ANNUAL REPORT

2016

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)

* 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. Li Xiuchen *(President)*
Mr. Cong Jianmao
Mr. Lu Dongshang
(Retired on 26 February 2016)

Non-executive Directors

Mr. Liang Xinjun *(Vice Chairman)*
Mr. Li Shousheng
(Appointed on 26 February 2016)
Mr. Xu Xiaoliang
Mr. Gao Min *(Appointed on 26 February 2016)*
Mr. Wu Yijian *(Retired on 26 February 2016)*

Independent Non-executive Directors

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao
(Appointed on 26 February 2016)
Mr. Shen Shifu
(Appointed on 26 February 2016)
Mr. Xie Jiyuan *(Retired on 26 February 2016)*
Mr. Nie Fengjun *(Retired on 26 February 2016)*

Supervisory Committee Members

Mr. Wang Xiaojie
(Chairman of the Supervisory Committee)
Ms. Jin Ting
Ms. Zhao Hua
(Appointed on 26 February 2016)
Mr. Chu Yushan
(Ceased to be a supervisor on 26 February 2016)

Secretary to the Board

Mr. Wang Ligang

Company Secretary

Ms. Mok Ming Wai

Qualified Accountant

Mr. Ma Ving Lung Nelson

Authorised Representatives

Mr. Weng Zhanbin *(Chairman)*
Mr. Li Xiuchen *(President)*

Audit Committee Members

Ms. Chen Jinrong
(Chairman of the Audit Committee)
Mr. Choy Sze Chung Jojo
Mr. Gao Min
(Appointed on 26 February 2016)
Mr. Xu Xiaoliang
(Ceased to be a member on 26 February 2016)

Strategic Committee Members

Mr. Weng Zhanbin
(Chairman of the Strategic Committee)
Mr. Li Shousheng
(Appointed on 26 February 2016)
Mr. Xu Xiaoliang
(appointed on 26 February 2016)
Mr. Lu Dongshang *(Retired and ceased to be a member on 26 February 2016)*
Mr. Liang Xinjun
(Ceased to be a member on 26 February 2016)

Nomination and Remuneration Committee Members

Mr. Choy Sze Chung Jojo *(Chairman of Nomination and Remuneration Committee)*
Mr. Cong Jianmao
Mr. Liang Xinjun
Ms. Chen Jinrong
Mr. Wei Junhao *(Appointed on 26 February 2016)*
Mr. Nie Fengjun *(Retired and ceased to be a member on 26 February 2016)*

Geological and Resources Management Committee Members

Mr. Wei Junhao
(Chairman of Geological and Resources Management Committee)
(Appointed on 26 February 2016)
Mr. Li Shousheng
(Appointed on 26 February 2016)
Mr. Shen Shifu
(Appointed on 26 February 2016)
Mr. Weng Zhanbin *(Ceased to be a member on 26 February 2016)*
Mr. Xie Jiyuan *(Retired and ceased to be a member on 26 February 2016)*
Mr. Nie Fengjun
(Retired and ceased to be a member on 26 February 2016)

* *For identification purpose only*

Safety and Environment Protection Committee Members

Mr. Li Xiuchen
(Chairman of the Safety and Environment Protection Committee)
Mr. Cong Jianmao
Mr. Shen Shifu
(Appointed on 26 February 2016)
Mr. Xie Jiyuan *(Retired and ceased to be a member on 26 February 2016)*

Auditors

International Auditor:

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

PRC Auditor:

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

Legal Advisers

PRC Legal Adviser:

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

Hong Kong Legal Adviser:

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

Registered Office

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC

Principal Place of Business in Hong Kong

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

Hong Kong H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
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

Corporate Profile

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

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

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 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 2016, the Company owns a number of subsidiaries, joint ventures and associates nationwide, with their businesses covering major gold production regions in the PRC. As at 31 December 2016, in accordance with the standard set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), our gold ore resources reserve were approximately 39,722.9 kozs (as at 31 December 2015: approximately 39,481.4 kozs), and our recoverable gold reserves were approximately 17,645.0 kozs (as at 31 December 2015: approximately 17,494.2 kozs).

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

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

Financial Summary

Summary of Operating Results

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**6,664,785**	5,886,845	5,606,182	6,344,124	7,603,745
Gross profit	**2,729,320**	2,231,092	2,172,407	2,240,495	3,691,668
Share of profit of associates	**7,622**	6,819	6,597	12,977	10,166
Share of profit/(loss) of a joint venture	**(1,628)**	(3,443)	19,236	7,536	(8,292)
Profit before tax	**799,444**	554,513	683,024	993,557	2,661,852
Profit attributable to equity holders of the Company	**353,322**	308,140	455,388	734,085	1,923,521
Earnings per share (RMB)	**0.12**	0.10	0.15	0.25	0.66

Summary of Assets

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000* (Restated)	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**32,963,659**	31,064,082	26,400,310	23,372,457	17,917,038
Cash and cash equivalents	**1,437,951**	2,033,203	1,254,916	1,035,825	1,349,084
Total liabilities	**(18,828,442)**	(17,417,671)	(16,650,346)	(14,049,659)	(8,669,415)
Net assets	**14,135,217**	13,646,411	9,749,964	9,322,798	9,247,625
Net assets per share (RMB)	**4.77**	4.60	3.29	3.14	3.17

The above earnings per share and net assets per share for 2016 are based on the weighted average number of ordinary shares of 2,965,827,000 (2012: 2,919,107,000, 2013: 2,965,827,000, 2014: 2,965,827,000, 2015: 2,965,827,000) in issue during the year.

Chairman's Statement

Weng Zhanbin
Chairman

To Shareholders,

I am pleased to present the annual report of the Group for the year ended 31 December 2016 (the "Year") on behalf of the board of directors (the "Directors") of the Company (the "Board"). I would also like to express our kind regards to all Shareholders on behalf of the Board and all staff members.

Annual Review

In 2016, confronting with the critical conditions of drastic volatility and ever-increasing risks and challenges of the gold and bulk commodity markets, all members of the Company strived to uphold the strategy of "reform and innovation, integrity and revolution". A wide range of reform initiatives aiming at enduring difficulties while seeking for progress, surviving while promoting development were implemented. The Company achieved stable advance and sound development as well as remarkable success. For the year ended 31 December 2016, the Company made a new record on the major production indicators, with a total output of gold amounted to 1,160,400 ozs (36,092.87 kg), representing an increase of 6.29% as compared with the corresponding period of last year.

Outlook

The year 2017 marks a critical point for implementing the "13th Five-year" Plan, as well as a critical year for comprehensively deepening the internal enterprise reform and improving development quality and efficiency. The Company will firmly grasp the characteristics of the trend of economic development, firmly stick to the strategic objective of becoming a world-leading gold company with strong determination, upholding the keynote of our development of "concentration, in-depth development and conquest", and follow the principle of "supplementing the shortfall, strengthening the foundation, reinvigorating the systems and grasping the keys", with an aim to put all efforts in focusing on carrying out the main work and tasks of each specialization and each sector, fulfil all targeted missions of the year with unwavering conviction and strive to take the business development of the Company to a new height, and endeavor to speed up in the development of Zhaojin with revitalization, higher quality and efficiency and greater development momentum that all the staff are well-off and proud of it.

Acknowledgement

The production capacity of gold by the Group grew steadily in 2016. The reserves increased significantly and the growth was maintained in a stable manner. These results derived not only from the achievements made from the Group's production management, cost control efforts and enhancement of corporate governance capabilities, but also as a result of all the hard work and endeavours of the staff. It was closely related to the care and support of the Shareholders, and the enormous support from the public to the Group.

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

Weng Zhanbin
Chairman

17 March 2017

Management Discussion and Analysis

Results for the Year

Gold Output

For the Year, the Group's total output of gold amounted to 36,092.87 kg (approximately 1,160,411.85 ozs), representing an increase of approximately 6.29% as compared to the previous year. Among which, 20,379.81 kg (approximately 655,225.62 ozs) of gold was mine-produced gold, representing an increase of approximately 0.52% as compared to the previous year, and 15,713.06 kg (approximately 505,186.23 ozs) was smelted and processed gold, representing a rise of approximately 14.83% as compared to the previous year.

Copper Output

For the Year, the Group's total output of copper amounted to 11,742.4 tons, representing a decrease of approximately 24.89% as compared to the previous year.

Revenue

For the Year, the Group's revenue was approximately RMB6,664,785,000 (2015: RMB5,886,845,000), representing an increase of approximately 13.21% as compared to the previous year.

Net Profit

For the Year, the Group's net profit was approximately RMB433,519,000 (2015: RMB399,583,000), representing an increase of approximately 8.49% as compared to the previous 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 RMB0.12 and RMB0.12, respectively (2015: RMB0.10 and RMB0.10, respectively), representing increase of approximately 20.00% and 20.00% as compared to the previous year.

Analysis of Results

The increase in profit was primarily attributable to the rise of the gold price and the increase in product and sales quantity.

Distribution Proposal

The Board proposed the payment of a cash dividend of RMB0.04 (tax included) per share (2015: RMB0.04 (tax included)) to Shareholders.

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

The proposed distribution proposal for the Year is subject to the approval of the Shareholders at the annual general meeting of the Company for the Year (the "2016 AGM"), which will be held on Friday, 9 June 2017.

If the distribution proposal is approved at the 2016 AGM, it is expected that the final dividend for the Year will be paid on or before Friday, 30 June 2017 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 20 June 2017.

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, 20 June 2017.

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, 20 June 2017. 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 personal 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 personal income tax rates in respect of dividend of lower than 10%, the Company will make applications on their behalf for entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家税務總局關於印發〈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 personal income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H Shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for personal 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, 20 June 2017. 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, 20 June 2017 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual Shareholders, on or before 4:30 p.m. on Wednesday, 14 June 2017. 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

As the gold market was facing the backdrop of the referendum of Britain's exit from the European Union ("Brexit") and the rate hike by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") in 2016, the fluctuations in the gold prices were intensified, resulting in an inverted-V-shaped development for the Year in general. As a result of the uncertainty with a potential rate hike by the Federal Reserve Board, "Brexit" and other factors, the gold prices kept rising in the first half of 2016 with occasional instability at a price reaching US$1,300/oz or above in July and August. During the second half of the Year after Trump won the US presidential election, it was widely expected that his policies of tax reduction and expansion in the construction of infrastructure would boost economic growth. In addition, the Federal Reserve Board raised the interest rate in December and might do so more frequently in 2017, all of which lead to a continuous drop in the gold prices. In spite of this, the international gold price in 2016 rebounded after closing low in the past 3 consecutive years, resulting in an accumulated increase of 8.48% for the year.

In 2016, the international gold price opened at US$1,061.20/oz with the highest price reaching US$1,375.15/oz and the lowest price reaching US$1,061.20/oz. The closing price for the Year was US$1,151.10/oz, representing an accumulated increase of approximately 8.48% throughout the Year. The average price for the Year was US$1,246.14/oz. The opening price of the "Au9995" on the Shanghai Gold Exchange ("SGE") was RMB224.60/g with the highest at RMB295.35/g and the lowest at RMB223.50/g. The closing price was RMB264.50/g and the accumulated increase for the Year was approximately 17.76%. The annual average price was approximately RMB265.06/g, representing a rise of approximately 13.20% as compared with the same period of last year.

According to the statistics from the China Gold Association, China's gold output reached 453.486 tons in 2016. China ranked as the number one gold producer in the world for 10 consecutive years.

Business Review

An internal market-oriented operation reform achieved new effect

Guided by the internal market-oriented reform, in 2016, the Company introduced a set of reform policies and support systems in respect of contract operation, institutional downsizing and delegation of power. By adjusting the assessment methods and improving the control mechanism, the Company enhanced the workplace autonomy of all cadres and employees. As a result, the Company recorded operating revenue of RMB6.665 billion and profit of RMB434 million, up by 13.21% and 8.49% on a year-on-year basis respectively; the total output of gold amounted to 1,160,411.85 ozs (approximately 36,092.87 kg), representing an increase of approximately 6.29% as compared with the same period of last year, among which, 655,225.62 ozs (approximately 20,379.81 kg) of gold was mined, representing an increase of approximately 0.52% as compared with the same period of last year, and 505,186.23 ozs (approximately 15,713.06 kg) of gold was smelted and processed, representing a rise of approximately 14.83% as compared with the same period of last year.

The coordinated growth of the mines inside and outside the district

In 2016, the Company focused on the acceleration of the construction of key projects, in particular, the Company invested RMB516 million for implementing 30 key projects. Various key projects including the continuous transformation of the production process and processing plants were completed on time, creating favorable conditions for continuous enhancement in our production capacity. The development strategy of "half inside and half outside the district" has been adopted, particularly given the growth in the Company's production capacity. In particular, the gold output completed by mining enterprises outside the district amounted to 284,044.42 ozs (approximately 8,834.78 kg), representing an increase by 5.09% on a year-on-year basis and accounting for nearly 50% of the Company's total output. Meanwhile, the Company continued to explore new strategy and invested mineral prospecting funds of RMB140 million, which led to the production of 61 additional tons of gold metals and over 3,000 tons of copper metals. According to standards set out in the JORC Code, the Company's gold resources amounted to 1,235.52 tons (approximately 39,722,900 ozs), and the mineable reserves amounted to 548.82 tons (approximately 17,645,000 ozs).

Table 1: Statistics of Zhaojin's Mineral Resources (as at 31 December 2016)

				JORC-Code-Complied Resources	
No.	**Name of the mine**	**Mineral**	**Unit**	**Measured+ Indicated**	**Inferred**
1	Xiadian Gold Mine	Gold	Ore (Mt)	29.468	12.388
			Grade (g/t)	2.86	3.13
			Metal (t)	84.29	38.81
2	Hedong Gold Mine	Gold	Ore (Mt)	1.740	2.893
			Grade (g/t)	4.21	3.93
			Metal (t)	7.32	11.38
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	57.515	38.678
			Grade (g/t)	2.52	2.42
			Metal (t)	144.66	93.68
4	Jinchiling Gold Mine	Gold	Ore (Mt)	0.329	0.758
			Grade (g/t)	6.30	6.02
			Metal (t)	2.07	4.56
5	Jintingling Mining	Gold	Ore (Mt)	2.029	3.372
			Grade (g/t)	3.42	6.14
			Metal (t)	6.93	20.69
6	Canzhuang Gold Mine	Gold	Ore (Mt)	2.784	5.259
			Grade (g/t)	3.08	4.51
			Metal (t)	8.58	23.71
7	Daqinjia Mining	Gold	Ore (Mt)	0.284	0.235
			Grade (g/t)	4.18	3.46
			Metal (t)	1.19	0.81
8	Jishan Mining	Gold	Ore (Mt)	0.180	0.136
			Grade (g/t)	4.22	3.62
			Metal (t)	0.76	0.49
9	Ruihai Mining	Gold	Ore (Mt)	51.370	68.447
			Grade (g/t)	4.86	3.79
			Metal (t)	249.66	259.08
10	Zhaojin North Xin Jiang	Gold	Ore (Mt)	1.756	2.126
			Grade (g/t)	4.51	4.53
			Metal (t)	7.92	9.64

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
11	Minxian Tianhao	Gold	Ore (Mt)	4.214	1.431
			Grade (g/t)	2.34	2.62
			Metal (t)	9.86	3.75
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.137	0.130
			Grade (g/t)	4.90	5.26
			Metal (t)	0.67	0.68
13	Fuyun Zhaojin	Gold	Ore (Mt)	0.158	1.505
			Grade (g/t)	3.01	4.83
			Metal (t)	0.47	7.27
14	Fengningjinlong	Gold	Ore (Mt)	1.671	2.369
			Grade (g/t)	3.70	3.79
			Metal (t)	6.19	8.98
15	Zaozigou Gold Mine	Gold	Ore (Mt)	6.127	8.515
			Grade (g/t)	4.48	3.06
			Metal (t)	27.47	26.02
16	Xinhe Mining	Gold	Ore (Mt)	0.024	0.142
			Grade (g/t)	3.14	3.30
			Metal (t)	0.08	0.47
17	Liangdang Zhaojin	Gold	Ore (Mt)	1.122	8.415
			Grade (g/t)	2.45	2.13
			Metal (t)	2.75	17.96
18	Zhaojin Baiyun	Gold	Ore (Mt)	1.112	16.322
			Grade (g/t)	3.11	2.78
			Metal (t)	3.45	45.34
19	Qinghe Mining	Gold	Ore (Mt)	3.293	1.117
			Grade (g/t)	6.59	4.87
			Metal (t)	21.70	5.45
20	Longxin Mining	Gold	Ore (Mt)	1.219	2.127
			Grade (g/t)	5.28	2.75
			Metal (t)	6.43	5.86
21	Hezhengxinyuan	Gold	Ore (Mt)	0.232	0.736
			Grade (g/t)	5.97	5.20
			Metal (t)	1.38	3.83
22	Xinrui Mining	Gold	Ore (Mt)	2.975	5.299
			Grade (g/t)	2.62	2.46
			Metal (t)	7.79	13.02
23	Zhaojin Zhengyuan	Gold	Ore (Mt)	0.062	0.825
			Grade (g/t)	5.79	3.43
			Metal (t)	0.36	2.83
24	Liyuan Gold Mine	Gold	Ore (Mt)	1.238	0.531
			Grade (g/t)	5.09	4.59
			Metal (t)	6.31	2.44
25	Subei Jinying	Gold	Ore (Mt)	0.208	1.711
			Grade (g/t)	4.92	5.87
			Metal (t)	1.02	10.05
26	Yuantong Mining	Gold	Ore (Mt)	0.351	0.734
			Grade (g/t)	7.81	6.11
			Metal (t)	2.74	4.48
27	Sanfengshan Gold Mine	Gold	Ore (Mt)	–	0.578
			Grade (g/t)	–	3.77
			Metal (t)	–	2.18

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
		Copper	Ore (Mt)	0.405	0.286
			Grade (%)	3.71	1.83
			Metal (Kt)	12.86	5.23
28	Tonghui Mining	Copper	Ore (Mt)	4.103	1.750
			Grade (%)	1.73	1.40
			Metal (Kt)	71.10	24.42
29	Dishui Copper Mine	Copper	Ore (Mt)	10.284	16.125
			Grade (%)	1.04	1.01
			Metal (Kt)	107.06	162.32
	Mine Total	Gold	Ore (Mt)	171.597	186.780
			Grade (g/t)	3.57	3.34
			Metal (t)	612.07	623.45
		Copper	Ore (Mt)	14.792	18.161
			Grade (%)	1.29	1.06
			Metal (Kt)	191.02	191.96
	Mine Total belongs to Zhaojin	Gold	Ore (Mt)	139.280	134.652
			Grade (g/t)	3.33	3.28
			Metal (t)	464.01	442.06
		Copper	Ore (Mt)	12.102	14.492
			Grade (%)	1.29	1.06
			Metal (Kt)	156.42	153.31

Table 2: Statistics of Zhaojin's Recoverable Reserve (as at 31 December 2016)

