 eleventh meeting of the sixth session of the Board on 24 April 2020, at which Mr. Xu Xiaoliang resigned from his positions of non-executive Director, vice chairman and member of Strategic Committee of the Company. The Board agreed to appoint Mr. Zhang Banglong as a non-executive Director, vice chairman and as member of the Strategic 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 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 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 to have appropriate professional qualifications, accounting or related financial management expertise. Independent non-executive Directors are assumed by 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 (an independent third party), which complies with the requirement of independence under the 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 has 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 24 March 2021. The Company has 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 sixth session of the Board, two general meetings and two class meetings during the Year and the record of attendance of each Director is set out as follows:

	Number of Board meetings convened	Attendance	Of which: attendance by proxy	Number of general meetings and class meetings convened	Attendance
Executive Directors					
Weng Zhanbin *(Chairman)*	8	8	(0)	4	4
Dong Xin *(President)*	8	8	(0)	4	0
Wang Ligang *(Vice President and Board Secretary)*	8	8	(0)	4	4
Non-executive Directors					
Zhang Banglong *(Vice Chairman)* (appointed with effect from 24 April 2020)	8	6	(0)	4	0
Liu Yongsheng	8	8	(0)	4	0
Gao Min	8	8	(1)	4	0
Huang Zhen	8	8	(1)	4	0
Xu Xiaoliang (resigned on 24 April 2020)	8	2	(2)	4	0
Independent Non-executive Directors					
Chen Jinrong	8	8	(0)	4	0
Choy Sze Chung Jojo	8	8	(1)	4	0
Wei Junhao	8	8	(0)	4	0
Shen Shifu	8	8	(0)	4	0

The Board or special committees circulate the relevant information provided by the senior management, which sets out the matters that require to be decided by the Board and the report concerning the Group's operation and financial performance prior to each Board meeting. Notices of Board meetings are delivered to the Board members at least 14 days before the meetings for the Directors to prepare to attend the relevant meetings and incorporate other matters into the agenda. The meeting documents and the agenda of the Board meeting or special committee meeting are distributed to Directors or special committee members at least three days before the meetings to allow them to have sufficient time to review the relevant documents and prepare for the meetings. Senior management shall be responsible for preparing the documents of the Board and special committees, 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 sixth 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. Zhang Banglong, Mr. Liu Yongsheng, Mr. Gao Min and Mr. Huang Zhen, 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 2020, the sixth 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. Gao Min, 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 2019 are detailed in note 9 to the financial statements on pages 169 to 173 in this annual report.

During the Year, the Nomination and Remuneration Committee convened two meetings which were 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)*	2	2	(0)
Wang Ligang	2	2	(0)
Gao Min	2	2	(0)
Chen Jinrong	2	2	(0)
Wei Junhao	2	2	(0)

In 2020, the Nomination and Remuneration Committee considered and passed the resolutions on "Appraisal of 2020 Annual Remuneration of the President and Senior Management" and "Proposal on Nominating Non-Executive Director Candidates for the Sixth Session of the Board".

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 reasonableness 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	46 to 50	51 to 55	56 to 60	61 to 65
90.91%	9.09%	27.27%	27.27%	27.27%	18.18%

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%	72.73%	18.18%	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.

Senior management's remuneration

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

	Number of Individuals	
	2020	2019
Below HK$1,000,000 (approximately equivalent to RMB841,640)	3	4
HK$1,000,001 – HK$2,000,000 (approximately equivalent to RMB841,640 – RMB1,683,280)	3	3
Total	6	7

(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 RMB3,680,000 (2019: RMB3,300,000).

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 2020, the Audit Committee comprised of three members, with Ms. Chen Jinrong, being an independent non-executive Director, as the Chairman. Other members were Mr. Huang Zhen, 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 websites 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)
Huang Zhen	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 2019;

2. reviewed the Group's interim report and interim results announcement for the six months ended 30 June 2020;

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 2020, 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 2020, the Strategic Committee comprised three members, with Mr. Weng Zhanbin, being an executive Director, as the chairman. Other members included Mr. Zhang Banglong 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 two 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)*	2	2	(0)
Zhang Banglong (appointed with effect from 24 April 2020)	2	1	(0)
Liu Yongsheng	2	2	(0)
Xu Xiaoliang (resigned on 24 April 2020)	2	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 2020, 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 2020. 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 2020, 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 First-Half of 2020.

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 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. For the year ended 31 December 2020, members of the sixth session of the Supervisory Committee comprised Mr. Wang Xiaojie, Mr. Zou Chao and Ms. Zhao Hua, among whom Ms. Zhao Hua is an employee representative Supervisor and Mr. Wang Xiaojie is the chairman of the Supervisory Committee. The number of members and composition of the Supervisory Committee of the Company were in compliance with the laws and regulations.

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 sixth session of the Supervisory Committee convened two meetings. The attendance rate of the three Supervisors was 100%.

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

INTERNAL CONTROL AND INTERNAL AUDIT

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

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

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

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

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

3. ensuring compliance with relevant legislations and requirements.

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

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

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

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

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

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

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

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

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

CHIEF FINANCIAL OFFICER

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

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

RELATIONSHIP WITH SHAREHOLDERS, INVESTORS AND OTHER CONCERNED PARTIES

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

GENERAL MEETING

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

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

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

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A GENERAL MEETING

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

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

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

PROCEDURES FOR SHAREHOLDERS TO RAISE ENQUIRIES TO THE BOARD

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

Contact:	Address:	The Secretary Office of the Board, No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, PRC
	Tel:	+86 535 8256086
	E-mail:	ZJKY_IR@zhaojin.com.cn

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, No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, PRC
	Tel:	+86 535 8256086
	E-mail:	ZJKY_IR@zhaojin.com.cn

In 2020, the Company convened one annual general meeting, one domestic shares class meeting, one H shares class meeting and one extraordinary general meeting.

CONTROLLING SHAREHOLDER

As at 31 December 2020, 618,437,607 domestic shares and 595,396,597 H shares were held by Zhaojin Group, the controlling Shareholder of the Company, representing approximately 37.12% 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 ("Ms. Ng") was appointed as Company Secretary. She is a manager of the Listing Services Department of TMF Hong Kong Limited. Mr. Wang Ligang, secretary to the Board of the Company, is the primary corporate contact person between her and the Company. In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2020, Ms. Ng has received not less than 15 hours of relevant professional training.

INDEPENDENCE OF 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 of 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 630 customers in addition to the Company as at 31 December 2020 (as at 31 December 2019: approximately 600 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 341 customers in addition to the Company as at 31 December 2020 (as at 31 December 2019: approximately 337 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 4 other qualified refineries and more than 6 other SGE members that the Company can readily engage on comparable terms as those which the Company has agreed with the Zhaojin Group to provide the Company with refinery or trading agency services, if necessary.

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

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

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

NON-COMPETITION AGREEMENT AND EXCLUDED BUSINESSES

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

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

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

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

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

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

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 of the Company).

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 Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited by bidding at Yantai Joint Property Right Exchange Center (for details, please see the 2011 annual report of the Company, page 46).

In 2012, Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited, successfully repurchased the 20% equity interests in Shandong Guoda Gold 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.

In 2017, Zhaojin Group had transferred all of its 100% equity interest in Shandong Zhaojin Group 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 Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited lapsed accordingly.

In 2019, Zhaoyuan Municipal State-owned Assets Supervision Bureau had transferred all of its 100% equity interest in Zhaoyuan Gold Smelting Company Limited to Zhaojin Group. Thereafter the option to acquire the 65.22% equity interest held by Zhaoyuan Gold Smelting Company Limited in Shandong Guoda Gold that was granted pursuant to the Non-competition Agreement made between the Company and Zhaojin Group on 17 November 2006 was revived accordingly.

During the Year, the Company had not exercised its option to acquire the 65.22% equity interest in Shandong Guoda Gold for the reasons set out below:

Shandong Guoda Gold is principally engaged in the business of gold smelting. It is not authorized to engage in gold exploration or mining operations. Zhaojin Group has confirmed that it is only a passive investor in Shandong Guoda Gold with no board representation therein, no specific right to appoint its own board representatives (except for its general right as a PRC shareholder to vote for PRC director nominees), and no participation in the management of Shandong Guoda Gold, and that Zhaojin Group will remain as a passive investor and does not participate in the daily management of Shandong Guoda Gold.

The Directors of the Company believe that the extent of competition from the business of Shandong Guoda Gold, if any, would not have a material impact on the business of the Company as a whole, for the following reasons:

1. Smelting is not the core business of the Company.

2. Although it has traditionally concentrated on gold smelting, Shandong Guoda Gold is in the process of changing its principal business from gold smelting to copper smelting.

3. The Company and Shandong Guoda Gold own and operate their respective gold smelting plants independent of each other, and the management of the Group is distinct from and remains independent of that of Shandong Guoda Gold. The Company's cyanidation and smelting plants have sufficient capacity to process all gold concentrates produced from its own mines, as well as concentrates from third parties as an ancillary business. There is no sharing of services or resources, including production technologies and patents, between the Company and Shandong Guoda Gold. Therefore, the Company conducts its business independently of Shandong Guoda Gold.

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

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

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

Reasons for not transferring Zhaojin Group's interest in the Excluded Businesses to the Company:

The Directors of the Company believe that there is limited conflict between Zhaojin Group's interest in Shandong Guoda Gold's smelting business and Zhaojin Group's interests in the business of the Company, on the basis that (i) smelting is not the principal business of the Company, and (ii) the Company's smelting operations at Jinchiling Gold Mine have sufficiently satisfied its purposes. In addition, Zhaojin Group is only a passive investor in Shandong Guoda Gold with no board representation or management participation. Accordingly, the Directors of the Company do not consider it necessary for the Company to acquire Zhaojin Group's interest in Shandong Guoda Gold.

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

The Company has also received a statement under the Non-competition Agreement from Zhaojin Group dated 2 January 2021, 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 2020.

INVESTOR RELATIONS

Since 2020, face-to-face communication with investors cannot be conducted normally due to the impact of the epidemic, which poses a challenge to the maintenance of investor relations. To this end, the Company changed the previous investment management model from offline to online promotion, and actively participated in important capital market meetings to increase the Company's exposure. The Company organized and carried out three results announcements throughout the Year, and held more than 90 meetings with fund managers, investors, and analysts to patiently and cleanly answer questions raised by investors from time to time in a timely manner. Through the communication with analysts and investors, the voice of Zhaojin and a good corporate image are conveyed to the capital market. In the meantime, the Company proactively maintained a sound relationship with the media and received 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 "Excellence Golden Enterprise Award of TOP 100 HK Awards" (港股100強卓越黃金企業獎) and "The Best IR Team of the 5th Golden Hong Kong Stock" (第五屆金港股之最佳IR團隊獎) and other awards.

The Company regard 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 20 working days' notice of the annual general meeting and are invited to attend the annual general meeting and other Shareholders' meetings.

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company (i) reviewed and approved the amendments of Articles 8.5, Articles 8.6, Articles 8.7, Articles 8.9, and 9.6 of the Articles of Association at the annual general meeting held on 5 June 2020; and (ii) reviewed and approved the amendments of Articles 3.5 of the Articles of Association at the 2020 first extraordinary general meeting held on 15 September 2020.

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 Directors' 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 2020 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
Wang Ligang (appointed with effect from 24 April 2020)	Executive Director	A, B, C, D	C. Reading economic, financial and business articles, as well as articles and information related to the duties of a director and the Company
Zhang Banglong	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	
Gao Min	Non-executive Director	A, B, C, D	
Huang Zhen	Non-executive Director	A, B, C, D	
Xu Xiaoliang (resigned with effect from 24 April 2020)	Non-executive Director	A, B, C	
Chen Jinrong	Independent Non-executive Director	A, B, C, D	
Choy Sze Chung Jojo	Independent Non-executive Director	A, B, C	
Wei Junhao	Independent Non-executive Director	A, B, C, D	
Shen Shifu	Independent Non-executive Director	A, B, C, D	

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 4TH MEETING OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE ON 20 MARCH 2020

Reviewing and approving the annual results announcement and the annual report of the Group for 2019.

THE 5TH MEETING OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE ON 25 AUGUST 2020

Reviewing and approving interim results announcement, interim report, the proposal of profits allocation of the Group in 2020 and other resolutions.

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. LITIGATION

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 2021, the Supervisory Committee will strictly comply with the laws and regulations and the relevant provisions of the Articles of Association, pay attention to the specific situation and information disclosure of major issues such as company investment, asset disposal, and connected transactions by taking various approaches, supervise the performance of duties by the board of directors and management, focus on the implementation of strategies, inspect and supervise the Company's construction and operation in terms of risk management, internal control, financial management, etc.. At the same time, the Supervisory Committee is committed to self-construction, improve professional capabilities and innovate working methods by strengthening professional skills learning and conducting work exchanges, earnestly perform duties, improve supervision standards, further exert the supervisory functions of the Supervisory Committee, effectively safeguard the rights and interests of the Company and shareholders, and prevent and mitigate risks effectively, so as to promote the healthy development of the Company.