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
1	Xiadian Gold Mine	Gold	Ore (Mt)	2.326	27.142	29.468	12.388	2.337	27.272	29.610
			Grade (g/t)	2.78	2.87	2.86	3.13	2.54	2.62	2.62
			Metal (t)	6.46	77.83	84.29	38.81	5.94	71.54	77.48
2	Hedong Gold Mine	Gold	Ore (Mt)	0.489	1.251	1.740	2.893	0.494	1.263	1.757
			Grade (g/t)	4.11	4.24	4.21	3.93	3.90	4.03	3.99
			Metal (t)	2.01	5.31	7.32	11.38	1.93	5.09	7.02
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	6.144	51.371	57.515	38.678	6.102	51.024	57.126
			Grade (g/t)	2.40	2.53	2.52	2.42	2.32	2.44	2.43
			Metal (t)	14.76	129.90	144.66	93.68	14.15	124.53	138.68
4	Jinchiling Gold Mine	Gold	Ore (Mt)	–	0.329	0.329	0.758	–	0.350	0.350
			Grade (g/t)	–	6.30	6.30	6.02	–	5.62	5.62
			Metal (t)	–	2.07	2.07	4.56	–	1.96	1.96
5	Jintingling Mining	Gold	Ore (Mt)	–	2.029	2.029	3.372	–	2.004	2.004
			Grade (g/t)	–	3.42	3.42	6.14	–	3.28	3.28
			Metal (t)	–	6.93	6.93	20.69	–	6.58	6.58
6	Canzhuang Gold Mine	Gold	Ore (Mt)	0.320	2.464	2.784	5.259	0.326	2.511	2.838
			Grade (g/t)	2.93	3.10	3.08	4.51	2.78	2.93	2.92
			Metal (t)	0.94	7.64	8.58	23.71	0.91	7.37	8.28
7	Daqinjia Mining	Gold	Ore (Mt)	0.044	0.240	0.284	0.235	0.046	0.250	0.296
			Grade (g/t)	3.33	4.34	4.18	3.46	3.01	3.92	3.78
			Metal (t)	0.15	1.04	1.19	0.81	0.14	0.98	1.12
8	Jishan Mining	Gold	Ore (Mt)	0.108	0.072	0.180	0.136	0.112	0.075	0.187
			Grade (g/t)	4.31	4.09	4.22	3.62	3.58	3.40	3.51
			Metal (t)	0.47	0.30	0.76	0.49	0.40	0.26	0.66

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
9	Ruihai Mining	Gold	Ore (Mt)	15.343	36.028	51.370	68.447	14.345	33.686	48.031
			Grade (g/t)	6.25	4.27	4.86	3.79	5.68	3.88	4.42
			Metal (t)	95.86	153.80	249.66	259.08	81.48	130.73	212.21
10	Zhaojin North Xin Jiang	Gold	Ore (Mt)	0.281	1.475	1.756	2.126	0.288	1.510	1.798
			Grade (g/t)	6.22	4.18	4.51	4.53	5.57	3.75	4.04
			Metal (t)	1.75	6.17	7.92	9.64	1.60	5.65	7.26
11	Minxian Tianhao	Gold	Ore (Mt)	–	4.214	4.214	1.431	–	4.463	4.463
			Grade (g/t)	–	2.34	2.34	2.62	–	2.12	2.12
			Metal (t)	–	9.86	9.86	3.75	–	9.48	9.48
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.016	0.120	0.137	0.130	0.017	0.122	0.139
			Grade (g/t)	5.45	4.82	4.90	5.26	4.97	4.40	4.47
			Metal (t)	0.09	0.58	0.67	0.68	0.08	0.54	0.62
13	Fuyun Zhaojin	Gold	Ore (Mt)	–	0.158	0.158	1.505	–	0.163	0.163
			Grade (g/t)	–	3.01	3.01	4.83	–	2.62	2.62
			Metal (t)	–	0.47	0.47	7.27	–	0.43	0.43
14	Fengningjinlong	Gold	Ore (Mt)	1.069	0.602	1.671	2.369	1.102	0.621	1.723
			Grade (g/t)	3.86	3.42	3.70	3.79	3.33	2.95	3.19
			Metal (t)	4.13	2.06	6.19	8.98	3.67	1.83	5.50
15	Zaozigou Gold Mine	Gold	Ore (Mt)	–	6.127	6.127	8.515	–	6.082	6.082
			Grade (g/t)	–	4.48	4.48	3.06	–	4.11	4.11
			Metal (t)	–	27.47	27.47	26.02	–	25.02	25.02
16	Xinhe Mining	Gold	Ore (Mt)	–	0.024	0.024	0.142	–	0.026	0.026
			Grade (g/t)	–	3.14	3.14	3.30	–	2.84	2.84
			Metal (t)	–	0.08	0.08	0.47	–	0.07	0.07
17	Liangdang Zhaojin	Gold	Ore (Mt)	–	1.122	1.122	8.415	–	1.119	1.119
			Grade (g/t)	–	2.45	2.45	2.13	–	2.31	2.31
			Metal (t)	–	2.75	2.75	17.96	–	2.59	2.59
18	Zhaojin Baiyun	Gold	Ore (Mt)	–	1.112	1.112	16.322	–	1.055	1.055
			Grade (g/t)	–	3.11	3.11	2.78	–	2.84	2.84
			Metal (t)	–	3.45	3.45	45.34	–	2.99	2.99
19	Qinghe Mining	Gold	Ore (Mt)	–	3.293	3.293	1.117	–	3.896	3.896
			Grade (g/t)	–	6.59	6.59	4.87	–	4.71	4.71
			Metal (t)	–	21.70	21.70	5.45	–	18.36	18.36
20	Longxin Mining	Gold	Ore (Mt)	–	1.219	1.219	2.127	–	1.207	1.207
			Grade (g/t)	–	5.28	5.28	2.75	–	4.80	4.80
			Metal (t)	–	6.43	6.43	5.86	–	5.79	5.79
21	Hezhengxinyuan	Gold	Ore (Mt)	–	0.232	0.232	0.736	–	0.221	0.221
			Grade (g/t)	–	5.97	5.97	5.20	–	5.33	5.33
			Metal (t)	–	1.38	1.38	3.83	–	1.18	1.18
22	Xinrui Mining	Gold	Ore (Mt)	–	2.975	2.975	5.299	–	2.908	2.908
			Grade (g/t)	–	2.62	2.62	2.46	–	2.28	2.28
			Metal (t)	–	7.79	7.79	13.02	–	6.62	6.62
23	Zhaojin Zhengyuan	Gold	Ore (Mt)	–	0.062	0.062	0.825	–	0.065	0.065
			Grade (g/t)	–	5.79	5.79	3.43	–	5.24	5.24
			Metal (t)	–	0.36	0.36	2.83	–	0.34	0.34
24	Liyuan Gold Mine	Gold	Ore (Mt)	–	1.238	1.238	0.531	–	1.137	1.137
			Grade (g/t)	–	5.09	5.09	4.59	–	4.62	4.62
			Metal (t)	–	6.31	6.31	0.24	–	5.25	5.25
25	Subei Jinying	Gold	Ore (Mt)	–	0.208	0.208	1.711	–	0.197	0.197
			Grade (g/t)	–	4.92	4.92	5.87	–	4.56	4.56
			Metal (t)	–	1.02	1.02	10.05	–	0.90	0.90
26	Yuantong Mining	Gold	Ore (Mt)	–	0.351	0.351	0.734	–	0.329	0.329
			Grade (g/t)	–	7.81	7.81	6.11	–	7.43	7.43
			Metal (t)	–	2.74	2.74	4.48	–	2.45	2.45
27	Sanfengshan Gold Mine	Gold	Ore (Mt)	–	–	–	0.576	–	–	–
			Grade (g/t)	–	–	–	3.77	–	–	–
			Metal (t)	–	–	–	2.18	–	–	–

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
		Copper	Ore (Mt)	0.162	0.243	0.405	0.286	0.163	0.246	0.409
			Grade (%)	2.63	3.53	3.17	1.83	2.50	3.35	3.01
			Metal (Kt)	4.26	8.60	12.86	5.23	4.08	8.24	12.32
28	Tonghui Mining	Copper	Ore (Mt)	0.622	3.481	4.103	1.750	0.614	3.434	4.048
			Grade (%)	1.74	1.73	1.73	1.40	1.66	1.65	1.65
			Metal (Kt)	10.81	60.29	71.10	24.42	10.18	56.77	66.94
29	Dishui Copper Mine	Copper	Ore (Mt)	3.513	6.771	10.284	16.125	3.505	6.756	10.261
			Grade (%)	1.04	1.04	1.04	1.01	0.93	0.93	0.93
			Metal (Kt)	36.42	70.64	107.06	162.32	32.50	63.04	95.53
	Mine Total	Gold	Ore (Mt)	26.141	145.456	171.597	186.780	25.170	143.555	168.725
			Grade (g/t)	4.48	3.34	3.57	3.34	4.38	3.05	3.25
			Metal (t)	126.61	485.46	612.07	623.45	110.29	438.52	548.82
		Copper	Ore (Mt)	4.297	10.495	14.792	18.161	4.283	10.436	14.718
			Grade (%)	1.20	1.33	1.29	1.06	1.09	1.23	1.19
			Metal (Kt)	51.49	139.54	191.02	191.96	46.75	128.04	174.80
	Mine Total belongs to Zhaojin	Gold	Ore (Mt)	18.407	120.873	139.280	134.652	17.888	120.110	137.998
			Grade (g/t)	4.32	3.18	3.33	3.28	3.92	2.98	3.06
			Metal (t)	79.53	384.48	464.01	442.06	70.21	351.45	421.66
		Copper	Ore (Mt)	3.429	8.673	12.102	14.492	3.416	8.619	12.035
			Grade (%)	1.19	1.33	1.29	1.06	1.09	1.23	1.19
			Metal (Kt)	40.84	115.58	156.42	153.31	37.07	106.15	143.22

Notes: 1. The gold consumption ore reserve in 2016 was 7,355,961 tonnes. The grade was 2.55 gram per tonne. 460 gold exploration drill holes were conducted, 49,584 meters of tunneling footage and 182,529 meters of drilling footage were completed.

2. The copper consumption ore reserve in 2016 was 897,947 tonnes. The grade was 1.64%. 30 copper exploration drill holes were conducted, 1,534 meters of tunneling footage and 6,714 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 15 and 17 of this annual report.

Assumptions Adopted for the Annual Update of Resources and/or Reserves

The same assumptions as those applied in the 2015 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 2015, 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 2016, and changes in mineral resources from prospecting and exploration during that period. The verification was carried out on the analysis of the core, geological record and tests in this period.

b. *Recoverable reserve estimate*

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

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

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

iv. The average recovery rate of Zhaojin Mining's 19 gold productive mines was approximately 92.1%, while the dilution rate was approximately 9.0%; and

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

2. Copper ore resource estimates

a. *Mineral resource estimates*

Premising on the level of mineral resources as at the end of 2015, Beijing Haidiren updated the estimates by incorporating the mining consumption of copper mineral resources between January to December 2016, and changes in mineral resources from prospecting and exploration during that period. The verification was carried out on the analysis of the core, geological record and tests in this period based on the amount of mineral resources.

b. *Recoverable reserve estimates*

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

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

iii. The average recovery rate of Zhaojin Mining's 2 copper mines (Dishui Copper Mine stopped production) was approximately 94.6%, while the dilution rate was approximately 4.7%; 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 2016 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.

Internal management approaches achieved sound outcomes

In 2016, a series of innovative and effective activities were introduced by the Company to promote cost reduction and efficiency enhancement including the enhancement of the integration of information technology and financials and the online operation of the management systems for mineral resources planning; the enhancement of a sound and traditional management model and the launch of the TOPS Star Rating Assessment System in 21 enterprises (TOPS星級評價考評體系), leading to a substantial improvement in terms of equipment management, on-site management and management approach. Also, the Company made great efforts to carry out special rectification in respect of projects, procurement and sales, inspect the Company in respect of its audit, financials and disciplinary performance, and refine the management system, which led to an accumulated management potential tapping an amount exceeding RMB150 million, and an enhancement of our management efficiency.

Technological innovations emerging

In 2016, the Company completed the investment of RMB83.3 million in technological research. The two national brand technological research projects, namely the construction of the base for demonstrating and integrated utilization of gold resources and the research in the gold ore short-distanced grinding and flotation technology, were completed and passed the acceptance inspection by the government. The cooperation between the production, academic and research sector of the Company achieved new progress as exemplified by the collaboration between the technology centre, the design institute in Yanjing and the production enterprises, the implementation of the "academician workstation of Zhaojin Mining" with the Chinese Academy of Engineering and the construction of a new platform for technological research and development. In 2016, the Company applied for 89 patents and successfully applied for 29 achievement awards in various sectors and sought for the subsidies on technological innovation of RMB11.47 million.

Positive entrepreneurial culture

In 2016, the Company strictly adhered to the "red lines" for safety, ecological and environmental protection and invested RMB120 million in adopting safety measures for the Year and over 30 hectares of afforested area. Consistent performance has been maintained in respect of safety and environmental protection, which enabled the Company to pass the state supervision and examination on safety and environmental protection. The Company launched professional training plan and organized 51 professional skill competitions for over 3,000 persons in the Year. To carry forward the craftsman's spirit, the Company set up an innovation studio for employees, who have carried out 725 small reforms and innovations, resulting in a direct creation of RMB27.85 million in revenue. Meanwhile, the Company enhanced an incorrupt administration on all levels and maintained a tough stance on violation of regulations and disciplines. Organizations at all levels including Party committee, administrative offices, labour unions, the Communist Youth League of China and All-China Women's Federation actively carried out thematic activities to spread positive energy.

Financial Analysis

Revenue

For the Year, the Group's revenue was approximately RMB6,664,785,000 (2015: RMB5,886,845,000), representing an increase of approximately 13.21% (2015: an increase of approximately 5.01%) as compared to the previous year. Such increase was primarily attributable to the increase in the selling price and sales volume of gold.

Cost of Sales

For the Year, the Group's cost of sales was approximately RMB3,935,465,000 (2015: RMB3,655,753,000), representing an increase of approximately 7.65% (2015: an increase of approximately 6.46%) as compared to the previous year. Such increase was primarily attributable to the increase in the sales volume of gold and unit production cost.

Gross Profit and Gross Profit Margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB2,729,320,000 (2015: RMB2,231,092,000) and approximately 40.95% (2015: 37.90%), respectively, representing an increase in gross profit of approximately 22.33% (2015: an increase of approximately 2.70%) and an increase in gross profit margin of approximately 3.05% (2015: a decrease of approximately 0.85%), respectively, as compared to the previous year. The increase in gross profit as compared to 2015 was primarily attributable to the increase in the sales volume of gold, as well as the greater increase in unit price than unit cost.

Other Income and Gains

During the Year, the Group's other income and gains were approximately RMB359,903,000 (2015: RMB362,928,000), representing a slight decrease of approximately 0.83% (2015: an increase of approximately 39.51%) as compared to the previous year. The decrease in other revenue and gains was mainly due to the decrease in the gains from the settlement of commodity derivative contracts of gold and copper.

Selling and Distribution Costs

For the Year, the Group's selling and distribution costs were approximately RMB71,720,000 (2015: RMB98,343,000), representing a decrease of approximately 27.07% (2015: a decrease of approximately 17.85%) as compared to the previous year. Such decrease was mainly due to the decrease in transportation expenses and gold trading expenses in relation to gold forward contracts and AU(T+D) during the Year.

Administrative and Other Expenses

The Group's administrative and other operating expenses were approximately RMB1,758,970,000 during the Year (2015: RMB1,418,207,000), representing an increase of approximately 24.03% (2015: an increase of approximately 24.27%) as compared to 2015. Such increase was mainly attributable to the implement of the employee share subscription plan ("ESSP") and recognised the share-based payment expense.

Finance Costs

For the Year, the Group's finance costs were approximately RMB465,083,000 (2015: RMB526,333,000), representing a decrease of approximately 11.64% (2015: an increase of approximately 2.32%) as compared to 2015. Such decrease was mainly attributable to the restructuring of debts and the increased proportion of low-cost funds used during the Year.

Income Tax Expenses

For the Year, the Group's income tax expenses increased by approximately RMB210,995,000 as compared to the previous year. It was mainly attributable to the increase in profit before tax in relation to profitable companies of the Group. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2015: 25%) on the taxable income (except for certain subsidiaries of the Group in Xinjiang and Gansu, where the corporate income tax is provided at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 45.77% during the Year (2015: 27.94%).

Profit Attributable to Owners of the Parent

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB353,322,000, representing an increase of approximately 14.66% (2015: a decrease of approximately 32.33%) from approximately RMB308,140,000 in 2015.

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 RMB2,033,203,000 as at 31 December 2015 to approximately RMB1,437,951,000 as at 31 December 2016. The decrease was mainly attributable to the Company's proactive lowering cash position and increasing efficiency in funds usage.

As at 31 December 2016, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB201,205,000 (2015: RMB431,885,000), those denominated in US dollars amounted to approximately RMB75,109,000 (2015: RMB61,444,000), those denominated in Australian dollars amounted to approximately RMB23,386,000 (2015: Nil), those denominated in Kazakhstani tenge amounted to approximately RMB4,000 (2015: RMB4,000), those denominated in Canadian dollars amounted to approximately RMB171,000 (2015: Nil) and those denominated in British Pounds amounted to approximately RMB4,000 (2015: Nil). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2016, the Group had outstanding bank loans, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through SGE) of approximately RMB11,971,906,000 (2015: RMB9,757,317,000), of which approximately RMB10,884,200,000 (2015: RMB8,024,668,000) shall be repaid within one year, approximately RMB1,087,706,000 (2015: RMB1,728,077,000) shall be repaid within two to five years, and approximately RMB0 (2015: RMB4,572,000) shall be repaid after five years. As at 31 December 2016, the Group had outstanding corporate bonds of approximately RMB1,198,071,000, which will be repaid in one year (2015: RMB1,498,997,000) and approximately RMB945,101,000 (2015: RMB2,140,818,000), which shall be repaid within two to five years. The increase in the Group's borrowings during the Year was mainly attributable to the mineral resource acquisition activities, capital expenditures and working capital to maintain operating activities of the Group.

As at 31 December 2016, except for secured bank loans of RMB715,511,000 and RMB76,307,000 (2015: RMB671,596,000 and RMB32,742,000) denominated in Hong Kong dollars and US dollars respectively, all borrowings are denominated in RMB. As at 31 December 2016, approximately 71% 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 2016, the gearing ratio of the Group was 47.38% (31 December 2015: 45.4%). As the Group issued optimized all kinds of financing channels these years, the gearing ratio of the Group for the Year is stable compared with last year.

Market Risks

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

Gold Prices and Other Commodities Prices Risks

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

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

The Group also entered into copper cathode 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 the management. Accordingly, a reasonable possible fluctuation of 10% in commodity prices would have no significant impact on the Group's profit and equity for the Year.

Interest Rate Risk

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

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

Foreign Exchange Risk

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

Risk of change in industry policies

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

Pledge

As at 31 December 2016, except for the following assets pledged for the bank borrowings and notes payable of the Group, the Group has not pledged any assets: (1) property, plant and equipment, prepaid land lease payments with net carrying amount of approximately RMB43,239,000 (31 December 2015: RMB47,902,000); (2) pledged deposits of RMB76,589,000 (31 December 2015: RMB133,572,000).

Business Outlook

2017 is a key year for the Company as it will implement the "13th Five-Year" Plan, speed up development and improve quality and efficiency. We will, in strict accordance with the development keynote of "concentration, in-depth development and conquest", focus on development of gold mining as our main business, enhance mutual promotion between industries and financial institutions, enhance innovation and efficiency capacity, so as to ensure a harmonious and steady development and fulfill various operational goals of the year.