Wang Xiaojie
Chairman of the Supervisory Committee

24 March 2021

EY 安永

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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 110 to 244, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 – *continued*

Key audit matters:	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill amounting to RMB609,525,000 as at 31 December 2020 has been allocated to the Group's cash-generating units ("CGUs") which are the corresponding subsidiaries 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. During the year, management performed the impairment test using the value-in-use ("VIU") 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 and estimates. The Group's disclosures about impairment of goodwill are included in sections Business combinations and goodwill in note 2.4 and Estimation uncertainty in note 3, and note 15 to financial statements, which specifically explain the key assumptions management used for the VIU 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, the discount rate; valuating the sensitivity analysis for the key assumptions in the valuation models for risk assessment; comparing forecasts to the historical operating result; comparing the gold and copper price projections with external information in the gold and copper industries; and checking the data of mineral reserves and resources used to the reports issued by the mine geologists. We also assessed the mine geologists' professional competency, capabilities, and objectivity, and obtained an understanding of 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 – *continued*

Key audit matters:	How our audit addressed the key audit matter
Impairment of non-current assets	
As at 31 December 2020, the Group had property, plant and equipment, right-of-use assets and other intangible assets amounting to RMB15,209,375,000, RMB773,760,000 and RMB9,494,465,000, respectively. In accordance with HKFRSs, management is required to perform detailed impairment assessment on intangible assets with an indefinite useful life(exploration rights and assets) annually and other non-current assets when any impairment indicator is identified, and impairment provision is required when the recoverable amount is lower than the corresponding carrying value. During the year, the recoverable amounts estimated through VIU were determined for the Group's individual CGUs to which the assets belong. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The Group's disclosures about the impairment of these non-current assets are included in sections Property, plant and equipment, Right-of-use assets and Intangible assets (other than goodwill) in note 2.4, Estimation uncertainty in note 3, and notes 13, 14(a) and 16 to financial statement.	Our audit procedures in assessing the VIU of the Group's individual CGUs to which the assets belong included evaluating the key assumptions and methodologies used by the Group with the assistance of our valuation specialists, in particular, the discount rate; comparing forecasts to the historical operating result; valuating the sensitivity analysis for the key assumptions in the valuation models for risk assessment; comparing the gold and copper price projections with external information resources in the gold and copper industries; and checking the data of mineral reserves and resources used to the reports issued by the mine geologists. We also assessed the geologists' professional competency, capabilities, and objectivity, and obtained an understand of 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, actions taken to eliminate threats or safeguards applied.

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
24 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**7,648,587**	6,329,928
Cost of sales		**(4,033,416)**	(4,039,965)
Gross profit		**3,615,171**	2,289,963
Other income and gains	5	**806,759**	497,525
Selling and distribution expenses		**(45,026)**	(55,782)
Administrative expenses		**(1,209,386)**	(955,612)
Impairment losses on financial assets		**(309,784)**	(27,512)
Other expenses	6	**(843,466)**	(442,900)
Finance costs	7	**(699,444)**	(662,180)
Share of profits and losses of:			
– Associates		**18,918**	7,453
– Joint ventures		**3,679**	(55,268)
PROFIT BEFORE TAX	8	**1,337,421**	595,687
Income tax expense	10	**(102,623)**	(157,452)
PROFIT FOR THE YEAR		**1,234,798**	438,235
Attributable to:			
Owners of the parent		**1,052,163**	479,270
Non-controlling interests		**182,635**	(41,035)
		1,234,798	438,235
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	12	**0.32**	0.15

YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	1,234,798	438,235
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(62,010)	35,245
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(62,010)	35,245
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement of post-employment benefit obligations	(1,018)	2,608
Income tax effect	254	(652)
Changes in fair value of equity investments at fair value through other comprehensive income	200	–
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(564)	1,956
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(62,574)	37,201
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,172,224	475,436
Attributable to:		
Owners of the parent	989,601	517,277
Non-controlling interests	182,623	(41,841)
	1,172,224	475,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	15,209,375	14,988,626
Right-of-use assets	14	773,760	768,088
Goodwill	15	609,525	666,179
Other intangible assets	16	9,494,465	9,603,768
Investments in joint ventures	17	56,200	173,954
Investments in associates	18	716,214	718,584
Financial assets measured at amortised cost	19	626,083	400,994
Deferred tax assets	20	255,493	163,052
Loans receivable	21	248,625	252,525
Long-term deposits	22	15,802	22,312
Term deposits	28	200,000	–
Other long-term assets	23	506,025	496,281
Total non-current assets		28,711,567	28,254,363
CURRENT ASSETS			
Inventories	24	5,125,690	4,310,373
Trade and notes receivables	25	283,320	142,447
Prepayments, other receivables and other assets	26	556,570	591,874
Financial assets at fair value through profit or loss	27	1,020,883	554,642
Pledged deposits	28	375,465	278,303
Loans receivable	21	1,775,653	2,611,471
Cash and cash equivalents	28	1,840,469	3,508,307
Total current assets		10,978,050	11,997,417
CURRENT LIABILITIES			
Trade and notes payables	29	508,179	368,166
Other payables and accruals	30	2,004,055	1,770,923
Derivative financial instruments	31	41,266	–
Interest-bearing bank and other borrowings	32	8,444,969	8,386,684
Corporate bonds	33	3,448,895	508,629
Tax payable		126,709	108,189
Provisions	35	7,887	9,616
Deposits from customers	36	1,729,782	1,223,619
Current portion of other long-term liabilities	37	205,990	159,368
Total current liabilities		16,517,732	12,535,194
NET CURRENT LIABILITIES		(5,539,682)	(537,777)
TOTAL ASSETS LESS CURRENT LIABILITIES		23,171,885	27,716,586

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**734,140**	388,490
Corporate bonds	33	**4,780,379**	9,170,130
Lease liabilities	14	**30,153**	41,085
Deferred tax liabilities	20	**331,020**	361,400
Deferred income	34	**195,093**	250,505
Provisions	35	**44,129**	50,506
Other long-term liabilities	37	**–**	91,612
Total non-current liabilities		**6,114,914**	10,353,728
Net assets		**17,056,971**	17,362,858
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**3,270,393**	3,270,393
Perpetual capital instruments	39	**1,527,022**	2,664,600
Reserves	40	**8,755,409**	8,014,594
		13,552,824	13,949,587
Non-controlling interests		**3,504,147**	3,413,271
Total equity		**17,056,971**	17,362,858

Weng Zhanbin
Director

Dong Xin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the parent									
	Share capital RMB'000 (note 38)	Perpetual capital instruments RMB'000 (note 39)	Capital reserve* RMB'000 (note 40)	Special reserve – safety fund* RMB'000	Statutory and distributable reserve* RMB'000 (note 40)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	3,270,393	2,664,600	2,618,648	36,373	1,102,469	26,955	4,230,149	13,949,587	3,413,271	17,362,858
Profit for the year	–	–	–	–	–	–	1,052,163	1,052,163	182,635	1,234,798
Other comprehensive (loss)/income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	(61,998)	–	(61,998)	(12)	(62,010)
Changes in fair value of equity investments at fair value through other comprehensive income net of tax	–	–	200	–	–	–	–	200	–	200
Remeasurements of post-employment benefit obligations, net of tax	–	–	(764)	–	–	–	–	(764)	–	(764)
Total comprehensive income for the year	–	–	(564)	–	–	(61,998)	1,052,163	989,601	182,623	1,172,224
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(80,176)	(80,176)
Acquisition of non-controlling interests	–	–	(13,339)	–	–	–	–	(13,339)	(13,571)	(26,910)
Transfer to reserves	–	–	–	–	82,821	–	(82,821)	–	–	
Transfer to Retained earnings	–	–	21,746	–	–	–	(21,746)	–	–	–
Safety production cost	–	–	–	2,719	–	–	(2,719)	–	–	–
Accrued distribution of perpetual capital instruments	–	104,631	–	–	–	–	(104,631)	–	–	–
Distribution of perpetual capital instruments paid	–	(139,851)	–	–	–	–	–	(139,851)	–	(139,851)
Redemption of perpetual capital instruments paid	–	(2,100,000)	–	–	–	–	–	(2,100,000)	–	(2,100,000)
Issue of perpetual capital instruments	–	997,642	–	–	997,642	–	997,642			
Establishment of a subsidiary	–	–	–	–	–	–	–	–	2,000	2,000
Final 2019 dividend declare and paid	–	–	–	–	–	–	(130,816)	(130,816)	–	(130,816)
At 31 December 2020	3,270,393	1,527,022	2,626,491	39,092	1,185,290	(35,043)	4,939,579	13,552,824	3,504,147	17,056,971

* These reserve accounts comprise the consolidated reserves of RMB8,755,409,000 (31 December 2019: RMB8,014,594,000) in the consolidated statement of financial position.

	Attributable to owners of the parent									
	Share capital RMB'000 (note 38)	Perpetual capital instruments RMB'000 (note 39)	Capital reserve* RMB'000 (note 40)	Special reserve – safety fund* RMB'000	Statutory and distributable reserve* RMB'000 (note 40)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Effect of adoption of HKFRS 16	–	–	–	–	–	–	(3,082)	(3,082)	–	(3,082)
At 1 January 2019 (restated)	3,220,696	2,664,600	2,264,755	26,433	1,028,595	(9,096)	4,099,412	13,295,395	3,509,088	16,804,483
Profit for the year	–	–	–	–	–	–	479,270	479,270	(41,035)	438,235
Other comprehensive income/(loss) for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	36,051	–	36,051	(806)	35,245
Remeasurements of post-employment benefit obligations, net of tax	–	–	1,956	–	–	–	–	1,956	–	1,956
Total comprehensive income for the year	–	–	1,956	–	–	36,051	479,270	517,277	(41,841)	475,436
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(99,682)	(99,682)
Issue of shares	49,697	–	352,352	–	–	–	–	402,049	–	402,049
Acquisition of non-controlling interests	–	–	(2,415)	–	–	–	(1,323)	(3,738)	(27,386)	(31,124)
Transfer to reserves	–	–	–	–	73,874	–	(73,874)	–	–	–
Transfer to retained earnings	–	–	2,000	–	–	–	(2,000)	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	2,745	2,745
Safety production cost	–	–	–	2,658	–	–	(2,658)	–	–	–
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	–	–	–	–	–	–	–	–	3,150	3,150
Acquisition of subsidiaries (note 40)	–	–	–	7,282	–	–	–	7,282	67,197	74,479
Final 2018 dividend declared and paid	–	–	–	–	–	–	(128,828)	(128,828)	–	(128,828)
At 31 December 2019	3,270,393	2,664,600	2,618,648*	36,373*	1,102,469*	26,955*	4,230,149*	13,949,587	3,413,271	17,362,858

* These reserve accounts comprise the consolidated reserves of RMB8,014,594,000 (31 December 2018: RMB7,413,181,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,337,421	595,687
Adjustments for:			
Finance costs	7	699,444	662,180
Share of profits of associates		(18,918)	(7,453)
Share of profits of joint ventures		(3,679)	55,268
Interest income from loans receivable		(10,087)	(16,404)
Net (gain)/loss on disposal or write-off of items of property, plant and equipment, other intangible assets, and other long-term assets	8	(15,053)	4,471
Loss on disposal of subsidiaries		1,055	2,745
Fair value gains, net:			
– Equity investments at fair value through profit or loss	8	(24,070)	(77,434)
Gain on settlement of gold leasing business	8	–	(18,151)
Gain on bargain purchase	8	–	(233)
Gain on disposal of financial assets at fair value through profit or loss	8	(297,208)	(61,990)
Gain on derecognition of financial assets at amortised cost	8	(2,110)	(1,497)
Loss on settlement of commodity derivative contracts	8	9,765	121,003
Exchange gains on corporate bond	8	(134,659)	–
Depreciation of property, plant and equipment	8	928,386	862,141
Amortisation of other intangible assets	8	112,561	116,354
Depreciation of right-of-use assets	8	37,168	42,461
Amortisation of long-term prepaid expenses		5,227	6,910
Provision for impairment of receivables	8	27,363	5,283
Impairment loss on loans receivable	8	282,420	22,230
Impairment loss/(reversal of impairment loss) on inventories	8	559	(8,650)
Impairment loss on non-current assets	8	658,150	182,844
		3,593,735	2,487,765
Decrease in long-term deposits		6,510	50,570
Increase in inventories		(815,876)	(37,970)
(Increase)/decrease in trade and notes receivables		(135,914)	157,113
Decrease in prepayments and other receivables		33,765	80,769
(Increase)/decrease in pledged deposits		(97,162)	74,453
Decrease/(increase) in loans receivable		643,895	(714,395)
Increase/(decrease) in trade and notes payables		140,013	(283,001)
Increase/(decrease) in other payables and accruals		31,302	(34,385)
Increase in deposits from customers		506,163	221,604
Decrease in deferred income		(55,412)	(54,895)
Decrease in provisions		(10,606)	(12,711)

YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
CASH GENERATED FROM OPERATIONS	3,840,413	1,934,917
Income taxes paid	(206,670)	(155,292)
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,633,743	1,779,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	438	4,059
Dividend received from a joint venture	6,713	11,941
Purchases of items of property, plant and equipment	(1,275,156)	(1,404,029)
Proceeds from disposal of items of property, plant and equipment	57,330	3,018
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	200	–
Increase in right-of-use assets	(42,354)	(23,754)
Increase in other intangible assets	(107,143)	(379,608)
Acquisition of subsidiaries	–	(6,755)
Disposal of subsidiaries	(1,057)	–
Capital increase of an associate	(30,580)	–
Capital increase of a joint venture	(1,000)	–
Acquisition of joint ventures	–	(52,000)
Acquisition of associates	–	(13,095)
Disposal of a joint venture	92,433	–
Disposal of an associate	4,091	–
Loss from commodity derivative contracts	(9,765)	(121,003)
Deposits (paid)/received for commodity derivative contracts	(18,744)	56,057
Net proceeds (to)/from acquisition and disposal of equity investments at fair value through profit or loss	(103,697)	182,789
Payment for investments in financial assets measured at amortised cost	(222,979)	(157,744)
Increase in long-term prepaid expenses	(15,011)	(2,003)
Decrease in loans receivable	20,000	61,000
Increase in term deposits with original maturity of more than one year	(200,000)	–
Increase in loans receivable	(89,674)	(370,650)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,935,955)	(2,211,777)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**20,554,994**	14,386,969
Issuance of a corporate bond, net of issuance expense		**–**	3,508,710
Issue of perpetual capital instruments		**997,642**	–
Redemption of perpetual capital instruments paid		**(2,100,000)**	–
Repayment of corporate bonds		**(1,322,994)**	–
Repayment of bank and other borrowings		**(20,151,059)**	(14,210,965)
Capital contribution from non-controlling shareholders		**2,000**	3,150
Dividends paid		**(295,106)**	(180,425)
Principal portion of lease payments		**(14,458)**	(22,967)
Receipts from gold leasing business		**–**	18,151
Distribution paid for perpetual capital instruments		**(139,851)**	(139,850)
Interest paid		**(803,790)**	(584,777)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(3,272,622)**	2,777,996
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,574,834)**	2,345,844
Cash and cash equivalents at beginning of year		**3,508,307**	1,143,299
Effects of foreign exchange rate changes, net		**(93,004)**	19,164
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,840,469**	3,508,307
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,777,469**	3,148,220
Non-pledged time deposits		**63,000**	360,087
Cash and cash equivalents as stated in the consolidated statement of cash flows	28	**1,840,469**	3,508,307

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 HKD12.68 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 sold silver in Mainland China. The registered office of the Company is located at 299 Jinhui Road, Zhaoyuan, Shandong, China.