Focus on the core business for the strengthening and betterment of the gold mining industry

In 2017, the Company will carry out various activities to promote production organization to a new level and achieve four new breakthroughs. Firstly, to achieve new breakthroughs in key project construction, the Company plans to invest RMB700 million and implement 31 infrastructure and technological transformation projects. Based on "10 major infrastructure and technological transformation projects", the Company will focus on Ruihai Mining and colorful Long Jing Xiang construction projects, and speed up construction of advanced projects such as Xiadian Gold Mine, Dayingezhuang Gold Mine, Canzhuang Gold Mine and Zaozigou Gold Mine, so as to enhance the continuous production capacity. Meanwhile, the Company will further improve the stope layout, innovate production organization and enhance on-site management, in order to achieve steady production, enhance efficiency and to complete a gross gold production of 1.2077 million ozs. Secondly, to achieve new breakthroughs in technological innovation, the Company plans to invest RMB73.12 million in 70 key scientific research projects. Leveraging on the powerful role of the "ten key innovation" project, the Company will concentrate on the research of key subjects. Thirdly, to achieve new breakthroughs in respect of four modernizations, the Company plans to invest RMB80 million in promoting mechanization, informatization, automation and intellectualization of production. The Company will promote the construction of intelligent mining by intellectualizing mining, transportation, ore processing, residue handling, safety management, etc., with the aim of demonstrating intelligent mining and ore processing in large mines. Fourthly, to achieve new breakthroughs in prospecting, the Company plans to invest mineral prospecting funds of RMB82.3 million in anticipation of the production of 45 additional tons of new gold metals and over 2,500 tons of new copper metals and increasing gold resource reserves by 23 tons.

Enhance enterprise management to maintain a sound and efficient development

In 2017, the Company will reform its management mode starting from improving its operation vitality, management efficiency and labor productivity. First, consolidate development and management foundations. Firstly, strengthen talent, resources, capital, technological innovation, mechanism and compliance building; secondly, focus on system construction, risk control, basic management, informatization, corporate culture, etc. Second, deepen construction of talent team, salary incentive and supervision and restraint mechanisms. Firstly, promote the "talent thriving enterprise strategy", optimize talent introduction, cultivation and exploitation, selection and appointment and flow configuration mechanisms; secondly, promote reasonable and orderly income distribution in the principle of "controlling high wages, maintaining medium wages and adjusting base wages"; thirdly, integrate financial supervision, legal supervision, discipline inspection, audit inspection, superintendence and democratic supervision to establish an all-rounded, whole-process and full-coverage "full supervision" working mechanism. Third, carry out contract operation reform, improving management measures, market risk control and low cost control management reforms. Firstly, further promote workshop contracting, section contracting and station contracting to increase cadres' innovation and efficiency creation enthusiasm; secondly, carry out certification of "three systems" – quality, environment and occupational health and safety, and consolidate and deepen earlier-stage management results of TOPS. At the same time, focus on promoting integration of finance and business as well as six information management platforms covering human resources management, portal site, project management, production management, sales management and operation analysis; thirdly, make a good analysis and judgment on the market, actively yet prudently develop the market, achieve a breakthrough on creating benefit; fourthly, strengthen energy management, mining, supply and marketing, construction projects, non-productive expenditures and other management, to consolidate and strengthen low-cost advantages and core competitiveness.

Overcome the difficulties, and propel the stable and healthy operation and development to a new level

In 2017, the Company aims to address three difficult issues. Firstly, the issue of operating capital. The Company will promote material capital operations in 2017, e.g. corporate bonds and super-short-term financing, to ensure a timely flow of funds for mining merge and acquisition and construction projects. Secondly, regarding the issue of safety, environmental and ecological protection. The Company plans to facilitate the implementation of a safe production and accountability system to promote "double control" (classified risk control and potential hazard inspection) mechanism. The Company plans to invest RMB170 million in safety and environmental protection, further enhance the level of mechanization and automation, foster the construction of the eco-friendly mine, actively promote the applications of technologies in respect of energy conservation, low carbon emission, environmental protection and circular economy. At the same time, the Company will devote in developing the greening, landscaping and lighting works of mines and add over 60 hectares of afforested area throughout the year. Thirdly, the Company will pursue investment and development. The Company will optimize its investment mechanism and integrate the resources from existing current production bases and its surrounding areas. At the same time, the Company will also leverage on its overseas mining business department to build a strong team for overseas investment operations in order to proactively seize overseas investment opportunities and constantly enhance the Company's ability in global resource allocation.

Directors, Supervisors and Senior Management Profile

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 51, was born in 1966. He graduated from Baotou Steel and Iron College in 1989 with a degree in mining engineering. He obtained a master degree in mining engineering from Northeastern University in 2002, qualified as an applied engineering technology researcher, and graduated from the Cheung Kong Graduate School of Business with an EMBA degree in 2008. He is an Executive Director and the Chairman of the Company. Currently, Mr. Weng is the director of Sparky International Trade Company Limited (斯派柯國際貿易有限公司) and Tao-jin Technology Investment (Beijing) Limited (淘金科技投資(北京)股份有限公司). Mr. Weng has more than 20 years of experience in the gold production industry. Mr. Weng had held positions of deputy section chief and mine supervisor of Zhaoyuan Xiadian Gold Mine; deputy general manager and deputy secretary of the Communist Party of Zhaoyuan Jinchiling Gold Mine; the deputy secretary of the Communist Party, vice chairman and deputy general manager of Jinchiling Mining & Metallurgy Co., Ltd. under Zhaojin Group and mine manager of Jinchiling Gold Mine of the Company; and the general manager of Zhaojin Group and an Executive Director of the Company. Mr. Weng has been a Non-executive Director of the Company since February 2010, and has been re-designated as an Executive Director and the president of the Company since November 2010. He has been the vice chairman of the Company since June 2013, and has resigned from the position of vice chairman and president and served as the chairman of the Company since January 2014. Mr. 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. Li Xiuchen, aged 54, was born in 1963. He graduated from Shenyang Institute of Gold Technology majoring in mine engineering with the qualification of a professor-level senior engineer. He is an Executive Director and the President of the Company. Currently, Mr. Li is the director of Tao-jin Technology Investment (Beijing) Limited (淘金科技投資(北京)股份有限公司). Mr. Li has more than 30 years of experience in the gold production industry. Mr. Li served as a technician of the production office of Luoshan Gold Mine, the deputy supervisor, co-ordination officer and first deputy mine manager of Daiqinjia Gold Mine, the deputy mine manager and deputy general manager at Beijie Gold Mine and Zhongkuang Gold Industry, the deputy general manager, chairman and general manager of Xinyuan Gold Technology Development Co., Ltd, and the senior Vice President of Zhaojin Mining. Mr. Li has been the vice president of the Company since February 2007 and served as the Executive Director of the Company since March 2012, and served as the executive president of the Company since February 2013. He has resigned from the position of executive president and served as the president of the Company since January 2014. Mr. Li has been granted numerous honorary awards, such as Science & Technology Outstanding Contribution Award of National Gold Industry in the 8th Five-Year Plan Period, Advanced Workers of Technology Management of National Gold Industry, National Excellent Workers of Facilities Management, Science and Technology Grade I Award by the China Gold Association, Shandong Gold Science and Technology Advancement Grade I Award, Labour Model of National Gold Industry in the 11th Five-Year Plan Period, Science & Technology Pacesetter of National Gold Industry in the 12th Five-Year Plan Period, National Equipment Management Outstanding Leader, National Special Contribution Award of Equipment Management Outstanding Worker and Shandong Provincial Excellent Entrepreneur.

Mr. Cong Jianmao, aged 54, was born in 1963. He graduated from Shandong TV University and Shandong Business Administration Institute. He is an Executive Director and the deputy secretary of the Communist Party of the Company. Mr. Cong has been the section chief of the Planning and Finance Section of Zhaoyuan Municipal Commerce Bureau, the chairman of the supervisory committee of Zhaoyuan City State-owned Assets Operation Company Limited (招遠市國有資產經營有限公司), the chairman of the supervisory committee of Zhaojin Group, and the deputy director of Zhaoyuan Municipal Finance Bureau. Mr. Cong has been a Non-executive Director of the Company since December 2005. He has been an Executive Director of the Company since March 2015. Mr. Cong is the chairman (legal representative) of Zhaoyuan City Jintingling Mining Company Limited (招遠市金亭嶺礦業有限公司), Zhaoyuan City Zhaojin Jishan Mining Company Limited (招遠市招金紀山礦業有限公司), Shandong Ruiyin Mining Development Company Limited (山東瑞銀礦業發展有限公司), Laizhou City Ruihai Mining Company Limited (萊州市瑞海礦業有限公司) and Zhaoyuan City Zhaojin Jinhe Technology Company Limited (招遠市招金金合科技有限公司).

Non-executive Directors

Mr. Liang Xinjun, aged 49, was born in 1968. He graduated from Fudan University majoring in genetic engineering and obtained an MBA degree in 2007 from Cheung Kong Graduate School of Business. He has also obtained a doctoral degree of Business Administration in Global Finance from Arizona State University in 2015. He is a Non-executive Director, vice chairman of the Company. Mr. Liang has been an executive director and the vice chairman and chief executive officer of Fosun Group. Mr. Liang is one of the founders of Fosun Group and has been the vice chairman of Fosun Group since its incorporation in November 1994. Mr. Liang is now the Chinese Representative Designate of the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC), a Member of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference, executive vice chairman of China Science and Technology Private Entrepreneurs Association, chairman of Taizhou Chamber of Commerce in Shanghai, chairman of Shanghai Fudan University Alumni Association; executive vice chairman of Business Alumni Association of Cheung Kong Graduate School, and a member of APEC Business Council and a committee member of the Management Committee of APEC Business Council. Mr. Liang has been a Non-executive Director of the Company since April 2007.

Mr. Li Shousheng, aged 53, was born in 1964. Mr. Li graduated from Kunming Institute of Technology with a degree in mining geology. He is an engineering technology application researcher, a safety production expert of Yantai City, and a member of Shandong safety production management association. He is currently the director, general manager and deputy secretary of Communist Party of Zhaojin Group. Mr. Li held positions of director of operation department of Luoshan Gold Mine, deputy manager of Dayingezhuang Gold Mine, product manager, chief engineer and vice general manager of Zhaojin Group. He also served as the chairman of Tuoli County Zhaojin Beijiang Mining Industry Co,. Ltd, Shandong Goldsoft Technology Co,. Ltd, and Shandong Zhaojin Gold and Silver Refining Co,. Ltd. Mr. Li has 34 years of experience in the gold production industry and excellent contribution in technology and management. He got 44 achievements in scientific research as a leader of enterprise technology center, academician workstation and postdoctoral workstation of Zhaojin Group. He has been granted numerous honorary awards, such as Science and Technology Model of National Gold Industry in the tenth Five-year Plan, Labour Model of National Gold Industry in the 11th Five-Year Plan Period Science & Technology Outstanding Contribution Award of National Gold Industry, Foregoer of Enterprise Technology Innovation of Shandong Provincial and Shandong Provincial Excellent Entrepreneur. Mr. Li has been a Non-executive Director of the Company since February 2016.

Mr. Xu Xiaoliang, aged 44, was born in 1973. He graduated from East China Normal University School of Business Management and was awarded a master's degree. He is a Non-executive Director of the Company, and is an executive director and the co-president of Fosun Group, the chairman of Fosun Property Holding (復星地產控股), and the joint chairman of the Zhejiang chamber of commerce real estate association, a member of Shanghai Youth Federation and the vice president of China Real Estate Chamber of Commerce, the chairman of Shanghai Yuyuan Tourist Mart Co., Ltd., a company listed on the Shanghai Stock Exchange ("SSE"). He has over 18 years of experience in real estate distribution services and investment development, and had previously served as the assistant to the general manager of Forte Land (Group) Co. Ltd (復地(集團)股份有限公司), the chairman of Shanghai Ceyuan Property Consultants Limited, and the president of Fosun Property Holding Group. He was successively granted the "Shanghai 4 May Youth Medal" and the "Shanghai Top Ten Youth Business People". Mr. Xu has been a Non-executive Director of the Company since January 2014.

Mr. Gao Min, aged 44, was born in 1973. He is the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd., a company listed on the SSE and a director, external management consultant and guest lecturer of the Shanghai Steel Group Corporation (Group) Co., Ltd. (code: 300226) (上海鋼聯股份(集團)有限公司), a company listed on the Shenzhen Stock Exchange. Mr. Gao previously served as an assistant to the president and the general manager for human resources of Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), the vice president of the group of Forte Land (Group) Co., Ltd (復地(集團)股份有限公司) and the chairman of the board of its subordinate company in charge of human resources and corporate universities. Mr. Gao graduated in 1995 from Shanghai Normal University with a bachelor's degree in English and American literature studies, and in 2001 obtained the China Europe International Business School MBA degree. Mr. Gao has been a Non-executive Director of the Company since February 2016.

Independent Non-executive Directors

Ms. Chen Jinrong, aged 58, was born in 1959. She graduated from Renmin University of China and is an associate professor. She is an qualified accountant in China and a qualified independent director. She is an Independent Non-executive Director of the Company, and a lecturer in School of Economics and Management of Tsinghua University and Beijing Union University. Ms. Chen is also an independent non-executive director of SSE listed company, Shanxi Lu'an Environmental Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (code: 601699), Stock Exchange listed company Jingwei Textile Machinery Co., Ltd. (經緯紡機股份有限公司) (code: 0350), and the OTC securities market listed company Synutra International Co., Ltd. (聖元國際股份有限公司). Ms. Chen mainly focuses on research into, teaching of and counseling on corporate financial management, analysis of financial report for listed companies and operations of corporate capital, corporate organization and risk control, comprehensive corporate budget management etc. She has solid experience in aspects such as corporate restructuring, comprehensive corporate, budget management, capital operations and corporate internal control. Ms. Chen had served as the deputy head of the finance department of China Information Industry Research Institute under the Ministry of Information Industry, the deputy general manager of Beijing Hua Tsing Cai Zhi Corporate Management Counseling Company, 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 58, was born in 1959. He obtained his Master of Business Administration Degree from University of Wales, Newport and his Master of Business Law Degree from Monash University, Australia. He is an Independent Non-executive Director of the Company, and also the vice chairman of National Resources Securities Limited. Mr. Choy is also an independent non-executive director of Stock Exchange listed companies Chengdu PUTIAN Telecommunications Cable Company Limited (成都普天電纜股份有限公司) (code: 1202), Sparkle Roll Group Limited (code: 0970) (耀萊集團有限公司) and Luye Pharma Group Ltd. (code: 2186) (綠葉製藥集團有限公司). 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, a fellow member of Institute of Public Accountants, a fellow member of the Institute of Compliance Officers, a member of Society of Registered Financial Planners Limited, a member of the fourth session and the fifth session of the Chief Executive Election Committee of Hong Kong Special Administrative Region, a member of the Election Committee of the 12th National People's Congress of Hong Kong Special Administrative Region, a member of CPPCC (Chinese People's Political Consultative Conference) Shantou, a honorary president of Shantou Overseas Friendship Association, an honorary president of Shantou Overseas Exchanges Association, an honorary principal of Chen Po Sum School and a council member of Rotary Club Kowloon West. Mr. Choy has extensive experience in the securities industry and business management. Mr. Choy has been an Independent Non-executive Director of the Company since May 2007.

Mr. Wei Junhao, aged 56, was born in 1961. He is a professor (postdoctor) and doctoral supervisor. Mr. Wei is an Independent Non-executive Director of the Company, and also a professor of China University of Geosciences (Wuhan) Resources Institute. Mr. Wei is also a supervision engineer of Central Geological Exploration Fund, standing director of Chinese Association of Mineral Resources Appraisers, member of China Geological Society Overseas Resources Committee and member of China Geological Society Mine Geology Committee. Mr. Wei once was an independent non-executive director of SSE listed company China National Gold Group (stock code: 600489) (中國黃金集團公司). Currently, he is an independent non-executive director of SSE listed company, Inner Mongolia Chifeng Jilong Gold Mining Co,. Ltd (stock code: 600988) (內蒙赤峰吉隆黃金礦業股份有限公司), Shenzhen Stock Exchange listed companies, Guangdong Rongsheng Supermicro Wire Co,. Ltd (stock code: 002141) (廣東蓉勝超微線材股份有限公司), and Zhongrun Resource Investment Co,. Ltd (stock code: 000506) (中潤資源投資股份有限公司). Mr. Wei has engaged in metallogenic prediction and prospecting research with over 20 years of work experience in geological research and exploration practice. Mr. Wei puts forward "mineralization field theory", which is very famous in domestic gold industry. Mr. Wei has hosted more than 50 national level, provincial level and lateral level 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. Other prospecting projects also obtained obvious results. Many large-scale domestic professional papers such as "China Gold News", "China Mining News", and "China Metallurgical News" reported his prospecting results several times. Mr. Wei has been an Independent Non-executive Director of the Company since February 2016.

Mr. Shen Shifu, aged 51, was born in 1966. He is a professor of engineering, a tutor of doctor and master candidates. Mr. Shen is a chief engineer, research group leader, and business department manager of Beijing General Research Institute of Mining and Metallurgy. Mr. Shen once worked at Tsingtao Lubi Cement Co., Ltd (Original Tsingtao Laoshan Cement Plant) as director of laboratory, production department manager and manager assistant. Mr. Shen was hired as academic foregoer of China Inorganic Chemical Industry Society (中國無機化工學會), professor committee member of China Non-metallic Mineral Industry Association Professional Committee of Graphite (中國非金屬礦工業協會石墨專業委員會), 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 participated in science and technology support project of the Tenth Five-year Plan, the Eleventh Five-year Plan, and the Twelfth Five-year Plan, national high and new technology industrialization projects, State 863 Project, and State 973 Project. Mr. Shen has undertaken more than 30 enterprise commissions (including the beneficiation of various kinds of mineral, the comprehensive utilization of tailings, and the harmless disposal of solid waste and comprehensive utilization of mineral material). Mr. Shen has been awarded three Ministerial First Prize of Technology Progress, five Institute First Prize of Technology Progress, and 11 national patents. Mr. Shen has also been awarded "Top Ten Outstanding Youth" of Laoshan district, Pace-setters in the new Long March, and advanced individual of Beijing General Research Institute of Mining and Metallurgy Engineering Research Design Institute (北京礦冶研究總院礦物工程研究設計所). Mr. Shen has been an Independent Non-executive Director of the Company since February 2016.

The details of Directors who resigned or retired during 2016 or during the period from 1 January 2017 to the date of the annual report are set out as below:

Mr. Lu Dongshang, aged 56, was born in 1961. He graduated from the department of mining engineering of Shenyang Gold Institute, and qualified as an applied engineering technology researcher, graduated from the Cheung Kong Graduate School of Business with an EMBA degree in 2007. He is the chairman of and the secretary of the Communist Party of Zhaojin Group and the vice president of the China Gold Association. Mr. Lu has more than 30 years of professional experience in the gold industry and has made outstanding contribution to the development of China's mining industry. Mr. Lu worked for and held senior positions at several gold mines and mining groups in Zhaoyuan. Mr. Lu has received numerous awards at the provincial, municipality and national levels, for his achievement in technological advancement. For instance, Mr. Lu was awarded the top award of Science and Technology in Yantai City, Middle-aged and Youth Expert with Outstanding Contributions in Shandong Province, the Second Award in National Scientific and Technological Advancement and Gold Medal for Outstanding Business Persons in the National Gold Industry, and granted a special allowance by the State Council. Mr. Lu was the Chairman of the Company before 24 January 2014. Mr. Lu retired as a Executive Director of the Company on 26 February 2016.

Mr. Wu Yijian, aged 47, was born in 1970. In May 2003, he graduated from Tsinghua University School of Management majoring in business administration and was awarded a master's degree. Mr. Wu previously served as a president assistant of Shanghai Fosun Pharmaceuticals (Group) Company Limited (上海復星醫藥(集團)股份有限公司), the general manager of Shanghai Fosun Pharmaceutical Investment Company Limited (上海復星醫藥投資有限公司), the general manager of Shanghai Fosun Pharmaceutical Company Limited (上海復星藥業有限公司), the general manager of Shanghai Fumei Yixing Pharmacy Drug Store Chain Co., Ltd (上海復美益星大藥房連鎖有限公司) and the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園旅遊商城股份有限公司). Mr. Wu retired as a Non-executive Director of the Company on 26 February 2016.

Mr. Xie Jiyuan, aged 83, was born in 1934. He graduated from Industrial College of Jilin University majoring in organic chemistry, and is a professor-level senior engineer. Mr. Xie has more than 30 years' experience in the gold and non-ferrous metals industry. Mr. Xie held various positions, such as chief engineer and chief designer of Beijing Non-ferrous Metal Design Company* (北京有色金屬設計公司), vice president and professor-level senior engineer of Beijing Non-ferrous Metallurgy Design and Research Institute (Gold Branch) (北京有色冶金設計研究總院黃金分院), senior technical advisor of Changchun Gold Research Institute (長春黃金研究院), a member and consultant of the Standardized Technology Committee of the PRC Gold Industry. He used to serve as a technical adviser of various well-known large gold mining enterprises at home and abroad and the chief designer in a number of national key projects. He has been a member of the Evaluation Committee of Scientific and Technological Achievements of China Gold Association over the years. He participated in reviewing the major technology projects organized by the Ministry of Science and Technology as a representative of the gold industry for many times. Given his outstanding achievements in the bio-oxidation pre-treatment for intractable gold ores, he has won many awards, such as the State Science and Technology Award, the National Science Conference Award, the Silver Award for National Excellent Designs, the National Science and Technology Progress Award granted by the Gold Bureau and the First Prize for Excellent Designs. He has enjoyed the perpetual special government allowances of the State Council since 1992. In 1996, he was granted by the Gold Bureau the title of advanced individuals making outstanding contributions to the improvement of gold-related technologies during the 8th Five-year Plan Period. He was granted the utility novelty patent certificate in respect of the bio-oxidation pre-treatment devices for the intractable gold ores with the contents of arsenic and carbon (first place) by the State Intellectual Property Office in 2007 and was included in the Gold chapter of the "Metallurgical Figures" (《冶金人物志》黃金卷) in 2008. Mr. Xie retired as an Independent Non-executive Director of the Company on 26 February 2016.

Mr. Nie Fengjun, aged 61, was born in 1956, is a PHD holder, researcher and doctoral tutor. Mr. Nie graduated from the faculty of Geology at the Hebei Geological Institute, and has received his MSc degree and PhD degree in Mineral Deposit Geology from the graduate department of the Chinese Academy of Geological Sciences ("CAGS"). Mr. Nie is currently employed by the Mining Resources Research Institute of CAGS, where he conducts research in metallic mineral deposit geology. He is currently a member of the Degree Committee and a member of the Qualifications Review Committee of CAGS. He is also the deputy chief of the Technology Committee of the Research Institute and a doctoral tutor, as well as an evaluation expert for national science technology awards. Mr. Nie studied Geochemistry of Mining Deposits at the Geological Survey of Canada. He was also a post graduate guest researcher at Oslo University in Norway, a guest professor at La Trobe University in Australia, and a guest researcher at University of Tasmania in Australia. Mr. Nie is a member of the Society of Economic Geologists (SEG), a member of the Planning Committee of International Earth Sciences of United Nations Educational, Scientific and Cultural Organization (2009-2017), a senior editor of Resource Geology, an international Science Citation Index academic publication, and a part time professor and doctoral tutor at Jilin University, China University of Geosciences, Wuhan campus and China University of Geosciences, Beijing campus. Mr. Nie hosted and completed 23 national level, provincial (department) level and foreign collaboration projects, of which 3 projects were with the National Natural Science Foundation of China. He has been awarded 10 technological achievement and honorary awards at the provincial (department) level. Mr. Nie retired as an Independent Non-executive Director of the Company on 26 February 2016.

For information regarding election of the Board and changes in composition of the Board for the period from 1 January 2016 to the date of this annual report, please refer to page 53 of this annual report.

Supervisors

Mr. Wang Xiaojie, aged 44, was born in 1973. He is currently the chairman of the Supervisory Committee of the Company, the deputy secretary of the Party Committee of Zhaojin Group and the chairman of the Labour Union. He has served as the deputy manager of Zhaoyuan City Gold Software Science and Technology Co., Ltd., and then the deputy manager and manager of Information Centre of Zhaojin Group. Mr. Wang graduated with a degree in applied electronic technology from Institute of Information Engineering of Shandong, a degree in computer application from Qingdao Chemical & Engineer College and a degree in economics and management from the Party School of the Shandong Provincial Committee of the Communist Party of China. Mr. Wang has been a Supervisor of the Supervisory Committee of the Company since April 2007.

Ms. Jin Ting, aged 54, was born in 1963. She is currently a Supervisor of the Supervisory Committee of the Company. Ms. Jin used to serve as deputy general manager of finance department, manager of finance department, manager of fund management department and assistant to president of Shanghai Yuyuan. She is currently the Chief Supervisor of the Supervisory Committee of Shanghai Yuyuan, which was listed on the SSE. Ms. Jin graduated from Shanghai Light Industry Bureau Vocational University majoring in finance and accounting. She has extensive experience in finance, audit and human resources. Ms. Jin has been a Supervisor of the Supervisory Committee of the Company since February 2010.

Ms. Zhao Hua, aged 40, was born in 1977. She graduated from Shandong Youth Management Cadre Institute with a major in accounting. Ms. Zhao is an employee supervisor of the Company and deputy secretary of party committee and the chairman of the Labour Union of Hedong Gold Mine. She has been the section chief of finance section and deputy manager of Canzhuang Gold Mine, etc. Ms. Zhao has more than 10 years of experience in financial affairs. Ms. Zhao has been an employee supervisor of the Company since February 2016.

The details of Supervisor who resigned or retired during 2016 or during the period from 1 January 2017 to the date of this annual report are set out as below:

Mr. Chu Yushan, aged 51, was born in 1966. He graduated from Shandong Institute of Business and Technology majoring in mining. Mr. Chu has served in the Xiadian Gold Mine, Dayingezhuang Gold Mine, and served as the deputy general manager of Hebei Fengning Jinlong Gold Industry Co., Ltd. (河北豐寧金龍黃金工業有限公司), the deputy general manager of Zhaojin Beijiang Mining Company Limited (招金北疆礦業有限公司) and the deputy general manager of Xinjiang Xingta Mining Co. Ltd. (新疆星塔礦業有限公司). Mr. Chu ceased to be a Supervisor on the Supervisory Committee of the Company on 26 February 2016.

Secretary to the Board

Mr. Wang Ligang, aged 45, was born in 1972. He graduated from Shandong Economic University with a major in labour economy management. He has the qualification of professor-level senior political officer and affiliated person of The Hong Kong Institute of Chartered Secretaries and obtained an EMBA degree from Tsinghua University. He is currently the Secretary to the Board and a Vice President of the Company, and also the Chairman and legal representative of Taojin Technology Investment (Beijing) Limited (淘金科技投資(北京)股份有限公司). Mr. Wang served in various managerial positions for Zhaoyuan Beijie Gold Mine and Zhaojin Group. Since 2004, he served as a director of the general manager's office and director of the Board office of the Company, assistant to Board secretary of the Company and general manager of Sparky International Trade Co., Ltd. Mr. Wang has been the Secretary to the Board since December 2007 and has served as the vice president of the Company since February 2013.

Company Secretary

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

Senior Management

Mr. Li Xiuchen, his biographical details are set out on page 24 of this annual report.

Mr. Sun Xiduan, aged 52, was born in 1965. He graduated from China University of Geosciences, majoring in geology, and qualified as an engineer. He is currently the Vice President of the Company. Mr. Sun has served as the accountant, engineering technician, deputy mine manager of No.1 Branch Mine, technical supervisor, chief controller, department head of the department of production, mine zone officer, department head of the department of planning of Zhaoyuan Luoshan Gold Mine, the deputy manager and manager of Mining Company of Shandong Zhaojin Shareholding Company Limited (山東招金股份有限公司採礦公司), the person-in-charge of mines, processing plants, cyanidation plants, production department for Zhongkuang Gold Industry Company Limited (中礦金業股份有限公司), the general manager of Zhaojin Mining Industry Company Limited in Wuhe County, Anhui Province (安徽省五河縣招金礦業有限公司), the general manager and chairman of Min County Tianhao Gold Co., Ltd (岷縣天昊黃金有限責任公司), the chairman of Zaozigou Gold Mine, the general manager of Gansu Zhaojin Mining Company Limited (甘肅省招金礦業有限公司). Mr. Sun has been the Vice President of the Company since February 2010.

Mr. Wang Ligang, his biographical details are set out on page 30 of this annual report.

Mr. Dong Xin, aged 51, 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 the Vice President of the Company and the chairman of Gold Association of Xinjiang Uygur Autonomous Region. 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 served as the Vice President of the company since February 2013.

Mr. Dai Hanbao, aged 41, was born in 1976. He is a senior accountant, graduated from Anhui University of Technology majoring in accounting. He also got an MBA degree from Fudan University. Mr. Dai is now the chief financial officer of the Company and deputy Chairman of Zhaojin Group Financial Co., Ltd (招金集團財務有限公司). Mr. Dai served as the finance supervisor, vice-minister and IT project manager of subsidiaries of Baosteel Group (寶鋼集團), the vice-general manager and secretary to the board of Baoyin Special Steel Tube Co., Ltd (寶銀特種鋼管有限公司), the deputy minister of finance of CITIC Pacific Special Steel Group Co., Ltd and the chief financial officer of Yangzhou Taifu Special Material Co., Ltd. Mr. Dai once served in the financial headquarter of Shanghai Fosun Group. Mr. Dai gained Shanghai Enterprise Management Innovation Award for several times. Mr. Dai has rich experience in financial management of enterprises and informatization. Mr. Dai has served as the chief financial officer of the Company since 26 February 2016.

For information regarding changes in senior management, please refer to page 53 of this annual report.

Report of the Directors

The Board hereby presents its report, together with the audited consolidated financial statements for the year ended 31 December 2016.

Corporate Reorganisation

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

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

Principal Operations

The Group is mainly engaged in exploration, mining, ore processing, smelting and sale of gold and other metallic products, being a large integrated mining enterprise specializing in the production of gold. The Group principally produces two kinds of gold products, which are Au9999 and Au9995 gold bullions under the brand of "Zhaojin". Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements on pages 105 to 111 in this annual report.

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

Further discussion and analysis of these activities as required by Schedule 5 of the Hong Kong Companies Ordinance, including the principal risks and uncertainties facing the Group, analysis using financial key performance indicator and our indication of likely future developments in the Group's business, can be found in Management Discussion & Analysis set out on pages 8 to 23 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 8 to 23 of this annual report.

Results

The Group's results for the year ended 31 December 2016 are set out in the consolidated Statement of Profit or Loss on page 96 of this annual report.

Management Contracts

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

Profit Distribution

As of the date of this annual report, the final dividend for the financial year ended 31 December 2015 paid by the Company was approximately RMB118,633,087.8 (2014: RMB148,291,359.75).

The Board proposes the payment of a final cash dividend of RMB0.04 (tax included) (2015: RMB0.04 (tax included)) per share to all Shareholders for 2016.

The cash dividend for Shareholders of domestic shares will be distributed and paid in Renminbi and the cash dividend for H Shareholders will be declared in Renminbi and paid in Hong Kong dollars (at the average exchange rate of the medium rate of converting Renminbi into Hong Kong dollars as quoted by the People's Bank of China for five business days immediately prior to 9 June 2017).

The proposed distributions are subject to the approval by the Shareholders at the 2016 AGM of the Company to be held on 9 June 2017.

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 93.25% (2015: 92.33%) 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 26.74% (2015: 30%) of the Group's total amount of purchases. The amount of purchases from the largest supplier was 11.37% of the Group's total amount of purchases.

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

Reserves

Details of changes in reserves of the Group for the year ended 31 December 2016 are set out on pages 187 to 188 of this annual report.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2016 are set out in note 50 to the financial statements on pages 206 to 208 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 2016, in accordance with the PRC Accounting Standards, the relevant Laws of the PRC and the Articles of Association, the distributable reserves of the Company amounted to approximately RMB3,292,316,068 (2015: RMB3,265,411,636), of which approximately RMB118,633,087.8 are proposed to be the final cash dividend of the Year (2015: dividend of RMB118,633,087.8).

Property, Plant, Equipment and Property Investment

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 156 to 158 of this annual report.

The Group did not hold any investment property.

Share Capital

During the Year, details of changes in share capital of the Company are set out in note 38 to the financial statements on page 185 of this annual report.

Apart from the above, the general meeting of Company has approved the first ESSP during the Year. The share registration of such plan has not been completed during the period from 31 December 2016 to the date of this directors' report ie. 17 March 2017; therefore, there was no change in the total share capital of the Company.

Charity Donation

During the Year, the Group made various kinds of charitable donation amounted to RMB8,121,361 (2015: RMB5,205,806) 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 179 to 180 of this annual report.

Taxation

During the Year, the Company and its subsidiaries were subject to the PRC enterprise income tax at a rate of 25% of taxable profits according to the requirements under the PRC Enterprise Income Tax Law which became effective on 1 January 2008. The relevant details are set out in note 9 to the financial statements on pages 151 to 152 of this annual report.

Pre-emptive Rights

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

Convertible Securities, Share Options, Warrants or Similar Rights

During the year ended 31 December 2016, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended 31 December 2016 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. Li Xiuchen *(President)*
Mr. Cong Jianmao
Mr. Lu Dongshang (retired as an Executive Director of the Company due to re-allocation of work with effect from 26 February 2016)

Non-executive Directors

Mr. Liang Xinjun *(Vice Chairman)*
Mr. Li Shousheng (appointed as a Non-executive Director of the Company with effect from 26 February 2016)
Mr. Xu Xiaoliang
Mr. Gao Min (appointed as a Non-executive Director of the Company with effect from 26 February 2016)
Mr. Wu Yijian (retired as a Non-executive Director of the Company due to re-allocation of work with effect from 26 February 2016)

Independent Non-executive Directors

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao (appointed as an Independent Non-executive Director of the Company with effect from 26 February 2016)
Mr. Shen Shifu (appointed as an Independent Non-executive Director of the Company with effect from 26 February 2016)
Mr. Xie Jiyuan (retired as an Independent Non-executive Director of the Company with effect from 26 February 2016 as he has reached retirement age)
Mr. Nie Fengjun (retired as an Independent Non-executive Director of the Company with effect from 26 February 2016 due to the health reason)

Supervisors

Mr. Wang Xiaojie *(Chairman of the Supervisory Committee)*
Ms. Jin Ting
Ms. Zhao Hua (appointed as a Supervisor of the Company with effect from 26 February 2016)
Mr. Chu Yushan (ceased to be a Supervisor of the Company with effect from 26 February 2016 due to re-allocation of work)

Profiles of the Directors, Supervisors and Senior Management Personnel

Details of the profiles of the Directors, Supervisors and Senior Management are set out on pages 24 to 31 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 as from their respective dates of appointment or re-appointment, and the Directors and the Supervisors are subject to re-appointment or re-election upon the expiry of their term.

Remuneration of the Directors and Supervisors

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

Details of the remuneration of the Directors and Supervisors are set out in note 8 to the financial statements on pages 147 to 151 of this annual report. No Directors waived any emoluments in the year ended 31 December 2016 (2015: 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, with a term of three years.

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

Material Transaction, Arrangement or Contract of Significance in which Directors and Supervisors have Material Interests

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

Permitted Indemnity Provision

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

Environmental Protection and Performance

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection to ensure our compliance of prevailing environmental protection laws and regulations. The Group has established a Safety and Environmental Protection Committee and details of which could be found on page 70 of this annual report.

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

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to serious adverse consequence. The announcement published by the Company on 29 December 2015 in respect of the proposed acquisition of certain assets from Zhaojin Group did not fully comply with the requirements of Takeovers Code and the Company had undertaken remedial measures. Further information was set out in the announcements of the Company dated 29 December 2015, 19, 21 and 27 January 2016, 4 and 26 February 2016, 31 May 2016, 1 and 28 June 2016. The Group has sufficient resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

Save as disclosed in this annual report, the Group also complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance ("SFO").

Key Relationships with Employees, Customers and Suppliers

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

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

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

Material Contracts in which Controlling Shareholder have Interests

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

Five Highest-Paid Personnel

The five highest-paid individuals in the Group during the Year include three Directors. Full details of the five highest-paid personnel's remuneration are set out in note 8 to the financial statements on pages 147 to 151 of this annual report.

Remuneration Policy of the Group and Number of Employees

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

As of 31 December 2016, the Company had a total of 6,001 employees. The Company attached great importance to the long-term occupational planning and development of its employees, formulated programs for occupation and qualification training for the development of both the employees and the Company, bore training cost for its employees and created an agreeable environment for occupational development, aiming at providing multi-level occupational training with continuous policy, organizational and financial support. The Company held various trainings during the Year, including induction training for new employees, management training for middle and senior management, professional training on geological exploration and safety training. The training costs amounted to RMB2,804,900 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 2016 are as follows:

Classification	**Number of Shareholders**
Domestic shares	6
Overseas-listed foreign shares – H shares	1,737
Total number of shareholders	1,743

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 reached 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

To the knowledge of the Directors, Supervisors and chief executives of the Company, as at 31 December 2016, the interest and short positions of the Directors, Supervisors and chief executives in the issued share capital of the Company which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange are as follows:

Name of Director/ the chief executives	Class of Share	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total issued domestic shares of the Company %	Approximate percentage of shareholding in the total issued H shares of the Company %	Long position/ Short position/ Lending pool
Mr. Weng Zhanbin	H shares	Beneficiary of a trust	565,000 *(Note 1)*	0.02	–	0.06	Long position
Mr. Li Xiuchen	H shares	Beneficiary of a trust	565,000 *(Note 1)*	0.02	–	0.06	Long position
Mr. Cong Jianmao	H shares	Beneficiary of a trust	565,000 *(Note 1)*	0.02	–	0.06	Long position

Note:

(1) Huatai No. 8 QDII Asset Management Plan holds the 565,000 H shares on behalf of Zhaoyuan Jinshitou Business Consulting Co., Ltd., a company established under the laws of the PRC whose shareholders are the directors (namely Weng Zhanbin, Li Xiuchen and Cong Jianmao), senior management and employees of the Company. Weng Zhanbin, Li Xiuchen and Cong Jianmao holds 7.943%, 3.971% and 2.383% equity interest in Zhaoyuan Jinshitou Business Consulting Co., Ltd., respectively.