As of 31 December 2020, Shandong Zhaojin Group Corporation Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC, and its subsidiary held totally 37.12% of the issued share capital of the Company. Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. and its subsidiary held totally 23.34% 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 Operation Company Limited and Shanghai Fosun Industrial Investment Co., Ltd. On 7 August 2020, the Company converted 1,560,340,597 domestic shares into H shares and the listing of the converted H shares on the HKEX commenced on 10 August 2020.

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	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	RMB45,000,000	100	–	Gold mining and processing of gold products
Xinjiang Zhaojin Smelting Company Limited ("Xinjiang Smelting") (新疆招金冶煉有限公司)	PRC/Mainland China 5 January 2012	RMB50,000,000	92	–	Smelting of copper
Quwo Zhaojin Mining Company Limited ("Quwo") (曲沃縣招金礦業有限公司)	PRC/Mainland China 9 December 2011	RMB30,000,000	70	–	Gold mining and processing of gold products
Heihe Zhaojin Mining Company Limited ("Heihe") (黑河招金礦業有限公司)	PRC/Mainland China 6 September 2016	RMB50,000,000	51	–	Sale of mining products
Xinjiang Xinhui Copper Company Limited ("Xinhui") (新疆鑫慧銅業有限公司)	PRC/Mainland China 16 November 2006	RMB30,000,000	92	–	Smelting of copper
Minxian Tianhao Gold Company Limited ("MXTH") (岷縣天昊黃金有限責任公司)	PRC/Mainland China 16 May 2001	RMB50,000,000	100	–	Gold mining and processing of gold products
Tuoli Zhaojin Beijiang Mining Company Limited ("TZB") (托里縣招金北疆礦業有限公司)	PRC/Mainland China 16 April 2004	RMB30,000,000	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	RMB33,400,000	–	100	Gold mining and processing of gold products

1. CORPORATE AND GROUP INFORMATION – *continued*

INFORMATION ABOUT SUBSIDIARIES – *continued*

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

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Xinjiang Xingta Mining ("Xingta") Company Limited (新疆星塔礦業有限公司)	PRC/Mainland China 24 November 2005	RMB160,000,000	100	–	Smelting of gold
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	RMB9,000,000	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	RMB50,000,000	–	92	Copper mining and processing of copper products
Sparky International Company Limited ("SIC") (斯派柯國際有限公司)	Hong Kong 16 May 2007	HKD 1,097,600,000	100	–	Investment holding
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	USD1	–	100	Investment holding
Subsidiary of Gold Vein:					
Gold Vein (Cayman) SPC ("GVC") (金脈(開曼)獨立投資組合公司)	Cayman Islands 3 September 2018	USD50,000	–	100	Investment holding
Starlet Creation Limited ("Starlet") (星河創建有限公司)	Hong Kong 7 July 2011	HKD1	–	100	Investment holding
Zhaojin Capital LIMITED ("Zhaojin Capital") (招金資本有限公司)	British Virgin Islands 21 July 2011	USD1	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION – *continued*

INFORMATION ABOUT SUBSIDIARIES – *continued*

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

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued/registered share capital	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	HKD10,000	–	100	Investment holding
Golden gateway JV PTY LTD ("gold gateway") (澳洲金道合資公司)	Australia 13 April 2018	AUD1,000,000		50	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	USD6,600,000	–	100	Mining of precious metals
Subsidiary of Zhaojin Ecuador:					
Goldking Mining Company S.A ("Goldking") (金王礦業股份有限公司)	Ecuador 5 October 2000	USD500,000	–	80	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	RMB94,519,000	52	–	Gold mining and processing of gold products
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	RMB162,000,000	52	–	Gold mining and processing of gold products

1. CORPORATE AND GROUP INFORMATION – *continued*

INFORMATION ABOUT SUBSIDIARIES – *continued*

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

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Gansu Zhaojin Mining Company Limited ("GSZJ") (甘肅招金礦業有限公司)	PRC/Mainland China 14 August 2007	RMB10,000,000	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	RMB6,000,000	–	70	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	RMB205,000,000	100	–	Processing of sulphur ore
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	RMB80,000,000	–	65	sales of ceramic materials
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	RMB10,000,000	95	–	Gold mining 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	RMB30,000,000	100	–	Mining investment and exploration of gold
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	RMB5,000,000	100	–	Mining investment and exploration of gold
Zhaojin Zhengyuan Mining Company Limited ("Zhengyuan") (山東招金正元礦業有限公司)	PRC/Mainland China 18 August 2010	RMB10,000,000	80	–	Mining investment and exploration of gold

1. CORPORATE AND GROUP INFORMATION – *continued*

INFORMATION ABOUT SUBSIDIARIES – *continued*

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

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
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	RMB10,000,000	100	–	Gold mining and processing of gold products
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	RMB30,000,000	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	RMB30,000,000	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	RMB425,819,000	63.86	–	Investment
Subsidiary 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	RMB95,580,000	–	63.86	Exploration of gold and sale of gold products
Baicheng Dishui Copper Mining Development Company Limited ("Dishui") (拜城縣滴水銅礦開發有限責任公司)	PRC/Mainland China 18 May 2007	RMB140,000,000	79	–	Copper mining and processing of copper products
Gansu Zhaojin Precious Metal Smelting Company Limited ("Gansu Smelting") (甘肅招金貴金屬冶煉有限公司)	PRC/Mainland China 11 December 2012	RMB300,000,000	65	–	Smelting of gold and other precious metals
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	RMB80,000,000	51	–	Exploration of gold and sale of gold products

1. CORPORATE AND GROUP INFORMATION – *continued*

INFORMATION ABOUT SUBSIDIARIES – *continued*

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

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
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	RMB10,000,000	100	–	Accommodation and catering services
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	RMB50,000,000	51	–	Gold mining and processing of gold products
Zhaojin Jishan Mining Industry Company Limited ("Jishan") (招遠市招金紀山礦業有限公司)	PRC/Mainland China 26 October 2012	RMB1,000,000	95	–	Exploration of gold
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	RMB15,000,000	85	–	Gold mining and processing of gold products, and smelting
Subsidiary of Yuantong:					
Inner Mongolia Ejinaqi Qianfeng Mining Industry Company Limited ("Qianfeng") (內蒙古額濟納旗乾豐礦業有限公司)	PRC/Mainland China 6 November 2014	RMB10,000,000	–	85	Exploration and sale of mining products
Inner Mongolia Zhaojin Ziyuan Company Limited ("WCYS") (內蒙古招金資源開發有限公司)	PRC/Mainland China 23 July 2018	RMB50,000,000	70	–	Mining of precious metals
Gansu Xinrui Mining Company Limited ("Xinrui") (甘肅鑫瑞礦業有限公司)	PRC/Mainland China 20 November 2008	RMB83,000,000	51	–	Exploration and sale of mining products and advisory services
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	RMB30,000,000	85	–	Engineering design and development

1. CORPORATE AND GROUP INFORMATION – *continued*

INFORMATION ABOUT SUBSIDIARIES – *continued*

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

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Shandong Zhaojin Technology Company Limited ("ZJKJ") (山東招金科技有限公司)	PRC/Mainland China 15 March 2018	RMB10,000,000	55	8.5	Technical advisory 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	RMB1,500,000,000	51	–	Financial services
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	RMB10,000,000	80	–	Investment
Fengning Manchu Autonomous County Zhaojin Mining Company Limited ("Fengning Zhaojin") (豐寧滿族自治縣招金礦業有限公司)	PRC/Mainland China 21 March 2016	RMB60,000,000	100	–	Exploration of gold mining
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	RMB200,000,000	99.95	–	Investment
Shandong Zhaojin New Wear-Resistant Materials Company Limited ("NMCL") (山東招金新型耐磨材料有限公司)	PRC/Mainland China 1 November 2016	RMB40,000,000	60	–	Research of wear-resistant steel balls
Zhaoyuan Zhaojin Wancheng Transportation Company Limited ("IMZY") (招遠市招金萬成運輸有限公司)	PRC/Mainland China 17 May 2019	RMB10,000,000	100	–	Freight transportation
Fengning Manchu Fengye Mining Gold mining Company Limited ("FYKY") (豐甯滿族自治縣豐業礦業有限公司)	PRC/Mainland China 20 September 2002	RMB80,000,000	51	–	Gold mining and processing of gold products

1. CORPORATE AND GROUP INFORMATION – *continued*

INFORMATION ABOUT SUBSIDIARIES – *continued*

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

Company name	Place and date of incorporation/registration and place of operations	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Shandong GuohuanGufe center Company Limited ("GHGF") (山東國環固廢創新科技中心有限公司)	PRC/Mainland China 13 August 2019	RMB10,000,000	30	25.95	Technical advisory
Shandong Zhaojin Geology exploration Company Limited ("ZJDK") (山東招金地質勘查有限公司)	PRC/Mainland China 29 July 1989	RMB31,000,000	100	–	Land exploration
Subsidiary of ZJDK:					
Shandong Zhaojin jintai Engineering Company Limited ("ZRHB") (山東招金金泰工程有限公司)	PRC/Mainland China 5 January 2018	RMB10,000,000	–	60	Construction
Zhaoyuan Jindi Experimental center Company Limited ("JDSY") (招遠市金地實驗中心有限公司)	PRC/Mainland China 22 December 2010	RMB500,000	–	100	Technical advisory
Zhaoyuan gold material supplies center Company Limited ("WZGY") (招遠市黃金物資供應中心有限公司)	PRC/Mainland China 20 September 1992	RMB20,000,000	100	–	Material Trading
Shandong Goldsoft Technology Company Limited ("JRKJ") (山東金軟科技股份有限公司)	PRC/Mainland China 27 September 2001	RMB30,000,000	67.37	–	Technical advisory
Beijing Zhikuangpanshi Data Technology Research Institute ("ZKPS") (北京智礦磐石資料科技有限公司)	PRC/Mainland China 24 May 2018	RMB10,000,000	–	43.79	Technical advisory
Shenzhen Jinhong Industrial Development Company Limited ("SZJH") (深圳金鴻產業發展有限公司)	PRC/Mainland China 3 April 2020	RMB202,000,000	99.01	–	Technical advisory

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 2020, the Group had net current liabilities of RMB5,539,682,000 (2019: RMB537,777,000). 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 2020, 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, 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 2020. A subsidiary is an entity (including structured entities), 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, the amendments did not have any impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9 HKAS 39 HKFRS 7 HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

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 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

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

The Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate ("LPR") of The People's Bank of China ("PBOC") as at 31 December 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. 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 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

BUSINESS COMBINATIONS AND GOODWILL – *continued*

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

FAIR VALUE MEASUREMENT – *continued*

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's VIU 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 VIU, 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.

RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated on 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	20 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

Property, plant and equipment include 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 include a building or mining infrastructure under construction, which 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

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	2 to 50 years
Office	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

LEASES – *continued*

Group as a lessee – *continued*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

INVESTMENTS AND OTHER FINANCIAL ASSETS

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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

INVESTMENTS AND OTHER FINANCIAL ASSETS – *continued*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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 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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

INVESTMENTS AND OTHER FINANCIAL ASSETS – *continued*

Subsequent measurement – *continued*

Financial assets at fair value through profit or loss – *continued*

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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

DERECOGNITION OF FINANCIAL ASSETS

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("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.

The Group may 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

IMPAIRMENT OF FINANCIAL ASSETS – *continued*

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.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, 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 notes payables, financial liabilities included in other payables and accruals corporate bonds, deposits from customers, other long-term liabilities and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as gold leasing and option. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

INCOME TAX – *continued*

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, and 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, and 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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, for 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.

REVENUE RECOGNITION

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.

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.

Rendering of processing services

The income of processing services is recognised when the entrusted party processes the gold concentrates in accordance with the entrusting party’s requirements and charges processing fee.

Revenue from other sources

Service income is recognised on a time proportion basis over the service period, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

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*

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

OTHER EMPLOYEE BENEFITS

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Early retirement benefits

Termination benefits are payable whenever an employee's employment is terminated involuntarily before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Group recognises the liability for termination benefits when it is demonstrably committed to terminating the employment of current employees or to providing termination benefits as a result of an offer made to encourage voluntary redundancy according to a detailed formal plan without the possibility of withdrawal.

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

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

Medical benefit costs

The Group participates in government-organised defined contribution medical benefit plans, under which it pays contributions to the plans at a fixed percentage of wages and salaries of the existing full-time employees in Mainland China and has no further legal or constructive obligations to pay additional contributions. The contributions are charged as an expense to the statement of profit or loss as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

OTHER EMPLOYEE BENEFITS – *continued*

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 3.80% and 4.75% has been applied to the expenditure on the individual assets.

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

FOREIGN CURRENCIES – *continued*

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.

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.

JUDGEMENTS

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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 receivables. 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 product) 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

ESTIMATION UNCERTAINTY – *continued*

(a) Provision for expected credit losses on trade receivables – *continued*

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 a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 25 to the financial statements. The management has been continuously evaluating the uncertainty arising from the Covid-19 pandemic according to the accounting and disclosure requirements. Based on the assessment made by the management, the Covid-19 pandemic is not expected to have any significant impact on the Group's financial performance.

(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 2020 was approximately RMB255,493,000 (2019: RMB163,052,000). Further details are contained in note 20 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 VIU of the cash-generating units to which the goodwill is allocated. Estimating the VIU 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 2020 was RMB609,525,000 (2019: RMB666,179,000). Further details are contained in note 15 to the financial statements.

(d) Impairment of property, plant and equipment, right-of-use assets and other intangible assets

The carrying values of intangible assets with indefinite useful life (exploration rights and assets) are reviewed for impairment annually. The carrying values of other related non-current assets 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 VIU. Estimating the VIU 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 property, plant and equipment, right-of-use assets and other intangible assets and at 31 December 2020 was RMB25,477,600,000 (2019: RMB25,360,482,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

ESTIMATION UNCERTAINTY – *continued*

(e) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals, taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates.

(f) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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, operation of a finance company, operation and catering services of a hotel, exploration services and engineering design and consulting services.

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/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group’s profit before tax from continuing operations except that interest income, non-lease-related finance costs, head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and 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 head office and 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 2020

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue ***(note 5)***				
Revenue from external customers	7,017,194	425,533	205,860	7,648,587
Segment results	1,727,687	11,404	79,117	1,818,208
Reconciliation:				
Interest income				218,657
Finance costs				(699,444)
Profit before tax				1,337,421
Segment assets	31,043,175	2,047,031	3,927,984	37,018,190
Reconciliation:				
Corporate and other unallocated assets				2,671,427
Total assets				39,689,617
Segment liabilities	(2,659,621)	(212,662)	(2,020,960)	(4,893,243)
Reconciliation:				
Corporate and other unallocated liabilities				(17,739,403)
Total liabilities				(22,632,646)
Other segment information				
Capital expenditure*	1,882,380	64,275	15,758	1,962,413
Investments in associates	710,172	–	6,042	716,214
Investments in joint ventures	–	–	56,200	56,200
Impairment losses recognised in the statement of profit or loss	899,201	79,309	(10,018)	968,492
Share of profits/(losses) of				
– Associates	18,671	–	247	18,918
– Joint ventures	–	(4,352)	8,031	3,679
Depreciation and amortisation	963,449	88,716	31,177	1,083,342
Fair value gain on financial assets at fair value through profit or loss	21,563	–	299,715	321,278

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and right-of-use assets, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION – *continued*

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

Year ended 31 December 2019

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue ***(note 5)***				
Revenue from external customers	5,665,354	497,926	166,648	6,329,928
Segment results	990,152	(12,650)	102,977	1,080,479
Reconciliation:				
Interest income				175,503
Finance costs				(660,295)
Profit before tax				595,687
Segment assets	30,879,692	2,232,749	3,189,677	36,302,118
Reconciliation:				
Corporate and other unallocated assets				3,949,662
Total assets				40,251,780
Segment liabilities	(2,350,392)	(265,145)	(1,458,052)	(4,073,589)
Reconciliation:				
Corporate and other unallocated liabilities				(18,815,333)
Total liabilities				(22,888,922)
Other segment information				
Capital expenditure*	1,889,939	186,307	99,302	2,175,548
Investments in associates	712,789	–	5,795	718,584
Investments in joint ventures	–	34,352	139,602	173,954
Impairment losses recognised in the statement of profit or loss	181,071	6,812	13,923	201,806
Share of profits/(losses) of				
– Associates	7,274	–	179	7,453
– Joint ventures	–	(70,199)	14,931	(55,268)
Depreciation and amortisation	904,693	113,141	10,035	1,027,869
Fair value gain on financial assets at fair value through profit or loss	5,377	–	134,047	139,424

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and right-of-use assets, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION – *continued*

GEOGRAPHICAL INFORMATION

As over 92% (2019: 91%) 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 information has been presented.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue of approximately RMB5,879,944,000 (77% of the total sales) (2019: RMB4,441,113,000, 70% 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:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	7,929,253	6,523,301
Less:		
Government surcharges	(280,666)	(193,373)
	7,648,587	6,329,928

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

For the year ended 31 December 2020

	RMB'000
Types of goods or services	
Sale of gold	6,976,860
Sale of copper	393,396
Sale of silver	139,644
Sale of sulphur	27,879
Sale of other by-products	221,866
Rendering of processing services	69,662
Others	99,946
	7,929,253
Less:	
Government surcharges	(280,666)
Total revenue from contracts with customers	7,648,587
Timing of revenue recognition	
Revenue recognised at a point in time	7,868,728
Revenue recognised over time	60,525
Less:	
Government surcharges	(280,666)
Total revenue from contracts with customers	7,648,587

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

REVENUE FROM CONTRACTS WITH CUSTOMERS – *continued*

(a) Disaggregated revenue information – *continued*

For the year ended 31 December 2019

	RMB'000
Types of goods or services	
Sale of gold	5,519,743
Sale of copper	464,631
Sale of silver	124,551
Sale of sulphur	38,692
Sale of other by-products	246,997
Rendering of processing services	73,396
Others	55,291
	6,523,301
Less:	
Government surcharges	(193,373)
Total revenue from contracts with customers	6,329,928
Timing of revenue recognition	
Revenue recognised at a point in time	6,501,150
Revenue recognised over time	22,151
Less:	
Government surcharges	(193,373)
Total revenue from contracts with customers	6,329,928

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

REVENUE FROM CONTRACTS WITH CUSTOMERS – *continued*

(a) Disaggregated revenue information – *continued*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**166,852**	100,273
Others	**6,866**	2,545
	173,718	102,818

There was no revenue recognised from performance obligations satisfied in previous periods.

(b) Performance obligations

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

Sale of goods

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

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 2020, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2020 RMB'000	2019 RMB'000
Other income and gains		
Interest income	218,657	175,503
Government grants	73,947	62,889
Sales of auxiliary materials	95,066	89,654
Gain on settlement of financial instruments	297,208	61,990
Fair value gains on financial assets at fair value through profit or loss	24,070	77,434
Gain on repayment of gold for gold leasing business	–	18,151
Exchange gain, net	60,570	–
Gain on disposal or write-off of items of property, plant and equipment, other intangible assets, right-of-use assets and other long-term assets	30,838	–
Others	6,403	11,904
	806,759	497,525

6. OTHER EXPENSES

	2020 RMB'000	2019 RMB'000
Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, right-of-use assets and other long-term assets	–	4,471
Loss on settlement of commodity derivative contracts	9,765	121,003
Impairment of intangible assets	77,002	72,844
Impairment of property, plant and equipment	104,494	26,194
Impairment of construction in progress	420,000	19,989
Impairment of goodwill	56,654	62,211
Impairment of right-of-use assets	–	1,606
Cost of auxiliary materials	76,969	80,395
Other business expense	87,933	49,022
Others	10,649	5,165
	843,466	442,900

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	109,094	109,235
Interest on corporate bonds	474,365	404,266
Interest on gold leasing business	111,230	175,924
Interest on short-term bonds	102,513	77,943
Interest on lease liabilities	2,730	1,885
Sub-total	799,932	769,253
Less: Interest capitalised	(102,669)	(109,891)
Incremental interest on provisions and other long-term liabilities	2,181	2,818
	699,444	662,180

8. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold and services provided		4,033,416	4,039,965
Staff costs (including Directors' remuneration):			
Wages and salaries		793,834	749,245
Defined contribution fund:			
– Retirement costs		96,742	148,988
– Other staff benefits		114,474	102,986
Total staff costs		1,005,050	1,001,219
Auditor's remuneration		3,680	3,300
Depreciation of right-of-use assets	14(a)	37,168	42,461
Amortisation of other intangible assets	16	112,561	116,354
Depreciation of property, plant and equipment	13	928,386	862,141
(Gain)/Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, right-of-use assets and other long-term assets		(15,053)	4,471
Provision for impairment of receivables	25	27,363	5,283
Impairment loss on right-of-use assets	14(a)	–	1,606
Impairment loss on property, plant and equipment	13	104,494	26,194
Impairment loss on other intangible assets	16	77,002	72,844
Impairment loss on goodwill	15	56,654	62,211
Impairment loss on construction in progress	13	420,000	19,989
Impairment loss/(reversal of impairment loss) on inventories	24	559	(8,650)
Impairment loss on loans receivable	21	282,420	22,230
Fair value gain, net:			
– Equity investments at fair value through profit or loss		(24,070)	(77,434)
Loss on settlement of commodity derivative contracts		9,765	121,003
Foreign exchange differences, net		(60,570)	2,787
Gain on settlement of gold leasing business		–	(18,151)
Gain on disposal of equity investments at fair value through profit or loss		(297,208)	(61,990)
Gain on derecognition of financial assets at amortised cost		(2,110)	(1,497)
Loss on disposal of subsidiaries		1,055	2,745
Gain on bargain purchase*		–	(233)

* A gain on bargain purchase is included in "Other income and gains" in the consolidated statement of profit or loss.

9. 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:

	2020 RMB'000	2019 RMB'000
Fees:		
– Non-executive directors	–	–
– Independent non-executive directors	640	640
– Supervisors	–	–
	640	640
Salaries, allowances and benefits in kind	626	608
Performance related bonuses	2,645	2,325
Pension scheme contributions	174	193
	3,445	3,126
	4,085	3,766

9. 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 2020

	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	965	44	1,259
– Dong Xin	–	203	882	65	1,150
– Wang Li Gang	–	173	798	65	1,036
	–	626	2,645	174	3,445
Non-executive directors:					
– Huang Zhen	–	–	–	–	–
– Zhang Bang Long (appointed on 24 April 2020)	–	–	–	–	–
– Liu Yong Sheng	–	–	–	–	–
– Gao Min	–	–	–	–	–
– Xu Xiao Liang (resigned on 24 April 2020)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Zou Chao	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Zhao Hua	–	–	–	–	–
	–	–	–	–	–
	–	626	2,645	174	3,445

9. 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 2019

	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	834	45	1,129
– Dong Xin	–	190	788	74	1,052
– Wang Li Gang	–	168	703	74	945
	–	608	2,325	193	3,126
Non-executive directors:					
– Huang Zhen	–	–	–	–	–
– Xu Xiao Liang	–	–	–	–	–
– Liu Yong Sheng	–	–	–	–	–
– Gao Min	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Zou Chao	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Zhao Hua	–	–	–	–	–
	–	–	–	–	–
	–	608	2,325	193	3,126

9. 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:

	2020 RMB'000	2019 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 (2019: 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:

	Number of employees	
	2020	2019
Directors	3	3
Non-director and non-supervisor employees	2	2
	5	5

Details of directors' remuneration are set out in note 9(a) to the financial statements.

9. 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:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**344**	322
Performance related bonuses	**1,414**	1,246
Pension scheme contributions	**130**	149
	1,888	1,717

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

	Number of employees	
	2020	2019
Nil to HKD1,000,000 (Nil to RMB841,640)	**1**	1
HKD1,000,001 to HKD2,000,000 (RMB841,640 to RMB1,683,280)	**1**	1
Total	**2**	2

During the year, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. 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% (2019: 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 (2019: Nil) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

The major components of income tax expense for the year are as follows:

	2020 RMB'000	2019 RMB'000
Current – Hong Kong		
– Charge for the year	8,353	–
Current – Mainland China		
– Charge for the year	216,837	196,954
Deferred *(note 20)*	(122,567)	(39,502)
Total tax charge for the year	102,623	157,452

10. 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:

		2020		2019
	%	RMB'000	%	RMB'000
Profit before tax		1,337,421		595,687
Tax at the statutory tax rate	25.0	334,355	25.0	148,922
Reconciling items:				
Lower tax rates for specific entities	(15.5)	(207,893)	(13.5)	(80,670)
Expenses not deductible for tax	0.3	4,286	0.6	3,793
Adjustment in respect of current tax of previous periods	(0.6)	(8,662)	(1.1)	(6,783)
Tax losses and temporary differences not recognised	3.4	47,261	21.9	130,370
Tax losses utilised from previous periods	(1.5)	(20,247)	(2.7)	(15,879)
Effect on non-taxable income	(0.1)	(1,966)	(0.3)	(1,544)
Research and development costs	(3.0)	(40,750)	(4.7)	(27,732)
Profits and losses attributable to associates and joint ventures	(0.3)	(3,761)	1.2	6,975
Total tax charge for the year	7.7	102,623	26.4	157,452

11. DIVIDEND

	2020	2019
	RMB'000	RMB'000
Ordinary:		
Proposed final – RMB0.05 per share (2019: RMB0.04per share)	163,520	130,816

The board of directors recommended a cash dividend to all shareholders on the basis of RMB0.05 per share (tax included) (2019: RMB0.04 per share (tax included)).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. 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 3,270,393,000 (2019: 3,221,376,000) 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.

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

	2020 RMB'000	2019 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,052,163**	479,270

	Number of shares	
	2020 RMB'000	2019 RMB'000
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,270,393**	3,221,376
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**3,270,393**	3,221,376
Basic earnings per share (RMB)	**0.32**	0.15
Diluted earnings per share (RMB)	**0.32**	0.15

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	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 2020	5,567,310	3,616,427	312,838	314,129	8,723,766	3,316,467	21,850,937
Additions	395,807	123,129	25,991	18,745	1,788	1,152,630	1,718,090
Transferred from CIP	420,948	24,738	2,299	555	937,557	(1,386,097)	–
Disposals	(55,956)	(48,005)	(7,381)	(14,240)	–	–	(125,582)
Disposal of a subsidiary	(3,800)	–	(25)	–	(214)	–	(4,039)
At 31 December 2020	6,324,309	3,716,289	333,722	319,189	9,662,897	3,083,000	23,439,406
Accumulated depreciation:							
At 1 January 2020	1,482,180	2,023,184	216,817	220,526	2,447,118	–	6,389,825
Charge for the year	232,425	284,144	21,635	22,653	367,529	–	928,386
Disposals	(24,553)	(35,920)	(6,571)	(11,296)	–	–	(78,340)
Disposal of a subsidiary	(317)	–	(24)	–	–	–	(341)
At 31 December 2020	1,689,735	2,271,408	231,857	231,883	2,814,647	–	7,239,530
Impairment:							
At 1 January 2020	58,197	24,158	18,447	2,026	307,233	62,425	472,486
Charge for the year*	42,312	4,315	174	598	57,095	420,000	524,494
Disposals	–	(1,366)	(1,357)	(17)	–	(41)	(2,781)
Disposal of a subsidiary	(3,483)	–	(1)	–	(214)	–	(3,698)
At 31 December 2020	97,026	27,107	17,263	2,607	364,114	482,384	990,501
Net book value:							
At 31 December 2020	4,537,548	1,417,774	84,602	84,699	6,484,136	2,600,616	15,209,375

* During the year, the impairment losses recognised in property, plant and equipment related to the mining operations of the Xinyuan Gold Company CGU, the Kunhe Mining CGU, the Zhengyuan CGU, the Kezhou CGU and the Xinjiang Smelting CGU were RMB61,273,000, RMB39,560,000, RMB2,965,000, RMB3,661,000 and RMB417,035,000 respectively.