Save as disclosed above, as at 31 December 2016, and to the 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 352 of the SFO, to be entered into the register referred to therein, or required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 2016, the interest and short positions of the substantial shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
1 Shandong Zhaojin Group Company Limited	Domestic shares	Beneficial owner	1,086,514,000 *(Note 1)*	36.63	51.95	–	Long position
	Domestic shares	Interest of controlled corporation	50,967,195 *(Note 4)*	1.72	2.44	–	Long position
	H shares	Interest of controlled corporation	43,890,000 *(Note 1)*	1.48	–	5.02	Long position
2 Shanghai Yuyuan Tourist Mart Co., Ltd.	Domestic shares	Beneficial owner	742,000,000	25.02	35.48	–	Long position
	Domestic shares	Interest of controlled corporation	21,200,000 *(Notes 1 & 2)*	0.71	1.01	–	Long position
3 Shanghai Fosun Industrial Investment Co., Ltd.	Domestic shares	Beneficial owner	106,000,000 *(Notes 1 & 3)*	3.57	5.07	–	Long position
4 Shanghai Fosun High Technology (Group) Company Limited	Domestic shares	Beneficial owner	106,000,000 *(Notes 1 & 3)*	3.57	5.07	–	Long position
5 Fosun International Limited	Domestic shares	Beneficial owner	106,000,000 *(Notes 1 & 3)*	3.57	5.07	–	Long position
6 Fosun Holdings Limited	Domestic shares	Beneficial owner	106,000,000 *(Notes 1 & 3)*	3.57	5.07	–	Long position
7 Fosun International Holdings Ltd.	Domestic shares	Beneficial owner	106,000,000 *(Notes 1 & 3)*	3.57	5.07	–	Long position
8 Guo Guangchang	Domestic shares	Interest of controlled corporation	106,000,000 *(Notes 1 & 3)*	3.57	5.07	–	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
9	The Bank of New York Mellon Corporation	H shares	Interest of controlled corporation	53,444,488 *(Note 5)*	1.80	–	6.11	Long position
			Interest of controlled corporation	53,403,988	1.80	–	6.11	Lending pool
10	Market Vectors ETF – Market Vactors Gold Miners ETF	H shares	Beneficial owner	50,549,000	1.70	–	5.78	Long position
11	Schroders Plc	H shares	Investment manager *(Note 6)*	97,093,940	3.27	–	11.11	Long position
12	Van Eck Associates Corporation	H shares	Investment manager *(Note 7)*	50,549,000	1.70	–	5.78	Long position
13	Luyin Trading Pte Ltd.	H shares	Beneficial owner	43,890,000 *(Notes 1 & 4)*	1.48	–	5.02	Long position

Notes:

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

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

(3) The 106,000,000 shares represent the same block of shares.

(4) Shandong Zhaojin Group Company Limited ("Zhaojin Group") holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous") and therefore the 50,967,195 domestic shares held by Zhaojin Non-Ferrous in the Company is shown as long position of Zhaojin Group. Luyin Trading Pte Ltd. is a wholly-owned subsidiary of Zhaojin Group.

(5) The Bank of New York Mellon Corporation directly holds 100% of equity interests in The Bank of New York Mellon, and is therefore deemed to have an interest in the 53,444,488 shares held by The Bank of New York Mellon.

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

(7) Van Eck Associates Corporation is the investment manager of Market Vectors ETF – Market Vactors Gold Miners.

As at 31 December 2016, save as disclosed above and to the best knowledge of the Directors, Supervisors and senior management of the Company, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company.

Equity-linked Agreement – Employee Share Subscription Plan

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

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

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

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

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

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

Relevant details were set out in the announcement of the Company dated 31 March 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(a) Purpose

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

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

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

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

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

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

Employees of the Company who meet 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 to be received by the Company

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

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

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

Rights to Purchase Shares or Debentures of Directors and Supervisors

Save as disclosed under the section headed "Directors', Supervisors' and Chief Executives' interests and short positions in Shares, underlying Shares or debentures of the Company and its associated corporations" and other part of this annual report, at no time during the Year did any of the Directors or Supervisors hold any shares of the Company. None of the Directors and Supervisors had any interests in the share capital or debt securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors, Supervisors and their spouses and children below 18 years old was granted rights to subscribe for the share capital or debt securities of the Company or any of its associated corporations and there was no exercise of such rights by any of such persons.

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

Connected Transactions and Continuing Connected Transactions

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

Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirements

(1) On 21 March 2014, the Company entered into the Exploration Services Agreement with Shandong Zhaojin Geological Prospecting Co., Ltd ("Shandong Zhaojin Geological", a wholly-owned subsidiary of Zhaojin Group) in relation to the provision of exploration services by Shandong Zhaojin Geological to the Group for the period from 21 March 2014 to 31 December 2016, pursuant to which the annual caps of the Group in respect of the transactions for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 are RMB90,000,000, RMB100,000,000 and RMB110,000,000, respectively.

(2) On 21 March 2014, the Company entered into the Material Procurement Framework Agreement with Zhaoyuan Gold Materials Supply Center Co., Ltd ("Materials Supply Center", a wholly-owned subsidiary of Zhaojin Group) in relation to the provision of materials sales service by Materials Supply Center to the Company for the period from 21 March 2013 to 31 December 2016. Pursuant to the Material Procurement Framework Agreement, the maximum aggregated value of materials procurement transactions for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 are approximately RMB70,000,000, RMB90,000,000 and RMB100,000,000, respectively.

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

Relevant details were set out in the announcement of the Company dated 23 March 2014 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 20 March 2015, the Company entered into the Land Lease Agreement with Zhaojin Group (the controlling Shareholder of the Company) in relation to the leasing of land use rights by Zhaojin Group to the Company for the term of three years commencing from 1 January 2015. According to the Land Lease Agreement, the annual rental caps for the leasing of land use rights for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are approximately RMB6,540,000, RMB5,790,000 and RMB4,660,000, respectively.

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

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

(6) On 20 March 2015, 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 2015. According to the Framework Agreement for Sale of Silver, the annual caps for the sale of silver for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 were RMB150,000,000, RMB200,000,000 and RMB270,000,000, 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 and the Framework Agreement for Sale of Silver constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver is more than 0.1% but less than 5%, the transactions under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver are subject to the annual review, reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

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 will 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 17 July 2015 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

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

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

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

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

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

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

Connected Transactions

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

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

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

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

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

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

Our Independent Non-executive Directors have reviewed the continuing connected transactions and other connected transactions set out in note 45 to financial statements in this annual report, and are of the view that the continuing connected transactions have been entered into under the following circumstances:

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

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

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

For related party transaction disclosed in note 45 to the consolidated financial statements which constituted connected transaction under the Listing Rules, the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter 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 2016 or prior:

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

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

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

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

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

Undertakings and Statements under the Non-competition Agreement

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

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

The Company has also received a statement under the Non-competition Agreement from Zhaojin Group on 2 January 2017, 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 2016.

Directors' Interests in Competing Businesses

Save as disclosed in this report, as at 31 December 2016, none of the Directors or any of their respective associates was engaged or had any interests in a business that competes with or may compete with the business of the Group.

Significant Events

1. On 8 June 2016, the following resolutions, among other things, were passed at the 2015 annual general meeting of the Company:

   (1) the Company's profit distribution proposal for the year ended 31 December 2015 to distribute a cash dividend of RMB0.04 (tax included) per share to all Shareholders. On 30 June 2016, the Company distributed the cash dividend of RMB0.04 (tax included) per share for 2015 to all Shareholders;

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

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

   Relevant details of 2015 annual general meeting were set out in the circular and notice both dated 21 April 2016 and voting results announcement dated 8 June 2016, published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. On 8 June 2016, the following proposals (among other things) were reviewed at the domestic shares class meeting and H shares class meeting (collectively "Class Meetings") respectively:

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

   The proposal was approved at the domestic shares class meeting and the H shares class meeting.

   Relevant details of the Class Meetings were set out in the circular and notice both dated 21 April 2016 and voting results announcement dated 8 June 2016 published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Distribution of Interest of "14 Corporate Bonds" for 2016

On 29 July 2016, the Company distributed the interest of "14 Corporate Bonds" in an aggregate sum of RMB36,100,000 for the first distributing year from 29 July 2015 to 28 July 2016.

Relevant details were set out in the announcement of the Company dated 22 July 2016 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Distribution of Interest of "12 Corporate Bonds" for 2016

On 16 November 2016, the Company distributed the interest of "12 Corporate Bonds" in an aggregate sum of RMB59,880,000 for the fourth distributing year from 16 November 2015 to 15 November 2016.

Relevant details were set out in the announcement of the Company dated 9 November 2016 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Principal and interest payment and delisting of "09 Corporate Bonds" for 2016

On 23 December 2016, the Company paid the principal amount of RMB1,500,000,000 for the current bonds and distributed the interest of "09 Corporate Bonds" in an aggregate sum of RMB75,000,000 for the seventh distributing year from 23 December 2015 to 22 December 2016.

Relevant details were set out in the announcement of the Company dated 16 December 2016 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Election of the Board and Changes in Composition of the Board

The Company held the first 2016 extraordinary general meeting on 26 February 2016, at which the Shareholders re-elected Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao as Executive Directors of the Company; Mr. Liang Xinjun and Mr. Xu Xiaoliang as Non-executive Directors of the Company; Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo as Independent Non-executive Directors of the Company; and appointed Mr. Li Shousheng and Mr. Gao Min as Non-executive Directors of the Company; Mr. Wei Junhao and Mr. Shen Shifu as Independent Non-executive Directors of the Company. Mr. Lu Dongshang ("Mr. Lu") ceased to be the Executive Director of the Company; Mr. Wu Yijian ("Mr. Wu") ceased to be the Non-executive Director of the Company; and Mr. Xie Jiyuan ("Mr. Xie") and Mr. Nie Fengjun ("Mr. Nie") ceased to be Independent Non-executive Directors of the Company. Mr. Lu, Mr. Wu, Mr. Xie and Mr. Nie confirmed that they had no disagreement with the Board and there was no matter relating to their resignation that needs to be notified to the Shareholders.

The Company held the first meeting of the fifth session of the Board on 26 February 2016, and agreed to appoint Mr. Weng Zhanbin as the Chairman of the Strategic Committee, Mr. Li Shousheng as a member of the Strategic Committee and Geological and Resources Management Committee, Mr. Gao Min as a member of the Audit Committee, Mr. Wei Junhao as the Chairman of the Geological and Resources Management Committee and a member of the Nomination and Remuneration Committee, and Mr. Shen Shifu as a member of the Geological and Resources Management Committee and Safety and Environmental Protection Committee, effective from 26 February 2016.

The details of changes in the composition of the Board were set out in the announcement of the Company dated 26 February 2016 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 Senior Management

The Company held the first meeting of the fifth session of the Board on 26 February 2016, at which as nominated by the president, the Board agreed to appoint Mr. Sun Xiduan, Mr. Wang Ligang and Mr. Dong Xin as the vice presidents of the Company, Mr. Dai Hanbao as the Chief Financial Officer of the Company, the terms of office of above persons commencing from 26 February 2016 to the expiration of the term of the current session of the Board.

8. Issuance of Super Short-term Bonds

On 11 January 2016, the Company issued the first tranche of super short-term bonds for 2016 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.83% per annum. The proceeds are used as general working capital of the Company.

Relevant details were set out in the announcement of the Company dated 11 January 2016 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 12 July 2016, the Company issued the second tranche of super short-term bonds for 2016 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.82% per annum. The Proceeds is used as general working capital of the Company.

Relevant details were set out in the announcement of the Company dated 14 July 2016 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 22 September 2016, the Company issued the third tranche of super short-term bonds for 2016 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.79% per annum. The Proceeds is used as general working capital of the Company.

Relevant details were set out in the announcements of the Company dated 21 September and 26 September 2016 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. Issue of Renewable Corporate Bonds of not more than RMB4.0 Billion

On 15 August 2016, the Shareholders passed resolutions in relation to the issue of renewable bonds not more than RMB4.0 billion to the eligible investors in the PRC. Each term of the renewable bonds shall be 5 interest accruing years. When the Company exercises the renewal option, the renewable bonds will be renewed for an additional term of 5 years. As at the date of this annual report, no renewable bonds have been issued.

Relevant details were set out in the circular and notice both dated 30 June 2016 and voting results announcement dated 15 August 2016 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.

Details of significant events after the financial year ended

1. Exploration Services Framework Agreement

On 18 January 2017, the Company and Shandong Zhaojin Geological entered into the Exploration Services Framework Agreement in relation to Shandong Zhaojin Geological's provision of exploration services to the Company from 1 January 2017 to 31 December 2019.The annual caps in respect of the transactions contemplated under the Exploration Services Framework Agreement for the year ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB100,000,000, RMB100,000,000 and RMB100,000,000.

Zhaojin Group is a controlling Shareholder of the Company. Shandong Zhaojin Geological is a wholly-owned subsidiary of Zhaojin Group and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Exploration Services Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

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

2. Material Procurement Framework Agreement

On 18 January 2017, the Company and Material Supply Center entered into the Material Procurement Framework Agreement in relation to the provision of material procurement services by Materials Supply Center to the Company in the PRC from 1 January 2017 to 31 December 2019. The annual caps in respect of the transactions contemplated under the Material Procurement Framework Agreement for the year ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB85,000,000, RMB90,000,000 and RMB98,000,000.

Zhaojin Group is a controlling Shareholder of the Company. Materials Supply Center is a wholly-owned subsidiary of Zhaojin Group and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Material Procurement Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

Relevant details were set out in the announcement of the Company dated 18 January 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. Proposed quotation of shares on National Equities Exchange Quotations System ("NEEQ")

On 30 September 2016, Beijing Dongfang Yanjing Mining Engineering Design Company Limited* ("Dongfang Yanjing"), a non-wholly owned subsidiary of the Company, filed an application for the proposed quotation ("Proposed Quotation") of the shares of Dongfang Yanjing on NEEQ. Although the Proposed Quotation does not constitute spin-off under PRC laws, it is subject to the approval of the Stock Exchange as it constitutes spin-off under Practice Note 15 of the Listing Rules.

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

4. Placing of new H Shares under general mandate

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

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

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

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

Litigation and Arbitration

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

Compliance with the Corporate Governance Code

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (collectively the "Code") during the year ended 31 December 2016. 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 58 to 81 of this annual report.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

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

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

Audit Committee

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

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2016 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

Confirmation of Independence of the Independent Non-Executive Directors

The Company confirmed that it has received the annual confirmation of independence from each of the Independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 17 March 2017. 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 2016 AGM, the register of members will be closed from 10 May 2017 to 9 June 2017, 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 2016 AGM and in order to determine the Shareholders who are entitled to receive the final dividend for the year ended 31 December 2016, the register of members will be closed between 15 June 2017 and 20 June 2017, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2016 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 holders of H Shares), or the registered address of the Company at 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC (for holders of domestic shares) for registration at or before 4:30 p.m. on Tuesday, 9 May 2017 (Hong Kong time).

To be qualified for receiving the final dividend for the year 2016, 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 holders of H Shares), or the registered address of the Company at 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC (for holders of domestic shares) for registration at or before 4:30 p.m. on Wednesday, 14 June 2017 (Hong Kong time).

Auditor

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

The financial statements of the Group for the year ended 31 December 2016 prepared in accordance with Hong Kong Financial Reporting Standards have been audited by Ernst & Young. The auditor is subject to re-election at the 2016 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 2016 AGM.

By the order of the Board
Weng Zhanbin
Chairman

17 March 2017

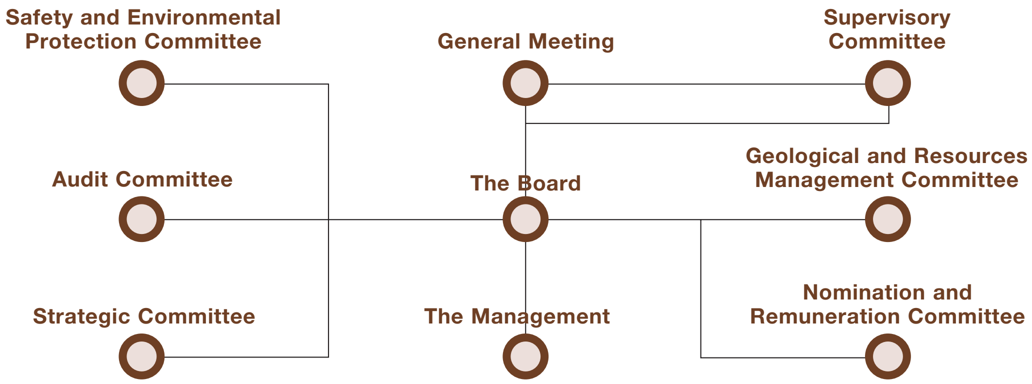
Corporate Governance Practice Report

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

(A) Corporate Governance Practice

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

For the year ended 31 December 2016, the corporate governance structure of the Company is set out as follows:



(B) Securities Transaction of Directors

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

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

(C) The Board

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

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

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

The fifth session of the Board was elected at the extraordinary general meeting convened on 26 February 2016. All members of the fifth session of the Board have a term of three years commencing from 26 February 2016.

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

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

The Company has four Independent Non-executive Directors, representing 36% of the directorship, which complies with the requirements of Rules 3.10(1) and 3.10A of the Listing Rules. The Company is of the view that the four Independent Non-executive Directors have extensive experience in the industry or financial matters and qualifications to perform their responsibilities, which complies with the requirements of Rule 3.10(2) of the Listing Rules which requires that at least one of the Independent Non-executive Directors shall have appropriate professional qualifications, accounting or related financial management expertise. Independent Non-executive Directors are assumed by the persons who are independent of any Directors, Supervisors, key executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third party), which complies with the requirement of independence of Listing Rules. According to the Listing Rules, each Independent Non-executive Director shall confirm his/her independence to the Stock Exchange prior to his/her appointment. The Company had received the annual confirmation of independence from each of the four Independent Non-executive Directors confirming their independent status in accordance with Rule 3.13 of the Listing Rules on 17 March 2017. The Company had verified their independence and confirmed that all of the Independent Non-executive Directors were independent individuals. The four independent Non-executive Directors held office in the Audit Committee, Nomination and Remuneration Committee, Geological and Resources Management Committee or Safety and Environmental Protection Committee under the Board.

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

	Number of Board meetings convened	Attendance	Of which: attendance by proxy	Number of general meetings and class general meetings convened	Attendance
Executive Directors					
Weng Zhanbin *(Chairman)*	4	4	(0)	8	5
Li Xiuchen *(President)*	4	4	(0)	8	8
Cong Jianmao	4	4	(0)	8	7
Lu Dongshang (retired on 26 February 2016)	4	0	(0)	8	0
Non-executive Directors					
Liang Xinjun *(Vice Chairman)*	4	1	(3)	8	0
Li Shousheng (appointed with effect from 26 February 2016)	4	4	(0)	8	1
Xu Xiaoliang	4	1	(3)	8	0
Gao Min (appointed with effect from 26 February 2016)	4	4	(0)	8	1
Wu Yijian (retired on 26 February 2016)	4	0	(0)	8	0
Independent Non-executive Directors					
Chen Jinrong	4	4	(0)	8	1
Choy Sze Chung Jojo	4	3	(1)	8	0
Wei Junhao (appointed with effect from 26 February 2016)	4	4	(0)	8	1
Shen Shifu (appointed with effect from 26 February 2016)	4	4	(0)	8	1
Xie Jiyuan (retired on 26 February 2016)	4	0	(0)	8	0
Nie Fengjun (retired on 26 February 2016)	4	0	(0)	8	0

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(D) Chairman and 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. Li Xiuchen, the President, is responsible for the Group's day-to-day management and execution of approved strategies.

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

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

(E) Non-executive Directors

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

As at 26 February 2016, the Shareholders at the extraordinary general meeting of the Company elected Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min as Non-executive Directors of the Company, Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as Independent Non-executive Directors of the Company.