13. PROPERTY, PLANT AND EQUIPMENT – *continued*

The impairment charges are driven by the lower of the recoverable amounts of those CGUs mentioned above and as compared with the carrying amounts in aggregate of relevant assets (including property, plant and equipment, other intangible assets and right-of-use assets) 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 VIU 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% to 16% (2019: 12% to 16%).

As the mineral rights and exploration rights of Xinyuan Gold Company, Kunhe Mining, Zhengyuan and Kezhou all expired in 2020 and have not been renewed successfully. Therefore, the impairment loss was recognised in property, plant and equipment.

As Xinjiang Smelting cannot obtain sufficient sources for production, the production plan is postponed. According to the calculation results of the discounted cash flow model, an impairment loss of RMB417,035,000 was recognised in property, plant and equipment.

13. PROPERTY, PLANT AND EQUIPMENT – *continued*

31 December 2019

	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 2019	5,256,315	3,365,883	275,170	309,358	7,951,697	3,057,561	20,215,984
Additions	120,101	166,133	40,864	21,887	3,108	1,255,791	1,607,884
Transferred from CIP	164,340	94,671	129	68	742,013	(1,001,221)	–
Acquisition of subsidiaries	28,112	13,291	1,045	1,476	26,948	4,336	75,208
Disposals	(1,558)	(23,551)	(4,370)	(18,660)	–	–	(48,139)
At 31 December 2019	5,567,310	3,616,427	312,838	314,129	8,723,766	3,316,467	21,850,937
Accumulated depreciation:							
At 1 January 2019	1,260,291	1,755,006	199,133	213,314	2,140,590	–	5,568,334
Charge for the year	222,403	286,977	21,521	24,712	306,528	–	862,141
Disposals	(514)	(18,799)	(3,837)	(17,500)	–	–	(40,650)
At 31 December 2019	1,482,180	2,023,184	216,817	220,526	2,447,118	–	6,389,825
Impairment:							
At 1 January 2019	56,040	23,388	18,436	1,991	284,012	42,436	426,303
Charge for the year*	2,157	770	11	35	23,221	19,989	46,183
Disposals	–	–	–	–	–	–	–
At 31 December 2019	58,197	24,158	18,447	2,026	307,233	62,425	472,486
Net book value:							
At 31 December 2019	4,026,933	1,569,085	77,574	91,577	5,969,415	3,254,042	14,988,626

At 31 December 2020, no property, plant and equipment of the Group were pledged to secure the Group's bank borrowings (2019: Nil).

14. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts mainly for land and offices used in its operations. Lump sum payments or ongoing payments were made to acquire the leased land from the owners with lease periods of 2 to 50 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted form assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Office RMB'000	Total RMB'000
As at 1 January 2019	748,553	1,930	750,483
Addition	43,594	11,690	55,284
Additions as a result of acquisition of a subsidiary	6,388	–	6,388
Depreciation charge	(39,159)	(3,302)	(42,461)
Impairment	(1,606)	–	(1,606)
As at 31 December 2019 and 1 January 2020	**757,770**	**10,318**	**768,088**
Addition	**49,245**	**486**	**49,731**
Depreciation charge	**(32,788)**	**(4,380)**	**(37,168)**
Disposal	**(6,891)**	**–**	**(6,891)**
As at 31 December 2020	**767,336**	**6,424**	**773,760**

14. LEASES – *continued*

THE GROUP AS A LESSEE – *continued*

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**55,700**	65,092
New leases	**486**	11,690
Accretion of interest recognised during the year	**2,730**	1,885
Payments	**(14,458)**	(22,967)
Carrying amount at 31 December	**44,458**	55,700
Analysed into:		
Current portion	**14,305**	14,615
Non-current portion	**30,153**	41,085

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**2,730**	1,885
Depreciation charge of right-of-use assets	**37,168**	42,461
Expense relating to short-term leases (included in administrative expenses)	**971**	698
Total amount recognised in profit or loss	**40,869**	45,044

15. GOODWILL

	RMB'000
At 31 December 2018:	
Cost	925,065
Accumulated impairment	(231,631)
Net carrying amount	693,434
Cost at 1 January 2019, net of accumulated impairment	693,434
Impairment during the year	(62,211)
Acquisition of subsidiaries	34,956
Cost and net carrying amount at 31 December 2019	666,179
At 31 December 2019:	
Cost	960,021
Accumulated impairment	(293,842)
Net carrying amount	666,179
Cost at 1 January 2020, net of accumulated impairment	**666,179**
Impairment during the year	**(56,654)**
Cost and net carrying amount at 31 December 2020	**609,525**
At 31 December 2020:	
Cost	**960,021**
Accumulated impairment	**(350,496)**
Net carrying amount	**609,525**

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, when 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 VIU 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 16% (2019: 12% to 16%).

15. GOODWILL – *continued*

IMPAIRMENT TESTING OF GOODWILL – *continued*

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of goodwill:		
The Company	84,336	84,336
JTL	70,086	70,086
Dongfang Yanjing	2,191	2,191
Yuantong	85,627	85,627
Dishui	–	56,654
Baiyun Mining	139,691	139,691
FNJL	130,900	130,900
MXTH	26,222	26,222
TZB	35,516	35,516
ZJDK	24,504	24,504
JRKJ	386	386
WZGY	10,066	10,066
	609,525	666,179

Assumptions were used in the VIU calculation of all the cash-generating units for 31 December 2020 and 31 December 2019. 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 prices

Future commodity prices in the valuation model are estimated by management based on their industry experience, historical price trends and independent expert reports and commentaries.

15. GOODWILL – *continued*

IMPAIRMENT TESTING OF GOODWILL – *continued*

Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

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.

16. OTHER INTANGIBLE ASSETS

31 December 2020

	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 2020	8,052,071	3,352,692	71,407	25,761	11,501,931
Additions	22,616	39,056	20,471	–	82,143
Reclass	(13,434)	13,434	–	–	–
Disposal	(389,341)	(1,320)	–	–	(390,661)
At 31 December 2020	7,671,912	3,403,862	91,878	25,761	11,193,413
Accumulated amortisation:					
At 1 January 2020	42,203	1,146,356	11,712	19,695	1,219,966
Provided during the year	–	99,886	9,544	3,131	112,561
Disposal	–	(440)	–	–	(440)
At 31 December 2020	42,203	1,245,802	21,256	22,826	1,332,087
Impairment:					
At 1 January 2020	416,892	261,305	–	–	678,197
Provided during the year*	59,537	17,465	–	–	77,002
Disposal	(387,458)	(880)	–	–	(388,338)
At 31 December 2020	88,971	277,890	–	–	366,861
Net book value:					
At 31 December 2020	7,540,738	1,880,170	70,622	2,935	9,494,465

* During the year, the impairment losses recognised in other intangible assets related to the mining operations of the Zhengyuan CGU, the Xinyuan Gold Company CGU, the Kunhe Mining CGU, the Kezhou CGU and the Dishui CGU were RMB54,638,000, RMB4,251,000, RMB2,992,000, RMB3,045,000 and RMB12,076,000, respectively.

16. OTHER INTANGIBLE ASSETS – *continued*

The impairment charges are driven by the lower of the recoverable amounts of those CGUs mentioned above and the carrying amounts in aggregate of relevant assets (including property, plant and equipment, other intangible assets and right-of-use assets) 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 VIU 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% to 16% (2019: 12% to 16%). For other key assumptions, please refer to note 15.

The mineral rights and exploration rights of Xinyuan Gold Company, Kunhe Mining, Zhengyuan and Kezhou have all expired in 2020 and have not been renewed successfully. The carrying amounts of those assets belonging to the mining operations of the Xinyuan Gold Company CGU, the Kunhe Mining CGU, the Zhengyuan CGU and the Kezhou CGU were determined to be higher than the recoverable amounts, and the impairment losses were recognised in other intangible assets.

As Dishui's ore grade has declined, the carrying amounts of those assets belonging to the mining operation of the Dishui CGU were determined to be higher than the recoverable amounts, and an impairment loss of RMB12,076,000 was recognised in other intangible assets.

During the year, the amortisation of other intangible assets of the Company amounting to RMB112,561,000 (2019: RMB116,354,000) was mainly included in cost of sales.

16. OTHER INTANGIBLE ASSETS – *continued*

31 December 2019

	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 2019	7,891,262	3,184,869	6,370	25,761	11,108,262
Additions	160,809	95,548	23,251	–	279,608
Acquisition of subsidiaries	–	72,275	41,786	–	114,061
At 31 December 2019	8,052,071	3,352,692	71,407	25,761	11,501,931
Accumulated amortisation:					
At 1 January 2019	42,203	1,041,136	2,920	17,353	1,103,612
Provided during the year	–	105,220	8,792	2,342	116,354
At 31 December 2019	42,203	1,146,356	11,712	19,695	1,219,966
Impairment:					
At 1 January 2019	396,335	209,018	–	–	605,353
Provided during the year*	20,557	52,287	–	–	72,844
At 31 December 2019	416,892	261,305	–	–	678,197
Net book value:					
At 31 December 2019	7,592,976	1,945,031	59,695	6,066	9,603,768

At 31 December 2020, no other intangible assets of the Group were pledged to secure the Group's bank borrowings (2019: Nil).

17. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	56,200	173,954

The Group's prepayments, other receivables and transactions with the joint ventures are disclosed in notes 26 and 43 to the financial statements, respectively.

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
Guangzhou Jinhe Mining Investment Limited Partnership ("GZJH") (廣州金合礦業投資合夥企業(有限合夥))*	PRC 24 December 2006	RMB65,000,000	80%	Investment
Shandong Zhongrui Environmental Protection Company Limited ("ZRHB") (山東中瑞環保科技有限公司)	PRC 29 January 2019	RMB10,000,000	50%	Environmental services

* Considering the Group's voting rights in GZJH and its regulation, GZJH was accounted for as a joint venture, although the Group's indirect equity was 80% for the year ended 31 December 2021.

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.

Sanfengshan was considered a material joint venture of the Group as of 31 December 2019 and is accounted for using the equity method. Sanfengshan deregistered in 2020.

17. 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:

	2019
	RMB'000
Current assets	79,705
Non-current assets	–
Current liabilities	(11,001)
Net assets	68,704

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

	2019
	RMB'000
Proportion of the Group's ownership	50%
Group's share of net assets of the joint venture	34,352
Carrying amount of the investment	34,352
Revenue	104,827
Other income	517
	105,344
Total expenses	(243,951)
Tax	(1,791)
Total comprehensive loss for the year	(140,398)
Dividend received	–

17. INVESTMENTS IN JOINT VENTURES – *continued*

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

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' profit for the year	**3,679**	14,931
Share of the joint ventures' total comprehensive income	**3,679**	14,931
Aggregate carrying amount of the Group's investments in the joint ventures	**56,200**	139,602

18. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	**655,615**	657,985
Goodwill on acquisition	**60,599**	60,599
	716,214	718,584

The Group's trade and notes receivables, prepayments, other receivables and transactions with the associates are disclosed in notes 25, 26 and 43 to the financial statements, respectively.

18. INVESTMENTS IN ASSOCIATES – *continued*

Particulars of the material associates are as follows:

Company name	Place and date of establishment incorporation	Paid-up/ registered share capital	Percentage of equity interest directly attributable to the Group	Principal activities
Aletai Zhengyuan (阿勒泰正元國際礦業有限公司) International Mining Company Limited ("Aletai")	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 31 October 2011	CAD570,460,000	9.9%	Gold mining and processing of gold products
Beijing Shouan Information Technology Company Limited ("Shouan") (北京首安信息技術有限公司)*	PRC 28 October 2009	RMB22,500,000	7.48%	Information consulting and product design
Shandong Quanxinsheng Intelligent Technology Company Limited ("QXZS") (山東泉鑫盛智技術有限公司)	PRC 9 February 2018	RMB10,000,000	32.34%	Intelligent equipment development and maintenance

* The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the boards of directors and participation in the policy-making process, despite the fact that the Group's indirect equity interests in these associates were lower than 20% for the year ended 31 December 2020..

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

	2020 RMB'000	2019 RMB'000
Share of the associates' profit for the year	18,918	7,453
Share of the associates' total comprehensive income	18,918	7,453
Aggregate carrying amount of the Group's investments in the associates	716,214	718,584

19. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2020 RMB'000	2019 RMB'000
Government bond	626,083	400,994

At 31 December 2020, the carrying amount of financial assets measured at amortised cost was RMB626,083,000 (2019: RMB400,994,000).