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 26 February 2016, during the first meeting of the fifth session of the Board, Mr. Choy Sze Chung Jojo, being an Independent Non-executive Director, was appointed as the chairman of the Nomination and Remuneration Committee; Mr. Cong Jianmao, being an Executive Director, Mr. Liang Xinjun, being a Non-executive Director, Ms. Chen Jinrong and Mr. Wei Junhao, both being Independent Non-executive Director were appointed as members of the Nomination and Remuneration Committee.

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

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

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

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

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

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

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

(7) other duties authorized by the Board.

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

Working procedures of the Nomination and Remuneration Committee include:

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

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

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

4. to implement of the policy of Directors' remuneration, evaluate performance of Executive Directors and approve contractual terms stipulated in service contracts of Executive Directors. Remuneration of Directors and Supervisors for the year ended 31 December 2016 are detailed in note 8 to the financial statements on pages 147 to 151 in this annual report.

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

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

Board Diversity Policy

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

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

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

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

	Number of meetings	Attendance	Of which: attendance by proxy
Choy Sze Chung Jojo *(Chairman)*	1	1	(0)
Liang Xinjun	1	0	(1)
Cong Jianmao	1	1	(0)
Chen Jinrong	1	1	(0)
Wei Junhao (appointed with effect from 26 February 2016)	1	0	(0)
Nie Fengjun (retired and ceased to be a member on 26 February 2016)	1	1	(0)

In 2016, the Nomination and Remuneration Committee reviewed and passed the following resolutions:

The resolution to nominate candidates for directorship of the fifth session of the Board, pursuant to which: Mr. Weng Zhanbin, Mr. Li Xiuchen, Mr. Cong Jianmao, Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang, Mr. Gao Min, Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu were nominated as the Directors of the fifth session of the Board of the Company, being proposed at the general meeting for approval.

The resolution to nominate candidates for Supervisors of the fifth session of the Supervisory Committee Shareholder Representatives, pursuant to which: Mr. Wang Xiaojie and Ms. Jin Ting were nominated as the Supervisors of the fifth session of the Supervisory Committee of the Company, being proposed at the general meeting for approval.

Senior management's remuneration

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

	Number of Individuals	
	2016	2015*
Below HK$1,000,000 (approximately equivalent to RMB894,510)	**5**	6
HK$1,000,001 – HK$1,500,000 (approximately equivalent to RMB894,510 – RMB1,341,765)	**0**	1
Total	**5**	7

* Including two senior managers who left office on 26 February 2016.

(G) Auditor's Remuneration

The auditor appointed by the Company are nominated by the Board and approved in the general meeting. Their remuneration was determined by the Board as authorised by the general meeting. During the Year, the remuneration paid to the auditors for their auditing services to the Group was RMB2,800,000 (2015: RMB2,700,000).

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.

As at 26 February 2016, during the first meeting of the fifth session of the Board, Ms. Chen Jinrong, being an Independent Non-executive Director was appointed, as the Chairman of the Audit Committee; Mr. Gao Min, being a Non-executive Director, and Mr. Choy Sze Chung Jojo, being an Independent Non-executive Director, were appointed as members of the Audit Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

	Number of meetings	**Attendance**	**Of which: attendance by proxy**
Chen Jinrong *(Chairman)*	2	2	(0)
Choy Sze Chung Jojo	2	2	(0)
Gao Min (appointed with effect from 26 February 2016)	2	2	(0)
Xu Xiaoliang (ceased to be a member on 26 February 2016)	2	0	(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 2015;

2. reviewed the Group's interim report and interim results announcement for the six months ended 30 June 2016;

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 had 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 2016, 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.

As at 26 February 2016, during the first meeting of the fifth session of the Board, Mr. Weng Zhanbin, being an Executive Director, was appointed as the chairman of Strategic Committee; Mr. Xu Xiaoliang and Mr. Li Shousheng, both being Non-executive Directors, were appointed as members of Strategy Committee.

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

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

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

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

4. other matters authorised by the Board.

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

	Number of meeting	**Attendance**	**Of which: attendance by proxy**
Weng Zhanbin *(Chairman)* (appointed with effect from 26 February 2016)	1	1	(0)
Xu Xiaoliang (appointed with effect from 26 February 2016)	1	1	(0)
Li Shousheng (appointed with effect from 26 February 2016)	1	1	(0)
Lu Dongshang (retired and ceased to be a member on 26 February 2016)	1	0	(0)
Liang Xinjun (ceased to be a member on 26 February 2016)	1	0	(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.

As at 26 February 2016, during the first meeting of the fifth session of the Board, Mr. Wei Junhao, being an Independent Non-executive Director, was appointed as the chairman of Geological and Resources Management Committee; Mr. Li Shousheng, being a Non-executive Director, and Mr. Shen Shifu, being an Independent Non-executive Director, were appointed as members of Geological and Resources Management Committee.

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 2016. 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)* (appointed with effect from 26 February 2016)	1	1	(0)
Li Shousheng (appointed with effect from 26 February 2016)	1	1	(0)
Shen Shifu (appointed with effect from 26 February 2016)	1	1	(0)
Weng Zhanbin (ceased to be a member on 26 February 2016)	1	0	(0)
Nie Fengjun (retired and ceased to be a member on 26 February 2016)	1	0	(0)
Xie Jiyuan (retired and ceased to be a member on 26 February 2016)	1	0	(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.

As at 26 February 2016, during the first meeting of the fifth session of the Board, Mr. Li Xiuchen, being an Executive Director, was appointed as the Chairman of Safety and Environmental Protection Committee; Mr. Cong Jianmao, being an Executive Director, and Mr. Shen Shifu, being an Independent Non-executive Director, were appointed as members of the Safety and Environmental Protection Committee.

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

1. conducting research on significant safety and environmental protection investment projects during the Year;

2. formulating the long-term plan and annual plan of safety and environmental protection;

3. carrying out research and examination on the implementation of the above matters; and

4. other matters authorised by the Board.

During the Year, the Safety and Environment Protection Committee convened one meeting chaired by Mr. Li Xiuchen, the chairman of the committee. The committee reviewed and passed the Summary of Safety and Environmental Protection Work for 2016 and reviewed and passed the Plan on Safety and Environment Protection Work for 2017.

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

	Number of meeting	**Attendance**	**Of which: attendance by proxy**
Li Xiuchen *(Chairman)*	1	1	(0)
Cong Jianmao	1	1	(0)
Shen Shifu (appointed with effect from 26 February 2016)	1	1	(0)
Xie Jiyuan (retired and ceased to be a member on 26 February 2016)	1	0	(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 includes:

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

Monitoring Mechanism

Supervisory Committee

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

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

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

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

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

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

Internal Control and Internal Audit

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

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

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

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

2. ensuring that the Company's accounting records provides 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 subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, 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 internal control system 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 to achieve objectives set out in the annual operation plan and annual operational and financial targets in next three years. Both the strategic plan 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 budget 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 finance and operation performance, 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, behaviour risks as well as others which may influence the development of the Company.

- The internal audit department will carry out an independent review on identified risks and control system so as to provide reasonable guarantee to the management and the Audit Committee that the risks are satisfactorily handled and the control is 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 from 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 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 of directors to convene an extraordinary general meeting or class meeting, and specify the topics of the meeting. The board of directors 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 of directors 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 of directors receives the said request, and the convening procedure shall, to the extent possible, be the same as the procedure by which the board of directors convenes general meetings.

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

Procedures for shareholders to raise enquiries for the Board

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

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

Procedures for shareholders to make proposals at the general meeting

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

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

In 2016, the Company convened one annual general meeting, two domestic shares class meetings, two H shares class meetings and three extraordinary general meetings.

Controlling Shareholder

As at 31 December 2016, 1,137,481,195 domestic shares and 43,890,000 H shares were held by Zhaojin Group, the controlling Shareholder of the Company, representing approximately 39.83% of the total issued ordinary shares of the Company.

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

Company Secretary

Ms. Mok Ming Wai was appointed as Company Secretary. She is a director of KCS Hong Kong Limited. Mr. Wang Ligang, Secretary to the Board of the Company, is the main internal liaison between her and the Company. In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2016, Company Secretary, Ms. Mok, has received not less than 15 hours of relevant professional training.

Independence from Zhaojin Group

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

- **Management independence:** The Board of the Company has one Executive Directors 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.

- **Production and operation independence:** Since its incorporation, the Group has operated its business independently from the Zhaojin Group, and has not shared any of its production teams, production facilities and equipments, or marketing, sales and general administration resources with the Zhaojin Group or its associated companies, except as described in the section of "Connected Transactions" with respect to the provision of gold refinery and gold bullion trading 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 556 customers in addition to the Company as at 31 December 2016 (as at 31 December 2015: approximately 480 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 305 customers in addition to the Company as at 31 December 2016 (31 December 2015: approximately 240 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 2 other qualified refineries and more than 6 other SGE members that the Company can readily engage on comparable terms as those which the Company has agreed with the Zhaojin Group to provide the Company with refinery or trading agency services, if necessary.

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

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

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

Non-Competition Agreement and Excluded Businesses

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

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

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

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

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

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

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

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

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

During the Year, the Company has 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 authorised 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 it will remain as a passive investor and does not participate in the daily management of Shandong Guoda Gold following the Company's listing.

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

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

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

Our Directors 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 principle 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 of the Company held any interests in any business, apart from the Group's business, which competes or is likely to compete, directly or indirectly with Group's business.

The Company has also received a statement under the Non-competition Agreement from Zhaojin Group dated 2 January 2017, 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 2016.

Investor Relations

With the constant advancement and perfection of the systematization of capital market and investors becoming more mature and professional, investor relations management of listed companies becomes people's bigger concern and emphasis. The Company insists on attaching great importance to investor relations management. The Company eliminates confusion of investors by adhering to the attitude of respect and sincerity. The Company proactively communicates with institutional investors, medium and small investors and market participants in order to timely, openly and transparently share the strategic intent, implementation status as well as latest news of the Company with each parties in the market. In 2016, the Company accommodated 12 investor visitors and held nearly 30 conference calls with analysts and investors. The Company successfully launched the road show for the announcement of its interim and annual results, held more than 60 investors meetings in different places such as Hong Kong, Singapore and Shenzhen and did on-site presentation and one-on-one communications with investors regarding matters including the road show for the announcement of the results of the Company and the employee share ownership plan. In particular for the ESSP, the Company visited more than 20 H share investors in Hong Kong and Singapore to obtain full recognition and maintain good relationship with investors.

Through constant effort, the Company deepened the investors' (especially medium and small investors) understanding of the Company, promoted beneficial interaction between investors and the Company and in turn established a sound image of the Company for investors. In addition to establishing good relationship with investors, the Company also maintained a sound relationship with media and received warm positive coverage from mainstream media. This helped the Company in establishing a healthy, favorable and positive image for its investors.

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

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

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

Change in Constitutional Documents

There was no amendment made to the Articles of Association for the year ended 31 December 2016.

Other Interested Parties

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

Continuous Enhancement of Corporate Governance

Good corporate governance is an important footstone for the continuous success of the Company. Understanding that corporate governance should evolve throughout the time, the Company devotes to consummate corporate governance mechanism and strictly observes the laws and regulations and supervision requirements of the PRC and Hong Kong. This year, Mr. Weng Zhanbin, the Chairman of the Company, was honorably awarded the China Securities Golden Bauhinia Award – the Most Influential Leader of Listed Company, and Mr. Wang Ligang, the Secretary to the Board of the Company, was awarded the China Securities Golden Bauhinia Award – the Best Secretary to the Board of Listed Company. The Company will timely review each corporate governance principle and practice to cope with the evolution of the regulatory system and the international market.

Training for the Directors

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

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

Details of the training attended by the Directors in 2016 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
Li Xiuchen	Executive Director	A,B,C,D	B. Attending seminars/forums
Cong Jianmao	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
Liang Xinjun	Non-executive Director	A,B,C,D	D. Conducting on-site inspections on the Company's businesses
Li Shousheng	Non-executive Director	A,B,C,D	
Xu Xiaoliang	Non-executive Director	A,B,C,D	
Gao Min	Non-executive Director	C,D	
Chen Jinrong	Independent Non-executive Director	A,B,C,D	
Choy Sze Chung Jojo	Independent Non-executive Director	A,B,C,D	
Wei Junhao	Independent Non-executive Director	B,C,D	
Shen Shifu	Independent Non-executive Director	B,C,D	
Lu Dongshang*	Executive Director	C,D	
Wu Yijian*	Non-executive Director	C,D	
Xie Jiyuan*	Independent Non-executive Director	C	
Nie Fengjun*	Independent Non-executive Director	C	

* Mr. Lu Dongshang, Mr. Wu Yijian, Mr. Xie Jiyuan and Mr. Nie Fengjun retired as Executive Director, Non-executive Director, Independent Non-executive Director and Independent Non-executive Director on 26 February 2016 respectively.

A. Environment

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

Emission of Pollutants Meeting the Standards

In 2016, the Group strictly observed the laws and regulations in relation to environmental protection, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) and Law of Prevention and Control of Water Pollution of the People's Republic of China (中華人民共和國水污染防治法). Based on these requirements, the Group developed environmental protection measures, and established a reliable environmental protection system. We also strictly followed the standards of the PRC such as the Standard for Pollution Control on General Industrial Solid Waste Sites (GB18599-2001) (《一般工業固體廢物貯存、處置場污染控制標準》and the Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-2004) (《大氣污染物綜合排放標準》), to prevent and control the pollution levels, ensuring all emissions from production or other activities comply with the standards.

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

Emission	Volume of emission
Waste gas	34,800,000 m^3
Waste water	570,000 tons
Greenhouse gas	Nil

No hazardous waste was discharged during our production process. Such non-hazardous waste was mainly residue and waste mining rocks, with volume of 6.36 million tons and density of 1.35 ton/m^3. Most of which were used for filling pits while a small portion stored in qualified tailing dams.

For waste gas, we have adopted three-level absorption + primary de-fog to minimise the emission of sulfur dioxide and nitrogen oxide, with heating boilers upgraded and coal-fired boilers replaced by air energy boilers. For waste water, an underground sewage treatment plant was built for all enterprises. More than RMB32 million was invested to introduce patented technology and equipment for electrocoagulation wastewater treatment from Hipure in Canada (加拿大海普爾公司). A golden sewage treatment processer using the technology of "primary sedimentation + sodium meta synthesis method for removing cyanide + electrocoagulation + anaerobic hydrolysis acidification + biological contact oxidation" with capacity of 8,000 tons/day was built, which could purify cyanide-containing waste water, heavy metal waste water and household waste water. After treatment, more than 85% of the waste water was re-used for production, while the remaining 15% was discharged complying the emission standards after advanced treatment.

Usage of Resources

The Group primary uses mineral resources, which are the basis for the survival of the Group and the driving force for its development. Other resources used include water, electricity, diesel and coal. Our usage in 2016 was as follows:

Resource type	Usage
Water	Among total consumption of 14,472.30 tons, 13,025.07 tons was recycled water, and only 1,447.23 tons was fresh water
Electricity	Total consumption was 645.775 million kwh, and integrated power consumption was 37.72 kwh/ton
Diesel	6,825.17 tons
Coal	36,741.75 tons

The Group always attaches great importance to, and encourages, conservation and efficient use of resources. We have broken the traditional economic development model and focus on the development of circular economy. In 2016, we put great effort in promoting energy-saving in all mines through replacing large energy-consuming electrical equipment, and actively applying four new technologies, continuously improving production processes and preventing waste of resources. Our annual energy consumption was 17.23 kg/ton, decreased by 1.88% compared to 2015. For electricity usage, the Group strived to meet the consumption target through implementing valley electricity management system. The valley electricity utilization rate was increased by 0.03% over last year. We also reasonably made reactive power compensation to improve the power factor. The average rate of which was 0.93 or above. For water saving, the Group focused on water balance work, strengthening the water metering work and increasing the use of recycled water (recycled water accounted for more than 90% of our total consumption), thereby effectively saving water resources.

Construction of Ecological Civilisation

The Group adheres to the targets of protecting ecological environment, reducing resources consumption and pursuing sustainable economy, strictly adhered to the “red lines” for safety ecological and environmental, practises and implements the belief of green ecology throughout the entire process of developing and utilising mine resources. The construction of green mines has been given top priority both in the overall development agenda of the Company as well as sustainable development strategy and has been earnestly adopted and implemented, and achieved positive results. In 2016, with accumulative injection of more than RMB60 million, the Group deepened the governance of hidden danger investigation and developed safety awareness to continuously ensure the safety and stability. The Company further added over 6 million hectares of afforestation areas and maintained a long-term sustainable greening vitality.

Environmental and Natural Resources

Mining and processing of mineral resources are the core business of the Group, while mineral resources are the basis of our business and our major consumption resources. The Group reduces the consumption of mineral resources by increasing the recovery of mineral resources, and offsets the consumption of mineral resources by increasing the reserves of mineral resources; reduces the loss of ore and increases the recovery rate of ore by increasing the density of high-grade ore drilling; the recovery rate of ore processing is over 90% as the Group has adopted scientific methods of selection to raise the effectiveness in resource using; strengthens the implementation of geological exploration work through integrating the surrounding mineral rights. Our new gold resources accounted for 61.446 tons (approximately 1,975,500 ounces). According to JORC Code, as of 31 December 2016, the Company had resources of 1,235.52 tons (approximately 39,722,900 ounces).

B. Social responsibilities

Employment and Labour Standards

The Group has been adhering to the Labour Law of the PRC (中華人民共和國勞動法), the Employment Contract Law of the PRC (中華人民共和國勞動合同法) and other relevant laws and regulations with an aim to uphold fair, non-discriminatory and diversified employment policies. We have formulated and implemented the System on Human Resources Management (人力資源管理制度) and the Measures on the Management of the Salary System (薪酬體系管理辦法) and other relevant systems to conduct fair and just treatment to every employee. We uphold the principle of "equal pay for equal work" which ensures equal employment opportunities of females, the disabled and other underprivileged communities. The Group refuses to hire employees under the age of 18 and no employee receive a salary lower than the minimum level stipulated in the laws and regulations. We implement the talent strategy of "introduction, borrowing, cultivation and deployment" with the main focus on internal cultivation in relation to various technological talents and talents in different functions in business management institutions. Through measures including position shifting and off-the-job training, our employees can leverage their talents to the fullest and be the fittest candidates of their positions while being entitled to equal promotion opportunities. Salaries are determined in accordance with the relevant level of position and the range of which is being approved according to the aggregate scores based on the work experience, education background and job title of the employees and the assessment results of the annual performance evaluation. The right to rest of our employees is fully protected and the system of "8-hour work day" is under strict implementation. Employees enjoy equal chances to go on vacations, including statutory leaves, sick leaves, wedding leaves, maternity leaves, home leaves and bereavement leaves. Forced labour of any kind is forbidden. Employees are entitled to relevant remuneration during their vacation and when they leave their job earlier or officially retire. Employees who fail in the annual performance evaluation or open assessments, or are held responsible for misconduct or refuse to undertake any job arrangement would be demoted or dismissed. As of 31 December 2016, the Group had a total of 6,001 employees (2015: 6,287 full-time employees), all of which are full time employees hired through open recruitment and intake of graduates in a fair manner.

Health and safety

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

On-site management was held in high regard by the Group in 2016 with constant innovation in management, enhancement of the level of regulation and standardization of on-site management and elimination of on-site weaknesses with the goal of creating a healthy, safe working environment for employees. The Group placed much emphasis on the emergency response plans and joint exercises. In 2016, comprehensive amendment was conducted to the emergency response plans, specific plans and on-site handling plans, emergency equipment was fully upgraded, over 60 joint rescue exercises were conducted and robust rescue teams for mines made up of professional full-time and part-time employees were formed in every enterprise in strict compliance with national standards in 2016 in order to enhance the actual emergency response capabilities. The Group will continue to ensure the health and security of our employees in all aspects.