20. DEFERRED TAX

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

2020

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	Lease liabilities RMB'000	Others RMB'000	Impairment losses on construction in progress RMB'000	Total RMB'000
At 31 December 2019	29,331	61,434	12,577	7,336	75,182	3,198	969	327	9,018	-	199,372
Deferred tax charged/ (credited) to the statement of profit or loss during the year (note 10)	35,481	(7,173)	320	(1,827)	40,157	8,326	(304)	(1)	(1,932)	52,730	125,777
Deferred tax credited to other comprehensive income	-	-	254	-	-	-	-	-	-	-	254
At 31 December 2020	64,812	54,261	13,151	5,509	115,339	11,524	665	326	7,086	52,730	325,403

20. DEFERRED TAX – *continued*

2020 – *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	Changes in fair value of held-for-trading financial assets RMB'000	Total RMB'000
At 31 December 2019	(325,832)	(71,888)	–	(397,720)
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	10,635	(1,445)	(12,400)	(3,210)
At 31 December 2020	(315,197)	(73,333)	(12,400)	(400,930)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position as at 31 December 2020. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax assets

	2020 RMB'000
Gross deferred tax assets at 31 December 2020	325,403
Deferred tax assets and liabilities that have been offset in the statement of financial position	(69,910)
Net deferred tax assets recognised in the consolidated statement of financial position	255,493

	2020 RMB'000
Gross deferred tax liabilities at 31 December 2020	(400,930)
Deferred tax assets and liabilities that have been offset in the statement of financial position	69,910
Net deferred tax liabilities recognised in the consolidated statement of financial position	(331,020)

20. DEFERRED TAX – *continued*

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

2019

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	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 31 December 2018	23,368	62,192	14,470	12,842	46,959	11,323	4,334	–	13,222	188,710
Effect of adoption of HKFRS 16	–	–	–	–	–	–	–	652	–	652
At 1 January 2019 (restated)	23,368	62,192	14,470	12,842	46,959	11,323	4,334	652	13,222	189,362
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	5,037	(758)	(1,241)	(5,506)	28,223	(8,125)	(3,365)	(325)	(4,204)	9,736
Addition as a result of acquisition of subsidiaries	926	–	–	–	–	–	–	–	926	
Deferred tax credited to other comprehensive income	–	–	(652)	–	–	–	–	–	–	(652)
At 31 December 2019	29,331	61,434	12,577	7,336	75,182	3,198	969	327	9,018	199,372

20. DEFERRED TAX – *continued*

2019 – *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 2019	(332,640)	(70,232)	(402,872)
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	31,421	(1,655)	29,766
Addition as a result of acquisition of subsidiaries	(24,614)	–	(24,614)
At 31 December 2019	(325,833)	(71,887)	(397,720)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position as at 31 December 2019. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax assets

	2019 RMB'000
Gross deferred tax assets at 31 December 2019	199,372
Deferred tax assets and liabilities that have been offset in the statement of financial position	(36,320)
Net deferred tax assets recognised in the consolidated statement of financial position	163,052

Deferred tax liabilities

	2019 RMB'000
Gross deferred tax liabilities at 31 December 2019	(397,720)
Deferred tax assets and liabilities that have been offset in the statement of financial position	36,320
Net deferred tax liabilities recognised in the consolidated statement of financial position	(361,400)

20. DEFERRED TAX – *continued*

At 31 December 2020, there was no significant unrecognised deferred tax liability (2019: 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 RMB889,908,000 and RMB469,259,000, respectively, as at 31 December 2020 (2019: RMB874,551,000 and RMB186,273,000) 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.

21. LOANS RECEIVABLE

	Notes	2020 RMB'000	2019 RMB'000
Loans receivable due from			
– An associate	(a)	**183,934**	128,934
– Subsidiaries of Zhaojin Group	(b)	**1,639,229**	2,266,201
– Third parties	(c)	**492,424**	457,750
– Minority shareholders	(d)	**85,000**	105,000
		2,400,587	2,957,885
Less: Impairment		**(376,309)**	(93,889)
		2,024,278	2,863,996
Less: Due within 12 months		**(1,775,653)**	(2,611,471)
Due over 12 months		**248,625**	252,525

Zhaojin Finance has pledged bill discounted assets of RMB560,000,000 (2019: Nil) to secure a rediscount bill granted to the People's Bank of China.

21. LOANS RECEIVABLE – *continued*

(a) The Company signed entrusted loan agreements to provide loans of RMB183,934,000 (2019: RMB128,934,000) to an associate. The loans are unsecured, bear interest at a fixed rate of 5.0025% per annum and have maturity date from 3 January 2021 to 18 December 2021.

(b) Zhaojin Finance provided loans of RMB926,090,000 (2019: RMB668,000,000) to subsidiaries of Zhaojin Group. The loans are guaranteed by Zhaojin Group, bear interest at fixed rates ranging from 3.7500% to 4.3500% per annum and have maturity dates from 9 March 2021 to 20 December 2030.

Zhaojin Finance also provided bill discounting services of RMB713,130,000 (2019: RMB1,598,201,000) to subsidiaries of Zhaojin Group, which bear interest at fixed rates ranging from 3.1000% to 3.8500% per annum and have maturity dates from 28 January 2020 to 9 December 2021.

(c) The Company signed entrusted loan agreements to provide loans of RMB492,424,000 (2019: RMB457,570,000) to third parties. The loans of RMB160,000,000 are secured by equity, and the remaining loans are unsecured. The loans bear interest at a fixed rate from 5.0025% to 5.4625% per annum and have maturity dates from 30 June 2021 to 20 September 2022.

(d) The Company signed loan agreements to provide loans of RMB85,000,000 (2019: RMB105,000,000) to non-controlling shareholders. The loans are secured by equity or mining rights, and interest is paid at 15% plus the bank's loan rate for the corresponding period and the loans have maturity dates from 02 August 2021 to 11 January 2022.

22. LONG-TERM DEPOSITS

Long-term deposits represent utilities and environmental rehabilitation deposits required by the government. The amounts were not expected to be refunded within the next 12 months as at 31 December 2020.

23. OTHER LONG-TERM ASSETS

	2020 RMB'000	2019 RMB'000
Advances and deposits paid for acquisitions of subsidiaries and exploration rights	**415,979**	415,958
Advance payments for purchases of property, plant and equipment	**67,164**	67,225
Long-term prepaid expenses	**22,882**	13,098
	506,025	496,281

The outstanding commitments in relation to the above acquisitions and purchases are disclosed in note 42 to financial statements.

24. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**131,095**	145,353
Work in progress	**4,846,421**	4,047,475
Finished goods	**156,020**	128,059
	5,133,536	4,320,887
Less: Impairment	**(7,846)**	(10,514)
	5,125,690	4,310,373

25. TRADE AND NOTES RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**148,969**	132,867
Notes receivable	**146,950**	27,138
Impairment	**(12,599)**	(17,558)
	283,320	142,447

25. TRADE AND NOTES RECEIVABLES – *continued*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2020 RMB'000	2019 RMB'000
Within 1 year	119,046	92,493
1 to 2 years	7,923	18,528
2 to 3 years	17,351	1,809
Over 3 years	4,649	20,037
	148,969	132,867
Less: Impairment of trade receivables	(12,599)	(17,558)
	136,370	115,309

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

	2020 RMB'000	2019 RMB'000
At beginning of year	17,558	11,305
Addition as result of acquisition of subsidiaries	–	9,931
Impairment reversal	(4,959)	(3,014)
Amount written off as uncollectible	–	(664)
At end of year	12,599	17,558

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.

25. TRADE AND NOTES RECEIVABLES – *continued*

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 2020

		Past due			
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**2.55%**	**18.62%**	**34.14%**	**46.57%**	**8.46%**
Gross carrying amount (RMB'000)	**119,046**	**7,923**	**17,351**	**4,649**	**148,969**
Expected credit losses (RMB'000)	**3,035**	**1,475**	**5,924**	**2,165**	**12,599**

As at 31 December 2019

		Past due			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.82%	25.83%	46.10%	46.57%	13.21%
Gross carrying amount (RMB'000)	92,493	18,528	1,809	20,037	132,867
Expected credit losses (RMB'000)	2,606	4,786	834	9,332	17,558

Trade and notes receivables are non-interest-bearing. As 77% (2019: 70%) of the sales of the Group for the year ended 31 December 2020 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:

	2020 RMB'000	2019 RMB'000
Amounts due from related parties		
– Zhaojin Group	**1,934**	8,816
– Subsidiaries of Zhaojin Group	**139,623**	22,679
– Associates of Zhaojin Group	**1,290**	84
	142,847	31,579

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

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments	100,563	202,270
Other receivables	610,038	516,382
	710,601	718,652
Impairment allowance	(154,031)	(126,778)
	556,570	591,874

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

	2020 RMB'000	2019 RMB'000
Amounts due from related parties:		
– Zhaojin Group	3,772	4,031
– Subsidiaries of Zhaojin Group	41,088	127,368
– Associates	2,428	3,990
– A joint venture	318	–
	47,606	135,389

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:

	2020 RMB'000	2019 RMB'000
At 1 January	126,778	118,253
Addition as result of acquisition of subsidiaries	–	228
Impairment losses recognised	32,322	8,297
Write-off	(5,069)	–
At 31 December	154,031	126,778

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Listed equity investments, at fair value	**850,377**	474,028
Listed fund investments, at fair value	**24,994**	12,012
Unlisted fund investments, at fair value	**145,512**	68,602
	1,020,883	554,642

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

The above listed and unlisted fund investments were wealth management products issued by banks or securities companies in Mainland China and Hong Kong. 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.

28. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**1,777,469**	3,148,220
Time deposits	**638,465**	638,390
	2,415,934	3,786,610
Less: Pledged deposits		
– Pledged for environment governance	**(160,131)**	(144,528)
– Required reserve deposits*	**(173,191)**	(113,414)
– Pledged for bills payable	**(42,143)**	(20,361)
	(375,465)	(278,303)
Time deposits with original maturity of more than one year	**(200,000)**	–
	1,840,469	3,508,307

* Required reserve deposits amounting to RMB173,191,000 (2019: RMB113,414,000) 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.

28. CASH AND CASH EQUIVALENTS – *continued*

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HKD") amounted to approximately RMB207,133,000 (2019: RMB141,544,000). Those denominated in United States dollars ("USD") amounted to approximately RMB488,859,000 (2019:RMB2,015,572,000). Those denominated in Australian dollars amounted to approximately RMB3,101,000 (2019: RMB4,499,000), and those denominated in Kazakhstani Tenge amounted to approximately RMB3,000 (2019: RMB3,000). All other cash and cash equivalents held by the Group are denominated in RMB. The RMB is not freely convertible into other currencies.

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.

29. TRADE AND NOTES PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	395,526	324,109
Notes payable	112,653	44,057
	508,179	368,166

At 31 December 2020, the balance of trade and notes payables mainly represented 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:

	2020 RMB'000	2019 RMB'000
Within one year	467,576	289,344
Over one year but within two years	20,417	50,021
Over two years but within three years	7,971	17,742
Over three years	12,215	11,059
	508,179	368,166

29. TRADE AND NOTES PAYABLES – *continued*

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

	2020 RMB'000	2019 RMB'000
Amounts due to related parties:		
– Subsidiaries of Zhaojin Group	95	237
– Associates	11,381	7,397
	11,476	7,634

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.

30. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Accrued taxes other than income tax		69,248	54,191
Contract liabilities	(a)	111,601	173,718
Accrued expenses and other payables	(b)	876,963	922,454
Leased liabilities	(c)	14,305	14,615
Capital expenditure payables		931,938	605,945
		2,004,055	1,770,923

30. OTHER PAYABLES AND ACCRUALS – *continued*

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Sales of goods	**105,418**	166,852
Others	**6,183**	6,866
Total	**111,601**	173,718

Contract liabilities include short-term advances received in relation to the delivery of gold and copper concentrates. The decrease in contract liabilities in 2020 and 2019 was mainly due to the decrease in short-term advances received from customers in relation to the sales of metal concentrate products at the end of the year.

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

(c) As a result of the application of HKFRS 16, short-term lease liabilities of RMB14,305,000 were adjusted to other payables at 31 December 2020 (refer to note 14 to the financial statements for further details).

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

	2020 RMB'000	2019 RMB'000
Amounts due to related parties		
– Zhaojin Group	**57,180**	25,080
– Subsidiaries of Zhaojin Group	**116,411**	8,914
– Associates	**4,683**	986
– A joint venture	**648**	27,794
– Minority shareholder	**1,495**	4,360
	180,417	67,134

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

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 RMB'000
Foreign currency option contracts	41,266

The foreign currency option contracts are not designated as hedging instruments, and the losses arising from changes in fair value amounting to RMB41,266,000 (2019: Nil) are recognised directly in profit or loss in current period.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	2.5-4.75	2021	2,302,000	4.13-4.35	2020	1,037,000
Gold leasing business – unsecured	2.52-4.30	2021	1,960,167	3.50-4.30	2020	3,712,494
Other borrowings – unsecured	0.95-4.75	2021	126,100	2.25-4.75	2020	439,390
Other borrowings – secured(b)	2.25	2021	556,702	2.70	2020	397,800
Short-term bonds – unsecured	1.50-2.50	2021	3,500,000	2.90-3.18	2020	2,800,000
			8,444,969			8,386,684
Non-current						
Bank loans – unsecured	3.67-3.68	2020-2023	698,000	4.28	2022	288,000
Other borrowings – unsecured	4.75	2025	36,140	2.55-4.75	2021	100,490
			734,140			388,490
			9,179,109			8,775,174

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

Notes:

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

	2020 RMB'000	2019 RMB'000
Banking facilities:		
– Available	27,582,000	23,782,000
– Utilised	(4,961,000)	(5,138,000)
Unutilised	22,621,000	18,644,000

(b) Certain of the Group's bank loans and other borrowings are secured by rediscount bills to the People's Bank of China at the end of reporting period of RMB560,000,000 (2019: Nil).

As at 31 December 2020, there were no bank loans and other borrowings that were secured by certificates of deposits and pledges over the Group's treasury bonds at the end of the reporting period (31 December 2019: RMB400,000,000).

As at 31 December 2020, there were no bank loans denominated in Hong Kong dollars and United States dollars, and all borrowings were denominated in RMB(2019: Nil).