Development and training

The Company attached great importance to the long-term occupational planning and development of its employees, formulated programs for occupation and qualification training for the development of both the employees and the Company, bore training cost for its employees and created an agreeable environment for occupational development, aiming at providing multi-level occupational training with continuous policy, organizational and financial support. In 2016, the Company enacted the system of regular training meetings to provide training on a weekly basis. In addition, various forms of training were provided throughout the Group, including management training for middle and senior management, induction training for new employees, professional training on geological exploration and safety training, with 330 rounds of training on safety alone. 523 safety management personnel participated in the qualification training on safety, 2,480 personnel who engaged in special operations took part in professional training. The number of attendance of cross-functional safety training (with the construction team included) reached over 20,000. The training costs amounted to RMB2,804,900 during the year (2015: RMB1,376,200).

Supply chain management

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

In 2016, 437 suppliers of the Group were from China. We gathered the viewpoints and opinions from all customers through various methods and channels and made timely improvements and maintained good relationships with the suppliers during the year.

Anti-corruption

In 2016, the Company formulated and implemented the Working System on Anti-corruption of Zhaojin Mining Industry Company Limited (招金礦業股份有限公司廉政建設工作制度) in strict compliance with the relevant laws and regulations such Honest Self-discipline Rules of the Communist Party of China (《中國共產黨廉潔自律準則》) and Discipline Regulations of the Communist Party of China (《中國共產黨紀律處分條例》), combined it with production and operation, emphasising accountability on supervision and disciplines, enhanced the level of responsibilities to be borne in a comprehensive manner and regulating the use of power on the job with an aim to create a favourable atmosphere of righteousness and integrity. The Company has been strengthening the education of anti-bribery and anti-corruption, organising seminars and activities of "system learning and using and excellent party member nurturing" on the educational basis of "studying the rules and regulations of the Communist Party, studying the realization of the spirit of the important speeches of the General Secretary Xi Jinping and becoming a qualified party member", organizing visits to education bases in order to cultivate the culture of anti-corruption. The Group strengthened efforts in the investigation and handling of cases of violation in rules and disciplines and conducted special inspection on the management and usage of controllable fees and the acquisition of vehicles for non-production purposes during the reporting period and conducted timely investigation and handling of problems detected. By combining the continuous strengthening of the construction of working disciplines with the approaches of tackling challenging conditions, lowering the costs and increasing the efficiencies, the conference fees, business entertainment expenses, travelling expenses and office expenses have been decreasing every year, which reduces our management costs and promotes changes in regard to disciplines.

Product Responsibilities

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

Supporting Community Development

In 2016, the Company and its subsidiaries are committed to making contributions to the society, with a mission of supporting local economic and social development; we proactively adhere to the concept of coordinating the development of "enterprise, employees and community", and to actively fulfill our social responsibilities with the target of building a mine with four distinctive features. The Company has been undergoing operations subject to laws and in full compliance with government policies by fulfilling its tax obligation and create job opportunities for the local labour market, which consequently contributed significantly to local fiscal revenue.

In 2016, high importance was attached to community construction with vigorous effort on the development of public welfare and education in the places where our projects located. The Company, together with the local government, regarded improving local people's living standard as a major task for community construction of the year and provided labor, equipment and special capital supports to further assist the target villages in terms of irrigation, road hardening, low-income family relief and financing for poor students, which significantly accelerated the development of the local communities. During the Year, the Company invested a total of over RMB27,000,000 for supporting education development and community building, having turned the social responsibilities of "corporate citizen" into actions, and made an effort in making contributions to the society, which further consolidate the local community relations.

Awards to the Company in 2016

- Ideological and Political Work Advanced Collective in National Gold Industry in the "Twelfth Five-Year Plan" Period
- Excellent Enterprise of TnPM Equipment Management in China
- Social Responsibility Award in National Gold Industry – the Best Green Award
- Innovation Model Enterprise of 2016 National Equipment Management
- Advanced Unit (Public Information) in National Gold Industry

Report of the Supervisory Committee

To the Shareholders,

During the Year, all members of the Supervisory Committee of the Company duly discharged their duties of supervision stipulated by various laws and regulations, which include the PRC Company Law, the Listing Rules and the Articles of Association. They fully discharged the Supervisory Committee's monitoring function and attended all the Board meetings, general meetings and the major meetings of the Company in which decisions were made with due care and diligence. They strengthened the supervision on the level of compliance of the work of the Board and the operational decision of the management of operations, as well as the implementation by the Board of the resolutions approved by the general meetings. The Supervisors formed their opinions and recommendations through their inspection of the operation for the Company and of the implementation of the internal systems, as well as their efficient supervision over the fulfillment of duties by the Directors and the senior management. The Supervisors have reviewed and analyzed the Company's financial position and the annual report with due care.

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 1st Meeting of the Fifth Session of the Supervisory Committee on 26 February 2016

Reviewing and approving proposals of electing Mr. Wang Xiaojie as the Chairman of the Fifth Session of the Supervisory Committee.

The 2nd Meeting of the Fifth Session of the Supervisory Committee on 26 March 2016

Reviewing and approving the working report of the Board, financial report, the proposal of profits allocation in 2015 and other resolutions and reviewing the working report of the Supervisory Committee in 2015.

The 3rd Meeting of the Fifth Session of the Supervisory Committee on 17 August 2016

Reviewing and approving interim results report, financial report, the proposal of profits allocation in 2016 and other resolutions.

The 4th Meeting of the Fifth Session of the Supervisory Committee on 28 October 2016

Reviewing and approving the third quarter results of the Company in 2016.

2. Level of Compliance of the Company's Operations with Laws

During the Year, save for the announcement published on 29 December 2015 in respect of the proposed acquisition of certain assets from the Zhaojin Group which did not fully comply with the requirements of the Takeovers Code (and for which the Company is undertaking remedial measures) and the Company had taken remedial measures, the Company operated in accordance with the requirements of the PRC Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations. It has established and continuously improved the internal control systems. Its decision-making procedures are in compliance with laws. The Company strictly implemented the resolutions of the general meetings.

3. Performance of Duties by the Directors, General Manager and Other Senior Management

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

4. Report of the Board

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

5. Financial Reporting

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

6. Connected Transactions and Continuing Connected Transactions

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

7. The Independent Opinions of the Supervisory Committee Regarding the Acquisitions Made by the Company

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

8. Litigations

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

In 2017, the Supervisory Committee will strictly comply with the related requirements of the PRC Company Law and the Articles of Association. It will supervise the Board and senior management according to the law and urge the Company to further refine the corporate governance structure according to the requirements of modern enterprise system in order to enhance the governance level. Meanwhile, the Supervisory Committee will also continue to carry out its supervisory duties diligently by attending the Board of Company according to the law and timely recognizing the legality of the important decisions and various decision-making procedures of the Company in order to provide better protection of the interest of its Shareholders.

Wang Xiaojie
Chairman of the Supervisory Committee

17 March 2017

Independent Auditors' Report

Ernst & Young
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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 96 to 208, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 *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 matter:	How our audit addressed the key audit matter:
Impairment of goodwill	
The carrying value of goodwill amounting to RMB876 million as at 31 December 2016 has been allocated to each of the Group's cash-generating units ("CGUs") which is the corresponding subsidiary acquired. In accordance with HKFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of the respective CGUs to which the goodwill is allocated. Management performed the impairment test using the value in use calculation based on the discounted cash flows. This matter is significant to our audit because the impairment test process is complex and involves significant judgements. The Group's disclosures about impairment of goodwill are included in note 15 to the consolidated financial statements, which specifically explains the key assumptions management used for the value in use calculations.	Our audit procedures included, among others, considering the appropriateness of allocation of goodwill to CGUs; evaluating the key assumptions and methodologies used by the Group with the assistance of our valuation specialists, in particular, gold and copper price projections, discount rate and estimation of mineral reserves and resources. Regarding the gold and copper price projections and discount rate, we compared the key assumptions with the external information resources on the gold and copper industry and analysis of the specific risks relating to the relevant CGUs. Regarding the mineral reserves and resources, we assessed the mine geologist's professional competence, objectivity, and capabilities to understand the assumptions used in the estimation of mineral reserves and resources. We also focused on the adequacy of the Group's disclosures of goodwill.
Impairment of non-current assets	
As at 31 December 2016, the Group had mining infrastructure and construction in progress included in property, plant and equipment, exploration rights and assets and mining rights and reserves included in other intangible assets, and prepaid land lease payments amounting to RMB4,477 million, RMB2,537 million, RMB7,865 million, RMB1,540 million and RMB709 million, respectively. In accordance with HKFRSs, management is required to perform detailed impairment assessment on these non-current assets when any impairment indicator is identified, and impairment provision is required when the value in use is lower than the respective carrying value. The value in use is determined for the Group's individual CGU to which the assets belong.	Our audit procedures in assessing value in use of the Group's individual CGU to which the assets belong and the impairment indicator exists, included, among others, involving our valuation specialists to assist us in evaluating the key assumptions and methodologies used by management, in particular, gold and copper price projections, discount rate and estimation of mineral reserves and resources. Regarding the gold and copper price projections and discount rate, we compared the key assumptions with the external information resources on the gold and copper industry and analysis of the specific risks relating to the relevant CGUs.

Key audit matter:	How our audit addressed the key audit matter:
Impairment of non-current assets (continued)	
The determination of value in use of the Group's individual CGU is complex and involves significant judgements. The Group's disclosures about impairment of these non-current assets are included in notes 13, 14 and 16 to the consolidated financial statements.	Regarding the mineral reserves and resources, we assessed the mine geologist's professional competence, objectivity, and capabilities to understand the assumptions used in the estimation of mineral reserves and resources. We also focused on the adequacy of the Group's disclosures of impairment of non-current assets.
Recognition of share-based payments	
The Company implemented an employee shares subscription plan ("ESSP") to eligible participants of the Group by way of non-public issuance of 80 million additional domestic shares with a subscription price of RMB2.97 per share. We focused on this area because of the significant judgements adopted in determining the fair value of the awarded share, the interpretation of complex terms in ESSP, the required record keeping and the manual nature of the calculations. The Group's disclosures about share-based payments are included in note 40 to the consolidated financial statements.	Our audit procedures included, among others, obtaining and reading the terms in the ESSP and the relevant approvals from government authority and general meeting of the Company to verify the appropriateness of determining the share-based payments category, grant date, vesting conditions and vesting date of the awarded share. Regarding the significant judgements adopted in determining the fair value of the awarded share, we involved our valuation specialists to assist us in assessing the reasonableness of the estimation used in the valuation model, being historical and expected volatility, dividend yield, risk-free interest rate and share price, etc. and performing the recalculation based on the above inputs to the model used. We also checked the adequacy of the Group's disclosures of share-based payments.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Lap, Philip.

Ernst & Young
Certified Public Accountants

Hong Kong
17 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
REVENUE	5	**6,664,785**	5,886,845
Cost of sales		**(3,935,465)**	(3,655,753)
Gross profit		**2,729,320**	2,231,092
Other income and gains	5	**359,903**	362,928
Selling and distribution costs		**(71,720)**	(98,343)
Administrative expenses		**(1,054,665)**	(957,406)
Other expenses		**(704,305)**	(460,801)
Finance costs	6	**(465,083)**	(526,333)
Share of profits and losses of:			
Associates		**7,622**	6,819
A joint venture		**(1,628)**	(3,443)
PROFIT BEFORE TAX	7	**799,444**	554,513
Income tax expense	9	**(365,925)**	(154,930)
PROFIT FOR THE YEAR		**433,519**	399,583
Attributable to:			
Owners of the parent		**353,322**	308,140
Non-controlling interests		**80,197**	91,443
		433,519	399,583
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	12	**0.12**	0.10
Diluted			
– For profit for the year (RMB)	12	**0.12**	0.10

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000*
PROFIT FOR THE YEAR	**433,519**	399,583
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,801**	(11,398)
Available-for-sale investments:		
Changes in fair value	**–**	2,382
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**5,801**	(9,016)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of post-employment benefit obligations	**12,707**	(21,936)
Income tax effect	**(3,177)**	5,484
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**9,530**	(16,452)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**15,331**	(25,468)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**448,850**	374,115
Attributable to:		
Owners of the parent	**368,653**	282,672
Non-controlling interests	**80,197**	91,443
	448,850	374,115

Consolidated Statement of Financial Position

31 December 2016

	Note	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**12,974,461**	12,819,709
Prepaid land lease payments	14	**708,807**	623,579
Goodwill	15	**875,897**	885,815
Other intangible assets	16	**9,421,587**	8,768,615
Investment in a joint venture	17	**120,229**	131,857
Investments in associates	18	**289,638**	268,914
Available-for-sale investments	19	**25,746**	21,746
Deferred tax assets	20	**189,379**	244,251
Loans receivable	21	**–**	8,000
Long-term deposits	22	**77,383**	109,090
Other long-term assets	23	**670,156**	649,679
Total non-current assets		**25,353,283**	24,531,255
CURRENT ASSETS			
Inventories	24	**3,630,598**	3,439,183
Trade and notes receivables	25	**281,215**	67,127
Prepayments, deposits and other receivables	26	**513,736**	471,957
Equity investments at fair value through profit or loss	27	**414,069**	164,055
Derivative financial instruments	31	**658**	1,382
Available-for-sale investments	19	**280,000**	–
Pledged deposits	28	**320,351**	133,572
Loans receivable	21	**649,124**	222,348
Cash and cash equivalents	28	**1,437,951**	2,033,203
		7,527,702	6,532,827
Assets of a disposal group classified as held for sale	10	**82,674**	–
Total current assets		**7,610,376**	6,532,827
CURRENT LIABILITIES			
Trade and notes payables	29	**389,861**	583,276
Other payables and accruals	30	**2,150,217**	1,814,445
Financial liabilities at fair value through profit or loss	31	**52,854**	–
Interest-bearing bank and other borrowings	32	**10,884,200**	8,024,668
Tax payable		**179,076**	20,549
Provisions	35	**22,556**	28,539
Corporate bonds	33	**1,198,071**	1,498,997
Deposits from customers	36	**985,736**	410,248
Current portion of other long-term liabilities	37	**–**	90,000
		15,862,571	12,470,722
Liabilities directly associated with the assets classified as held for sale	10	**13,558**	–
Total current liabilities		**15,876,129**	12,470,722
NET CURRENT LIABILITIES		**(8,265,753)**	(5,937,895)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,087,530**	18,593,360

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**1,087,706**	1,732,649
Corporate bonds	33	**945,101**	2,140,818
Deferred tax liabilities	20	**396,914**	484,259
Deferred income	34	**420,635**	464,370
Provisions	35	**78,339**	102,338
Other long-term liabilities	37	**23,618**	22,515
Total non-current liabilities		**2,952,313**	4,946,949
Net assets		**14,135,217**	13,646,411
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**2,965,827**	2,965,827
Perpetual capital instruments	39	**2,147,132**	2,146,823
Reserves	41	**6,108,910**	5,628,376
		11,221,869	10,741,026
Non-controlling interests		**2,913,348**	2,905,385
Total equity		**14,135,217**	13,646,411

Weng Zhanbin
Director

Li Xiuchen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015 (Restated)

	Attributable to owners of the parent									
	Share capital *RMB'000* *(note 38)*	Perpetual capital instruments *RMB'000* *(note 39)*	Capital reserve *RMB'000* *(note 41)*	Special reserve-safety fund *RMB'000*	Statutory and distributable reserve *RMB'000* *(note 41)*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016	2,965,827	2,146,823	1,135,208	18,217	818,038	(19,731)	3,676,644	10,741,026	2,905,385	13,646,411
Profit for the year	–	–	–	–	–	–	353,322	353,322	80,197	433,519
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	5,801	–	5,801	–	5,801
Remeasurements of post-employment benefit obligations, net of tax	–	–	9,530	–	–	–	–	9,530	–	9,530
Total comprehensive income for the year	–	–	9,530	–	–	5,801	353,322	368,653	80,197	448,850
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(147,477)	(147,477)
Disposal of partial interest in a subsidiary without loss of control	–	–	323	–	–	–	–	323	1,189	1,512
Issue of shares under the employee shares subscription plan *(note 40)*	–	–	237,600	–	–	–	–	237,600	–	237,600
Equity-settled share-based payments *(note 40)*	–	–	105,600	–	–	–	–	105,600	–	105,600
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	74,054	74,054
Transfer to reserves	–	–	–	–	85,480	–	(85,480)	–	–	–
Accrued distribution of perpetual capital instruments	–	113,009	–	–	–	–	(113,009)	–	–	–
Distribution of perpetual capital instruments paid	–	(112,700)	–	–	–	–	–	(112,700)	–	(112,700)
Final 2015 dividend declared and paid	–	–	–	–	–	–	(118,633)	(118,633)	–	(118,633)
At 31 December 2016	2,965,827	2,147,132	1,488,261*	18,217*	903,518*	(13,930)*	3,712,844*	11,221,869	2,913,348	14,135,217

* These reserve accounts comprise the consolidated reserves of RMB6,108,910,000 (31 December 2015: RMB5,628,376,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015 (Restated)

	Attributable to owners of the parent									
	Share capital RMB'000 (note 38)	Perpetual capital instruments RMB'000 (note 39)	Capital reserve RMB'000 (note 41)	Special reserve-safety fund RMB'000	Statutory and distributable reserve RMB'000 (note 41)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	2,965,827	–	1,291,794	19,315	799,921	(8,333)	3,598,535	8,667,059	1,082,905	9,749,964
Profit for the year	–	–	–	–	–	–	308,140	308,140	91,443	399,583
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(11,398)	–	(11,398)	–	(11,398)
Remeasurements of post-employment benefit obligations, net of tax	–	–	(16,452)	–	–	–	–	(16,452)	–	(16,452)
Changes in fair value of available-for-sale investments, net of tax	–	–	2,382	–	–	–	–	2,382	–	2,382
Total comprehensive income for the year	–	–	(14,070)	–	–	(11,398)	308,140	282,672	91,443	374,115
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(61,403)	(61,403)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(4,689)	(4,689)
Acquisition of a subsidiary not accounted for as a business combination	–	–	–	–	–	–	–	–	1,540,732	1,540,732
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	5,297	5,297
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	251,100	251,100
Commitment of profit distribution to non-controlling shareholders	–	–	(142,516)	–	–	–	–	(142,516)	–	(142,516)
Transfer to reserves	–	–	–	–	18,117	–	(18,117)	–	–	–
Utilisation of the safety fund	–	–	–	(1,098)	–	–	–	(1,098)	–	(1,098)
Issue of perpetual capital instruments, net of issuance costs	–	2,083,200	–	–	–	–	–	2,083,200	–	2,083,200
Accrued distribution of perpetual capital instruments	–	63,623	–	–	–	–	(63,623)	–	–	–
Final 2014 dividend declared and paid	–	–	–	–	–	–	(148,291)	(148,291)	–	(148,291)
At 31 December 2015	2,965,827	2,146,823	1,135,208*	18,217*	818,038*	(19,731)*	3,676,644*	10,741,026	2,905,385	13,646,411