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans and short-term bonds repayable:		
Within one year or on demand	2,302,000	1,037,000
In the first to second years	298,000	288,000
In the third to fifth years, inclusive	400,000	–
	3,000,000	1,325,000
Other borrowings repayable:		
Within one year	4,182,802	3,637,190
In the first to second years	–	100,490
In the third to fifth years, inclusive	36,140	–
	4,218,942	3,737,680
Gold leasing business repayable:		
Within one year	1,960,167	3,712,494
	9,179,109	8,775,174

33. 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 29 July 2020, the Company repaid the principal amount of RMB507 million.

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 31 October 2020, the Company repaid the principal amount of RMB466 million and the interest rate of the bond decrease to 3.66%.

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 13 November 2020, the Company repaid the principal amount of RMB350 million.

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.

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.

33. CORPORATE BONDS – *continued*

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.

On 1 March 2019, with the Company as the guarantor, Zhaojin Mining International Finance Limited, a subsidiary of the Company, issued USD-denominated guaranteed notes with a par value of USD0.3 billion. The notes carry interest at 5.5% per annum with a term of three years. The interest will be paid semi-annually in arrears on 1 March and 1 September.

On 20 September 2019, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.5 billion (the "2019 Zhaojin Bond"). The bond carries interest at 3.57% per annum with a term of three years, which is payable annually in arrears on 19 November each year.

	2020 RMB'000	2019 RMB'000
Corporate bonds at the beginning of the year	9,678,759	6,098,697
Corporate bonds issued during the year	–	3,508,710
Corporate bonds redeemed during the year	(1,322,994)	–
Decrease arising from foreign exchange movement	(134,659)	–
Increase arising from the amortisation method	8,168	71,352
Corporate bonds at the end of the year	8,229,274	9,678,759
Current	3,448,895	508,629
Non-current	4,780,379	9,170,130
	8,229,274	9,678,759

34. 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:

	2020 RMB'000	2019 RMB'000
At beginning of year	**250,505**	305,238
Received during the year	**18,535**	7,994
Acquisition of subsidiaries	**–**	162
Recognised as income during the year	**(73,947)**	(62,889)
At end of year	**195,093**	250,505

35. PROVISIONS

	Notes	2020 RMB'000	2019 RMB'000
Post-employment benefit obligations:			
Early retirement	(a)	**21,797**	30,674
Rehabilitation	(b)	**30,219**	29,448
		52,016	60,122
Current		**7,887**	9,616
Non-current		**44,129**	50,506
		52,016	60,122

35. PROVISIONS – *continued*

(a) The provision for early retirement is made in respect of future payments to be made by the Group to former employees who have accepted early retirement terms. These payments are made monthly based on the employees' pre-retirement salary level and age, and are due to be made until the former employees reach the normal statutory retirement age, which extends up to 2040. The obligation has no defined benefit plan asset.

The Group's obligation in respect of post-employment benefit of 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 2020, using the projected cumulative unit credit method.

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

	2020	2019
Discount rate (%)	**2.75**	2.75
Annual increase rate of post-employment salary continuance benefits (%)		
– Before 2020 (including 2020)	**–**	–
– After 2021	**–**	–

Mortality: China Life Insurance Mortality Table (2010-2013) – CL5/CL6

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 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	(151)	0.25	154,000
Annual increase rate of post-employment salary continuance benefits	0.5	317	–	N/A*

* Since the assumption of annual increase rate of post-employment salary continuance benefits is zero in actuarial valuations before 2021, 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 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.

35. PROVISIONS – *continued*

(a) – *continued*

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

	2020 RMB'000	2019 RMB'000
At beginning of year	30,674	44,957
Charged to the statement of profit or loss for employment benefits		
– Interest increment	711	1,036
Remeasurement gain recognised in other comprehensive income	1,018	(2,608)
Utilised during the year	(10,606)	(12,711)
At end of year	21,797	30,674
Current	7,887	9,616
Non-current	13,910	21,058
	21,797	30,674

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

At 31 December 2020	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Early retirement benefits	7,887	9,715	6,047	23,649

(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 3 to 59 years.

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

	2020 RMB'000	2019 RMB'000
At beginning of year	29,448	32,509
Interest increment	1,397	1,563
Change in discount rate	(626)	(4,624)
At end of year	30,219	29,448
Non-current	30,219	29,448

36. DEPOSITS FROM CUSTOMERS

	2020 RMB'000	2019 RMB'000
Demand deposits	817,482	656,256
Notice deposits	110,900	140,750
Time deposits	801,400	426,613
	1,729,782	1,223,619

As at 31 December 2020, deposits from customers represented the deposits which were placed in Zhaojin Finance, a subsidiary of the Group. The deposit interest rates range from 0.3500% to 4.2625% per annum. Except for the time deposits with maturity dates from 20 July 2021 to 24 January 2024, deposits will be repaid upon the demand and notice of the customers.

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

	2020 RMB'000	2019 RMB'000
Amounts due to related parties		
– Zhaojin Group	1,125,758	541,022
– Subsidiaries of Zhaojin Group	604,024	682,387
	1,729,782	1,223,409

37. OTHER LONG-TERM LIABILITIES

	2020 RMB'000	2019 RMB'000
Instalment of the purchase of long-term assets	205,990	221,612
The commitment of profit distribution to non-controlling shareholders	–	29,368
	205,990	250,980
Current portion	205,990	159,368
Non-current	–	91,612
	205,990	250,980

38. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Registered, issued and fully paid:		
660,837,607 (2019: 2,221,178,204) domestic shares of RMB1.00 each	**660,838**	2,221,178
2,609,555,597 (2019: 1,049,215,000) H shares of RMB1.00 each	**2,609,555**	1,049,215
	3,270,393	3,270,393

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 31 December 2019	**2,221,178,204**	**2,221,178**
H share full circulation *(Note a)*	**(1,560,340,597)**	**(1,560,340)**
As at 31 December 2020	660,837,607	660,838

H shares:

	Number of shares in issue	Share capital RMB'000
As at 31 December 2019	**1,049,215,000**	**1,049,215**
H share full circulation *(Note a)*	**1,560,340,597**	**1,560,340**
As at 31 December 2020	**2,609,555,597**	**2,609,555**

Note (a):

On 7 August 2020, Zhaojin Mining Industry Company Limited completed the conversion of 1,560,340,597 domestic shares of the Company into H shares of the Company.

39. PERPETUAL CAPITAL INSTRUMENTS

On 18 March 2015, 7 July 2015, 20 April 2017, and 25 August 2020, the Company issued perpetual capital instruments to institutional investors in the PRC interbank bond market and Shanghai Stock Exchange 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, RMB500,000,000 at a fixed initial distribution rate of 5.43% per annum, and RMB1,000,000,000 at a fixed initial distribution rate of 4.16% per annum, respectively. Proceeds from issuance, net of issuance expense, were RMB3,580,200,000 in aggregate. On 8 July 2020 and 19 March 2020, the Company redeemed the perpetual capital instruments issued in 2015 amounting to RMB2,100,000,000.

The perpetual capital instruments have no fixed maturity dates and are callable only at the Company's option.

For the perpetual capital instruments issued on 2015 and 2017, 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.

For the perpetual capital instruments issued on 2020, on the third 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 four years of distribution bearing, the coupon distribution rate will be reset every three years to a percentage per annum equal to the sum of (a) the initial spread, (b) the three-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.

40. 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.

40. RESERVES – *continued*

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 shares 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 Employee shares Subscription Plan ("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 HKD6.93 per Placing Share on the terms and subject to the conditions of the Placing Agreement (the "Placing").

40. RESERVES – *continued*

CAPITAL RESERVE – *continued*

Completion of the Placing took place on 6 April 2017. The aggregate gross proceeds from the Placing were approximately HKD1,211.8 million and the aggregate net proceeds from the Placing, after deducting the placing commission and other related expenses, were approximately HKD1,205 million (RMB1,064,379,000), and capital reserve amounting to RMB889,510,000 was recognised in the capital reserve.

On 27 September 2019, the Company acquired equity interests in ZJDK and its subsidiaries, WZGY, JRKJ and its subsidiaries, assets of property, plant and equipment, intangible assets and right-of-use assets from Zhaojin Group at the consideration of RMB402,048,800, which is satisfied by the allotment and issuance of 49,697,009 consideration shares at the issue price of RMB8.09 per consideration share. On 27 December 2019, the Company completed the share registration procedures with China Securities Depository And Clearing Corporation Limited in connection with the issuance of 49,697,009 new domestic shares. The difference between the price of issued shares and the nominal value increased the capital reserve by RMB352,352,000.

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 remaining amount of such reserve 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.

40. RESERVES – *continued*

STATUTORY RESERVES – *continued*

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.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) The Group had non-cash additions to right-of-use assets and lease liabilities of RMB486,334 and RMB486,334, respectively, in respect of lease arrangements for plant and equipment (2019: RMB11,690,000 and RMB11,690,000).

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other loans RMB'000	Lease liabilities RMB'000	Corporate bonds RMB'000	Interest payables included in other payables and accruals RMB'000
At 1 January 2020	8,775,174	55,700	9,678,759	280,327
Changes from financing cash flows	403,935	(14,458)	(1,322,994)	(938,449)
Foreign exchange movement	–	–	(134,659)	–
Interest expense	–	2,730	8,168	931,115
New leases	–	486	–	–
At 31 December 2020	9,179,109	44,458	8,229,274	272,993

	Bank and other loans RMB'000	Lease liabilities RMB'000	Corporate bonds RMB'000	Interest payables included in other payables and accruals RMB'000
At 31 December 2018	8,602,417	–	6,098,697	196,285
Effect of adoption of HKFRS 16	–	65,092	–	–
At 1 January 2019 (Restated)	8,602,417	65,092	6,098,697	196,285
Changes from financing cash flows	176,005	(22,967)	3,508,710	(584,777)
Interest expense	(3,248)	1,885	71,352	668,819
New leases	–	11,690	–	–
At 31 December 2019	8,775,174	55,700	9,678,759	280,327

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *continued*

(c) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within financing activities	14,458	22,967

42. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	800,938	300,108
– Commitment for potential acquisitions	1,538,797	1,538,797
	2,339,735	1,838,905

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Payment of rental of land use rights	9,421	9,562
– Brokerage service fees	3,815	4,239
Others:		
– Loans to related parties	4,190,000	2,670,000
– Increase/(decrease) in deposits from customers, net	584,736	(48,412)
– Interest expense on deposits from customers	45,498	18,515
– Interest income from loans to related parties	2,088	1,542
– Interest income from bills discounting service	–	14,260
(ii) Subsidiaries of Zhaojin Group		
Sales of silver	97,351	32,882
Purchase of copper concentrate	–	14,201
Expenses:		
– Fees for refining services	5,442	5,072
– Commissions fees	1,260	–
– Brokerage service fees	–	148
Capital transactions:		
– Purchases of building and other intangible assets	441,427	–
– Sales of Building and other intangible assets	72,040	–
– Provision of digital mine construction technology services	6,974	–
– Provision of exploration services	6,027	–
– Sales of materials	4,247	–
– Purchases of water treatment engineering services and relevant necessary super filter membrane and equipment	7,762	21,544
– Purchases of materials	–	121,545
– Purchases of exploration services	–	40,407
– Purchases of digital mine construction technology services	–	52,251
Others:		
– Loans to related parties	7,363,624	5,281,142
– Interest income from loans to related parties	14,897	10,813
– (Decrease)/increase in deposits from customers, net	(79,077)	275,068
– Interest expense on deposits from customers	9,286	6,826
– Bill discounting service	1,263,239	1,910,000
– Interest income from bill discounting service	54,832	28,497

43. RELATED PARTY TRANSACTIONS – *continued*

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: – *continued*

	2020 RMB'000	2019 RMB'000
Nature of relationships/transactions – *continued*		
(iii) Associate – Aletai		
– Purchases of gold concentrates	–	20,055
(iv) Associate – Quanxinsheng		
– Purchases of engineering service	14,722	–
(v) Joint venture – Sanfengshan		
– Purchases of copper concentrates	–	30,000
(vi) Joint venture – Zhong Rui		
– Purchases of equipment	1,332	–
(vii) A subsidiary of an associate – Shandong Wucailong Investment Company Limited		
– Entrusted loans	55,000	128,934
– Interest income	7,768	5,790
– Sales of materials	1,041	–
– Provision of engineering service	935	–
– Purchases of gold concentrates	3,726	–
(viii) Non-controlling shareholder – No. 3 Exploration Institute		
– Purchase of digital mine construction technology service	6,036	14,155

The directors consider that the sales, purchases and other transactions were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

43. 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 21 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 25 and 29 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 26 and 30 to the financial statements.

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

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	7,505	7,787
Post-employment benefits	–	–
Total compensation paid to key management personnel	7,505	7,787

Further details of directors' emoluments are included in note 9 to the financial statements.

(d) Connected transactions

The transactions disclosed in items (a)(i) and (a)(ii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2020			
	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	–	146,949	136,371	283,320
Financial assets included in other receivables	–	–	264,137	264,137
Financial assets at fair value through profit or loss	1,020,883	–	–	1,020,883
Financial assets at amortised cost	–	–	626,083	626,083
Loans receivable	–	–	2,024,278	2,024,278
Term deposits	–	–	200,000	200,000
Pledged deposits	–	–	375,465	375,465
Total	1,020,883	146,949	3,626,334	4,794,166

44. FINANCIAL INSTRUMENTS BY CATEGORY – *continued*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: – *continued*

Financial liabilities

	2020		
	Financial liabilities at fair value through profit or loss Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	–	508,179	508,179
Financial liabilities included in other payables and accruals	–	1,714,081	1,714,081
Derivative financial instruments	41,266	–	41,266
Lease liabilities	–	30,153	30,153
Interest-bearing bank and other borrowings	–	9,179,109	9,179,109
Corporate bonds	–	8,229,274	8,229,274
Deposits from customers	–	1,729,782	1,729,782
Other long-term liabilities (including current portion)	–	205,990	205,990
Total	41,266	21,596,568	21,637,834

44. FINANCIAL INSTRUMENTS BY CATEGORY – *continued*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: – *continued*

Financial assets

	2019			
	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	–	27,138	115,309	142,447
Financial assets included in other receivables	–	–	242,286	242,286
Financial assets at fair value through profit or loss	554,642	–	–	554,642
Financial assets at amortised cost	–	–	400,994	400,994
Loans receivable	–	–	2,863,996	2,863,996
Pledged deposits	–	–	278,303	278,303
Total	554,642	27,138	3,900,888	4,482,668

Financial liabilities

	2019 Financial liabilities at amortised cost RMB'000
Trade and notes payables	368,166
Financial liabilities included in other payables and accruals	1,449,164
Lease liabilities	41,085
Interest-bearing bank and other borrowings	8,775,174
Corporate bonds	9,678,759
Deposits from customers	1,223,619
Other long-term liabilities (including current portion)	250,980
Total	21,786,947

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Term deposits	**200,000**	–	**201,576**	–
Loans receivable, non-current portion	**248,625**	252,525	**243,588**	270,122
Total	**448,625**	252,525	**445,164**	270,122
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**734,140**	388,490	**721,265**	375,592
Corporate bonds, non-current portion	**8,229,274**	9,678,759	**8,379,077**	9,830,720
Total	**8,963,414**	10,067,249	**9,100,342**	10,206,312

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, deposits from customers, the current portion of loans receivable, the current portion of interest-bearing bank and other borrowings and the current portion of other long-term liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

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

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 changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 was assessed to be insignificant.

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, 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 to calculate 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, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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

FAIR VALUE HIERARCHY

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

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income included in trade and notes receivables	–	146,949	146,949
Financial assets at fair value through profit or loss	875,371	145,512	1,020,883
Total	875,371	292,461	1,167,832

As at 31 December 2019

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income included in trade and notes receivables	–	27,138	27,138
Financial assets at fair value through profit or loss	486,040	68,602	554,642
Total	486,040	95,740	581,780

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

FAIR VALUE HIERARCHY – *continued*

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Derivative financial instruments	–	41,266	41,266

Assets for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Term deposits	–	201,576	201,576
Loans receivable, non-current portion	–	243,588	243,588
Total	–	445,164	445,164

As at 31 December 2019

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Loans receivable, non-current portion	–	270,122	270,122

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

FAIR VALUE HIERARCHY – *continued*

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings, non-current portion	**–**	**721,265**	**721,265**
Corporate bonds	**5,366,914**	**3,012,163**	**8,379,077**
Total	**5,366,914**	**3,733,428**	**9,100,342**

As at 31 December 2019

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	375,592	375,592
Corporate bonds	6,703,148	3,127,572	9,830,720
Other long-term liabilities, non-current portion	–	91,612	91,612
Total	6,703,148	3,594,776	10,297,924

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives and financial liabilities at fair value through profit or loss, comprise bank loans, corporate bonds, other interest-bearing loans, and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and notes payables, which arise directly from its operations. In addition, the Group has financial instruments such as equity investments at fair value through profit or loss, which arise directly from its investment activities.

The main risks arising from the Group's financial instruments were liquidity risk, interest rate risk, commodity price risk, foreign currency 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
2020					
Lease liabilities	–	14,042	22,215	21,197	57,454
Interest-bearing bank and other borrowings	–	8,521,397	801,911	–	9,323,308
Trade and notes payables	395,526	112,653	–	–	508,179
Financial liabilities included in other payables and accruals	1,363,553	350,528	–	–	1,714,081
Corporate bonds	–	3,835,090	5,009,032	–	8,844,122
Deposits from customers	–	1,729,782	–	–	1,729,782
Other long term liabilities (including current portion)	105,000	105,000	–	–	210,000
	1,864,079	14,668,492	5,833,158	21,197	22,386,926

46. 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
2019					
Lease liabilities	–	14,476	34,078	22,932	71,486
Interest-bearing bank and other borrowings	–	8,517,325	431,866	–	8,949,191
Trade and notes payables	324,109	44,057	–	–	368,166
Financial liabilities included in other payables and accruals	1,007,188	441,976	–	–	1,449,164
Corporate bonds	–	965,970	9,890,896	–	10,856,866
Deposits from customers	–	1,223,619	–	–	1,223,619
Other long term liabilities (including current portion)	–	159,368	105,000	–	264,368
	1,331,297	11,366,791	10,461,840	22,932	23,182,860

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.

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

INTEREST RATE RISK

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2020		
RMB	**100**	**(16,362)**
RMB	**(100)**	**16,362**
2019		
RMB	100	(10,021)
RMB	(100)	10,021

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 has 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 Shanghai Futures Exchange for the sale of copper and gold.

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

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

FOREIGN CURRENCY RISK

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates against United States dollar, Hong Kong dollar and Australian dollar, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	increase/ (decrease) in equity* RMB'000
2020			
If RMB weakens against USD	10	(82,939)	–
If RMB strengthens against USD	(10)	82,939	–
If RMB weakens against HKD	10	18,300	–
If RMB strengthens against HKD	(10)	(18,300)	–
If RMB weakens against AUD	10	310	–
If RMB strengthens against AUD	(10)	(310)	–

* Excluding retained profits

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 25, 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, 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.

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

CREDIT RISK – *continued*

Maximum exposure and year-end staging

The tables 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. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	148,969	148,969
Financial assets included prepayments, deposits and other receivables					
– Normal**	85,895	–	–	–	85,895
– Doubtful**	–	202,785	64,722	–	267,507
Loans receivable					
– Not yet past due	2,400,587	–	332,424	–	2,733,011
	2,486,482	202,785	397,146	148,969	3,235,382

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

CREDIT RISK – *continued*

Maximum exposure and year-end staging – *continued*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	132,867	132,867
Financial assets included in prepayments, deposits and other receivables					
– Normal**	48,604	–	–	–	48,604
– Doubtful**	–	204,576	72,062	–	276,638
Loans receivable					
– Not yet past due	2,922,785	–	35,100	–	2,957,885
	2,971,389	204,576	107,162	132,867	3,415,994

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 25 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".

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 25 to the financial statements.

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

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 27) as at 31 December 2020 and 2019. The Group's listed equity investments are listed on the Shanghai and Shenzhen Stock Exchange, the Australian Securities Exchange, Hong Kong, London and New York Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2020	High/low 2020	31 December 2019	High/low 2019
Shanghai – A Share Index	3,473	3475/2647	3,050	3288/2465
Shenzhen – A Share Index	2,438	2450/1624	1,802	1882/1314
London – FT250 Index	20,715	21299/21059	21,936	21301/21059
Australia – ASX 200 Index	6,587	7197/4402	6,684	6862/5558
Hong Kong – HSI Index	27,231	29174/21139	28,189	30280/24897
New York – NYSE Index	14,525	14533/8665	13,052	13979/12757

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

EQUITY PRICE RISK – *continued*

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investment at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve.

2020 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 –	Financial assets at fair value through profit or loss	13,816	10	1,382	–
			(10)	(1,382)	–
New York –	Financial assets at fair value through profit or loss	23,642	10	2,364	–
			(10)	(2,364)	–
London –	Financial assets at fair value through profit or loss	107,092	10	10,709	–
			(10)	(10,709)	–
Shenzhen –	Financial assets at fair value through profit or loss	124,180	10	12,418	–
			(10)	(12,418)	–
Shanghai –	Financial assets at fair value through profit or loss	75,458	10	7,546	–
			(10)	(7,546)	–
Hong Kong –	Financial assets at fair value through profit or loss	506,189	10	50,619	–
			(10)	(50,619)	–
Total		850,377	10	85,038	–
			(10)	(85,038)	–

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

EQUITY PRICE RISK – *continued*

2019 Investments listed in		Carrying amount of equity investments RMB'000	Increase/ (decrease) in equity price %	Increase/ Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
Australia –	Financial assets at fair value through profit or loss	6,062	10	606	–
			(10)	(606)	–
New York –	Financial assets at fair value through profit or loss	4,148	10	415	–
			(10)	(415)	–
Shenzhen –	Financial assets at fair value through profit or loss	83,817	10	8,382	–
			(10)	(8,382)	–
Shanghai –	Financial assets at fair value through profit or loss	24,506	10	2,451	–
			(10)	(2,451)	–
Hong Kong –	Financial assets at fair value through profit or loss	355,496	10	35,550	–
			(10)	(35,550)	–
Total		474,029	10	47,404	–
			(10)	(47,404)	–

* Excluding retained profits

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group made no change to its capital structure between 2020 and 2019.

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, and corporate bonds, less cash and cash equivalents. Capital represents the equity of the Group.

	2020 RMB'000	2019 RMB'000
Interest-bearing bank and other borrowings	**9,179,109**	8,775,174
Corporate bonds	**8,229,274**	9,678,759
Less: Cash and cash equivalents	**(1,840,469)**	(3,508,307)
Net debt	**15,567,914**	14,945,626
Total equity	**17,056,971**	17,362,858
Total equity and net debt	**32,624,885**	32,308,484
Gearing ratio	**47.7%**	46.3%

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,055,728	6,526,529
Right-of-use assets	268,618	260,602
Goodwill	84,336	84,336
Other intangible assets	1,119,560	1,097,253
Investments in subsidiaries	8,816,473	8,977,679
Investment in a joint venture	–	100,000
Investment in an associate	27,937	34,650
Loans receivable	1,429,875	1,656,875
Long-term deposits	6,569	7,834
Term deposits	500,000	–
Other long-term assets	438,993	442,155
Total non-current assets	19,748,089	19,187,913
CURRENT ASSETS		
Inventories	2,783,533	2,635,647
Trade and receivables	20,282	16,179
Prepayments, other receivables and other assets	2,411,557	2,864,899
Financial assets at fair value through profit or loss	54,649	32,981
Pledged deposits	192,958	121,043
Loans receivable	6,477,245	5,984,163
Cash and cash equivalents	421,566	655,562
Total current assets	12,361,790	12,310,474

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
CURRENT LIABILITIES		
Trade and notes payables	135,170	322,984
Other payables and accruals	1,927,661	1,289,030
Interest-bearing bank and other borrowings	8,313,033	6,569,236
Corporate bonds-short term	3,448,895	508,629
Financial liability at fair value through profit or loss	41,266	–
Current portion of other long-term liabilities	–	29,368
Provisions	5,236	6,858
Total current liabilities	13,871,261	8,726,105
NET CURRENT (LIABILITIES)/ASSETS	(1,509,471)	3,584,369
TOTAL ASSETS LESS CURRENT LIABILITIES	18,238,618	22,772,282
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	698,000	288,490
Corporate bonds	2,830,437	7,092,014
Deferred tax liabilities	7,597	57,129
Deferred income	108,056	147,457
Provisions	14,123	19,190
Lease liabilities	27,068	34,446
Total non-current liabilities	3,685,281	7,638,726
Net assets	14,553,337	15,133,556
EQUITY		
Share capital	3,270,393	3,270,393
Perpetual capital instruments *(note 39)*	1,527,022	2,664,600
Reserves *(note (a))*	9,755,922	9,198,563
TOTAL EQUITY	14,553,337	15,133,556

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

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

Note:

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

	Capital reserve RMB'000	Special reserve – safety fund RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2018	2,706,572	713	1,028,595	4,638,001	8,373,881
Effect of adoption of HKFRS 16	–	–	–	(2,000)	(2,000)
At 1 January 2019 (Restated)	2,706,572	713	1,028,595	4,636,001	8,371,881
Total comprehensive income for the year	2,251	–	–	740,757	743,008
Issue of shares to acquire assets	352,352	–	–	–	352,352
Accrued distribution of perpetual capital instruments	–	–	–	(139,850)	(139,850)
Transfer to reserves	–	–	73,874	(73,874)	–
Accrual of the safety fund	–	2,018	–	(2,018)	–
Final 2018 dividend declared and paid	–	–	–	(128,828)	(128,828)
At 31 December 2019 and 1 January 2020	3,061,175	2,731	1,102,469	5,032,188	9,198,563
Total comprehensive income for the year	278	–	–	792,528	792,806
Accrued distribution of perpetual capital instruments	–	–	–	(104,631)	(104,631)
Transfer to reserves	–	–	82,821	(82,821)	–
Accrual of the safety fund	–	184	–	(184)	–
Other comprehensive income					
Transfer to retained earnings	3,725	–	–	(3,725)	–
Final 2019 dividend declared and paid	–	–	–	(130,816)	(130,816)
At 31 December 2020	3,065,178	2,915	1,185,290	5,502,539	9,755,922

48. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 January 2021, the Group redeemed 20 Zhaojin Super & Commercial Paper 003 of 2020 with a par value of RMB1 billion bearing an interest rate at 1.8% per annum.

(b) On 8 February 2021, the Group redeemed 20 Zhaojin Super & Commercial Paper 004 with a par value of RMB1 billion bearing an interest rate at 1.5% per annum.

(c) On 15 March 2021, the Group redeemed 18 Zhaojin corporate bond with a par value of RMB1.75 billion bearing an interest rate at 5.45% per annum.

(d) The Group has equity investment of 34.85% in a company called Wucailong Investment Co., Ltd. ("Wucailong"), which is a subsidiary of an associate. The main asset of Wucailong is the mining right of a mine called Qixia Wushan Mine ("the Mine") and other long-term assets. The Mine was in construction phase as of 31 December 2020. The carrying amount of the long-term equity investment by the Group in Wucailong was RMB223,091,000 and the Group also had RMB183,934,000 of entrusted loan due from Wucailong as at 31 December 2020. On 10 January 2021, an explosion occurred at the Mine.

At the date of this report, the construction phase of Wucailong has been suspended and the safety rectification is being carried out in accordance with government requirements. The Group assesses that the financial impact of this matter to the related assets could not be determined yet.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2021.