* These reserve accounts comprise the consolidated reserves of RMB5,628,376,000 (31 December 2014: RMB5,701,232,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**799,444**	554,513
Adjustments for:			
Finance costs	6	**465,083**	526,333
Share of profits of associates		**(7,622)**	(6,819)
Share of loss of a joint venture		**1,628**	3,443
Interest income from loans receivable		**(134,250)**	(40,661)
Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, prepaid land lease payments and other long-term assets	7	**174,104**	6,046
Gain on disposal of a subsidiary	7	**–**	(1,207)
Fair value loss/(gain), net:			
– Equity investments at fair value through profit or loss	7	**8,554**	(14,147)
– Commodity derivative contracts	7	**–**	(1,382)
(Gain)/loss on gold leasing business	7	**(533)**	49,237
Loss on disposal of equity investments at fair value through profit or loss	7	**12,615**	53,178
Loss/(gain) on settlement of commodity derivative contracts		**162,099**	(97,159)
Depreciation of property, plant and equipment	7	**761,452**	632,553
Amortisation of other intangible assets	7	**63,901**	105,242
Amortisation of prepaid land lease payments	7	**18,166**	14,485
Amortisation of long-term prepaid expenses		**16,116**	7,478
Provision for impairment of receivables	7	**3,516**	13,169
Impairment loss on loans receivable	7	**5,160**	522
Impairment loss on inventories	7	**11,847**	30,476
Impairment loss on non-current assets	7	**231,212**	230,359
Impairment loss on assets of a disposal group classified as held for sale	7	**20,248**	–
Share-based payment expense		**105,600**	–
Deferred income recognised	34	**(89,525)**	(83,413)
		2,628,815	1,982,246
Decrease in long-term deposits		**31,707**	2,819
Increase in inventories		**(203,525)**	(297,379)
(Increase)/decrease in trade and notes receivables		**(214,719)**	43,438
(Increase)/decrease in prepayments and other receivables		**(52,461)**	26,771
Increase in pledged deposits		**(168,824)**	(16,082)
Increase in loans receivable		**(402,305)**	(20,870)
(Decrease)/increase in trade and notes payables		**(193,415)**	103,230
Increase/(decrease) in other payables and accruals		**223,940**	(506,981)
Increase in deposits from customers		**575,488**	410,248
(Decrease)/increase in provisions		**(21,536)**	37,765
CASH GENERATED FROM OPERATIONS		**2,203,165**	1,765,205
Income taxes paid		**(339,815)**	(261,360)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,863,350**	1,503,845

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**145,433**	40,661
Dividend received from an associate		**14,901**	6,156
Purchases of items of property, plant and equipment		**(1,223,135)**	(1,916,960)
Proceeds from disposal of items of property, plant and equipment		**16,748**	77,615
Increase in land lease payments		**(80,384)**	(16,563)
Receipt of government grants		**45,790**	132,038
Increase in other intangible assets		**(443,771)**	(77,303)
Acquisition of subsidiaries	42	**(20,040)**	(1,343,244)
Proceeds from disposal of a subsidiary		**–**	3,994
Advance paid for the acquisition of subsidiaries		**(99,075)**	(38,117)
Advance received from disposal of a subsidiary classified as held for sale		**9,000**	–
Proceeds from disposal of partial interest in a subsidiary without loss of control		**1,512**	–
Prepayment retrieved for acquisition		**–**	800,000
Net proceeds from settlement of commodity derivative contracts		**(162,099)**	85,714
Deposits (paid)/retrieved for commodity derivative contracts		**(72,274)**	8,228
Net proceeds from acquisition of equity investments at fair value through profit or loss		**(271,183)**	(179,674)
Payment for investments in available-for-sale investments		**(282,000)**	–
Increase in long-term prepaid expenses		**(11,391)**	(27,078)
Decrease in loans receivable		**48,066**	29,500
Increase in loans receivable		**(70,000)**	(167,500)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(2,453,902)**	(2,582,533)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**13,408,118**	7,612,220
Issuance of a corporate bond, net of issuance expense		**–**	943,350
Repayment of a corporate bond		**(1,500,000)**	–
Repayment of bank and other borrowings		**(11,203,739)**	(7,466,264)
Proceeds received under the employee shares subscription plan		**237,600**	–
Capital contribution from non-controlling shareholders of subsidiaries		**74,054**	251,100
Receipts from gold leasing business		**52,729**	3,193,797
Deposits paid/(retrieved) for gold forward contracts in relation to gold leasing business		**–**	196,132
Deposits retrieved from gold leasing business		**–**	100,000
Repayments of gold leasing business		**–**	(4,385,373)
Dividends paid		**(223,610)**	(209,694)
Payment for commitment of profit distribution to non-controlling shareholders		**(90,000)**	(30,000)
(Increase)/decrease in pledged deposits for short-term bank loans		**(17,955)**	170,898
Issuance of perpetual capital instruments, net of issuance expense		**–**	2,083,200
Distribution paid for perpetual capital instruments		**(112,700)**	–
Interest paid		**(645,722)**	(617,219)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(21,225)**	1,842,147
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(611,777)**	763,459
Cash and cash equivalents at beginning of year		**2,033,203**	1,254,916
Effects of foreign exchange rate changes, net		**16,525**	14,828
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,437,951**	2,033,203
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,419,591**	1,914,032
Non-pledged time deposits with original maturity of less than three months when acquired	28	**18,360**	119,171
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,437,951**	2,033,203

1. CORPORATE AND GROUP INFORMATION

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

In December 2006, the Company issued 198.7 million H shares to the public at a price of HK$12.68 per share (equivalent to approximately RMB12.74 per share) and the H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") (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, smelting of gold, the sale of gold products and the mining and processing of copper and the sale of copper products in Mainland China. In addition, the Company processed and sold silver in Mainland China. The registered office of the Company is located at 299 Jinhui Road, Zhaoyuan, Shandong, China.

As of 31 December 2016, Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC, and its subsidiary held totally 39.83% of the issued share capital of the Company. Shanghai Yuyuan Tourist Mart Co., Ltd. and its subsidiary held totally 25.73% of the issued share capital of the Company. The remaining issued share capital of the Company was held by shareholders of H shares, Zhanyuan City State-owned Assets Management Limited and Shanghai Fosun Industrial Investment Co., Ltd.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
Zhaoyuan Jintingling Mining Industry Company Limited (招遠市金亭嶺礦業有限公司)	PRC/Mainland China 10 October 2002	45,000	100	–	Gold mining and processing of gold products
Minxian Tianhao Gold Company Limited (岷縣天昊黃金有限責任公司)	PRC/Mainland China 16 May 2001	50,000	100	–	Gold mining and processing of gold products
Tuoli Zhaojin Beijiang Mining Company Limited ("TZB") (托里縣招金北疆礦業有限公司)	PRC/Mainland China 16 April 2004	30,000	100	–	Gold mining and processing of gold products
Subsidiary of TZB:					
Tuoli Xinhe Gold Mining Industry Co., Ltd.("Xinhe Gold Company") (托里縣鑫合黃金礦業有限公司)	PRC/Mainland China 7 January 2004	33,400	–	100	Gold mining and processing of gold products
Xinjiang Xingta Mining ("Xingta") Company Limited (新疆星塔礦業有限公司)	PRC/Mainland China 24 November 2005	160,000	100	–	Smelting of gold
Kunhe Zhaojin Mining Company Limited ("Kunhe Mining") (阿勒泰市招金昆合礦業有限公司)	PRC/Mainland China 27 August 2007	10,000	100	–	Gold mining and processing of gold products
Huabei Zhaojin Mining Investment Company Limited ("HZMI") (華北招金礦業投資有限公司)[1]	PRC/Mainland China 20 June 2007	50,000	100	–	Investment holding
Subsidiary of HZMI:					
Quwo Zhaojin Mining Company Limited ("Quwo") (曲沃縣招金礦業有限公司)	PRC/Mainland China 9 December 2011	30,000	–	70	Sale of mining products
Lingqiu Liyuan Gold Mining Industry Company Limited ("Liyuan") (靈丘縣梨園金礦有限責任公司)	PRC/Mainland China 1 May 2005	80,000	51	–	Exploration of gold and sale of gold products
Gansu Zhaojin Mining Company Limited ("GSZJ") (甘肅招金礦業有限公司)	PRC/Mainland China 14 August 2007	10,000	100	–	Investment holding

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	
		RMB'000	%	%	
Subsidiary of GSZJ:					
Liangdang Zhaojin Mining Industry Company Limited ("Liangdang Mining") (兩當縣招金礦業有限公司)	PRC/Mainland China 28 March 2008	6,000	–	70	Gold mining and processing of gold products
Fengningjinlong Mining Company Limited ("FNJL") (豐寧金龍黃金工業有限公司)	PRC/Mainland China 14 September 2000	94,519	52	–	Gold mining, smelting and processing of gold products
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	110,000	100	–	Research of mining and smelting, sale of residue
Gansu Hezuo Zaozigou Mining Industry Company Limited ("ZGM") (甘肅省合作早子溝金礦有限責任公司)	PRC/Mainland China 29 October 2008	2,000	52	–	Gold mining, smelting and processing of gold products
Jiashi Tonghui Mining Company Limited ("TCM") (伽師縣銅輝礦業有限責任公司)	PRC/Mainland China 5 January 2004	9,000	92	–	Copper mining and processing of copper products
Subsidiary of TCM:					
Kezhou Zhaojin Mining Industry Company Limited ("Kezhou") (克州招金礦業有限責任公司)	PRC/Mainland China 9 January 2012	50,000	–	92	Copper mining and processing of copper products
Xinjiang Xinhui Copper Company Limited ("Xinhui") (新疆鑫慧銅業有限公司)	PRC/Mainland China 16 November 2006	30,000	92	–	Smelting of copper
Xinjiang Zhaojin Smelting Company Limited ("Xinjiang Smelting") (新疆招金冶煉有限公司)	PRC/Mainland China 5 January 2012	50,000	92	–	Smelting of copper
Qinghe Jindu Mining Company Limited ("Qinghe Mining") (青河縣金都礦業開發有限公司)	PRC/Mainland China 4 August 2005	10,000	95	–	Gold mining and processing of gold products

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	
		RMB'000	%	%	
Xinfengyuan Mining Company Limited ("Xinfengyuan Mining") (鳳城市鑫豐源礦業有限公司)	PRC/Mainland China 12 December 2007	10,000	100	–	Gold mining, exploration and processing of gold products
Hezheng Xinyuan Mining Company Limited ("Hezheng Mining") (和政鑫源礦業有限公司)	PRC/Mainland China 7 December 2006	5,000	95	–	Exploration and sale of gold products
Xinjiang Zhaojin Mining Development Company Limited ("XJKF") (新疆招金礦業開發有限公司)	PRC/Mainland China 19 May 2010	30,000	100	–	Mining investment and sale of gold products
Guigang Longxin Mining Company Limited ("Longxin Mining") (廣西貴港市龍鑫礦業開發有限公司)	PRC/Mainland China 19 December 2005	5,000	100	–	Sale of gold products
Zhaojin Zhengyuan Mining Company Limited ("Zhengyuan") (山東招金正元礦業有限公司)	PRC/Mainland China 18 August 2010	10,000	80	–	Mining investment and exploration of gold
Zhaojin Baiyun Mining Company Limited ("Baiyun Mining") (遼寧招金白雲黃金礦業有限公司)	PRC/Mainland China 20 December 1983	30,000	55	–	Exploration of gold and sale of gold products
Daqinjia Gold Mining Industry Company Limited ("Daqinjia") (大秦傢金礦礦業有限公司)	PRC/Mainland China 3 June 1986	30,000	90	–	Gold mining and processing of gold products
Yantai Jinshi Mining Investment Company Limited ("Jinshi") (煙臺金時礦業投資有限公司)	PRC/Mainland China 26 September 2011	5,000	100	–	Investment holding
Subsidiary of Jinshi:					
Shandong Ruiyin Mining Industry Development Company Limited ("Ruiyin") (山東瑞銀礦業發展有限公司)	PRC/Mainland China 30 August 2006	425,819	–	63.86	Sale of mining products

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital *RMB'000*	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Subsidiaries of Ruiyin:					
Laizhou Ruihai Mining Industry Company Limited ("Ruihai") (萊州市瑞海礦業有限公司)	PRC/Mainland China 14 September 2009	10,000	–	53	Exploration of gold and sale of gold products
Laizhou Jinxiu Club Limited ("Jinxiu") (萊州錦秀休閒俱樂部有限公司)	PRC/Mainland China 29 July 2002	87,280	–	63.86	Entertainment and hotel
Baicheng Dishui Copper Mining Development Company Limited ("Dishui") (拜城縣滴水銅礦開發有限責任公司)	PRC/Mainland China 18 May 2007	140,000	79	–	Copper mining and processing of copper products
Xinjiang Jinhanzun Mining Investment Company Limited ("Jinhanzun") (新疆金瀚尊礦業投資有限公司)[1]	PRC/Mainland China 25 August 2005	1,080	100	–	Sale of mining products
Gansu Zhaojin Precious Metal Smelting Company Limited ("Gansu Smelting") (甘肅招金貴金屬冶煉有限公司)	PRC/Mainland China 11 December 2012	300,000	55	–	Smelting of gold and other precious metals
Fuyun Zhaojin Mining Industry Company Limited ("Fuyun") (富蘊招金礦業有限公司)[1]	PRC/Mainland China 27 September 2012	10,000	100	–	Investment holding
Zhaojin Jishan Mining Industry Company Limited ("Jishan") (招遠市招金紀山礦業有限公司)	PRC/Mainland China 26 October 2012	1,000	95	–	Exploration of gold
Subei Jinying Gold Company Limited ("Jinying") (肅北縣金鷹黃金有限責任公司)	PRC/Mainland China 9 March 1998	50,000	51	–	Gold mining and processing of gold products
Ejina Yuantong Mining Industry Company Limited ("Yuantong") (額濟納旗圓通礦業有限責任公司)	PRC/Mainland China 12 May 2004	15,000	70	–	Gold mining and processing of gold products, and smelting

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	
		RMB'000	%	%	
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)[2]	PRC/Mainland China 6 November 2014	10,000	–	100	Exploration and sale of mining products
Gansu Xinrui Mining Company Limited ("Xinrui") (甘肅鑫瑞礦業有限公司)	PRC/Mainland China 20 November 2008	83,000	51	–	Exploration and sale of mining products and advisory service
Zhaojin Shunhe International Hotel Limited ("Shunhe") (山東招金舜和國際飯店有限公司)	PRC/Mainland China 22 January 2013	10,000	100	–	Accommodation and catering service
Sparky International Trade Company Limited ("SIT") (斯派柯國際貿易有限公司)	Hong Kong 16 May 2007	HK$127,600	100	–	Purchase of gold concentrates from places outside China
Subsidiaries of SIT:					
Gold Vein International Investment Limited ("Gold Vein") (金脈國際投資有限公司)	British Virgin Islands 14 October 2009	United States dollars ("USD")1	–	100	Investment holding
Starlet Creation Limited ("Starlet") (星河創建有限公司)	Hong Kong 7 July 2011	HK$1	–	100	Investment holding
Jodies Joy Limited ("Jodies Joy") (領興有限公司)	British Virgin Islands 21 July 2011	USD1	–	100	Investment holding
Sliver Pine Capital Limited ("Sliver Pine") (銀松資本有限公司)	Seychelles 8 June 2015	USD1	–	100	Investment holding
Zhaojin Mining Company Ecuador S.A ("Zhaojin Ecuador") (招金礦業(厄瓜多爾)股份有限公司)[3]	Ecuador 14 June 2016	USD500	–	100	Mining of precious metals
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	500,000	51	–	Financial service

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	
		RMB'000	%	%	
Beijing Dongfang Yanjing Engineering Technology Company Limited ("Dongfang Yanjin") (北京東方燕京工程技術股份有限公司)	PRC/Mainland China 7 September 1994	30,000	51	–	Engineering design and development
Yantai Dian Jing Cheng Chuan Investment Limited Partnership ("Dianjinchengchuan") (煙臺點金成川投資中心(有限合夥))	PRC/Mainland China 22 May 2015	200,100	99.95	–	Investment
Beijing Zhaojin Jingyi Fund Management Company Limited ("Jingyi Jijin") (北京招金經易基金管理有限公司)	PRC/Mainland China 12 September 2014	10,000	80	–	Investment
Fengning Manchu Autonomous County Zhaojin Mining Company Limited ("Fengning Zhaojin") (豐寧滿族自治縣招金礦業有限公司)[3]	PRC/Mainland China 21 March 2016	10,000	100	–	Exploration of gold mining
Taojin Technology Investment (Beijing) Company Limited ("Taojin Technology") (淘金科技投資(北京)股份有限公司)[3]	PRC/Mainland China 26 January 2016	200,000	60	–	Research and development of investment system
Qingdao Baisitong Investment Limited Partnership ("Qingdao Baisitong") (青島百思通投資中心(有限合夥))[3]	PRC/Mainland China 19 May 2016	200,000	99.95	–	Investments

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

1. Fuyun merged 100% equity interests of Jinhanzun during this year.

2. During the year, Yuantong acquired Qianfeng 100% equity interests from a third party. The acquisition has been accounted for as an acquisition of assets. Further details of this acquisition are included in note 42 to the financial statements.

3. During the year, the Group established ZhaoJin (Ecuador), Fengning Zhaojin, and TaoJin Technology and QingDao BaiSiTong with capital injections of USD500,000, RMB5,500,000, RMB6,000,000 and RMB80,000,000, and share the equity interests of 100%, 100%, 60% and 99.95%, respectively.

2.1 BASIS OF PREPARATION

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

As at 31 December 2016, the Group had net current liabilities of RMB8,265,753,000 (2015: RMB5,937,895,000). 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 2016, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (continued)

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

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

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

Restatement of prior years' financial statements as a result of the finalised purchase price allocation of the acquisition of DongFang Yanjing

In July 2015, the Company acquired 60% of the equity interests in 北京東方燕京工程技術股份有限公司("Dongfang Yanjing"), at a total consideration of RMB10,137,000. The assessment of the fair values of the identifiable assets and liabilities of Dongfang Yanjing was still undergoing and the information of the fair values of the identifiable assets and liabilities was provisional as at 31 December 2015.

During the year, the Company finalised the assessment of the fair values of the identifiable assets and liabilities of Dongfang Yanjing and the Company retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

The comparative information as at 31 December 2015 has been restated in the consolidated financial statements as follows:

	As previously reported *RMB'000*	**Effect of prior year adjustments** *RMB'000*	**As restated** *RMB'000*
Total non-current assets	24,521,432	9,823	24,531,255
Total current assets	6,532,827	–	6,532,827
Total current liabilities	12,470,722	–	12,470,722
Total non-current liabilities	4,942,423	4,526	4,946,949
Non-controlling interests	2,900,088	5,297	2,905,385
Total equity	13,641,114	5,297	13,646,411

2.1 BASIS OF PREPARATION (Continued)

Restatement of prior years' financial statements as a result of the finalised purchase price allocation of the acquisition of DongFang Yanjing (Continued)

Details of the restated consolidated statement of financial position as at 31 December 2015 include the following:

	As previously reported *RMB'000*	**Effect of prior year adjustments** *RMB'000*	**As restated** *RMB'000*
Non-current assets			
Property, plant and equipment	12,819,789	(80)	12,819,709
Other intangible assets	8,750,430	18,185	8,768,615
Goodwill	894,097	(8,282)	885,815
Non-current liabilities			
Deferred tax liabilities	479,733	4,526	484,259
Total equity			
Non-controlling interests	2,900,088	5,297	2,905,385

There is no impact on the comparative information of the consolidated statements of comprehensive income and cash flows.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

   - HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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 application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Agreement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (continued)

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

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

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

Buildings	15 to 30 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	6-10 years
Mining infrastructure	Mine life for mine specific

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

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

Exploration rights and assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Mining rights and reserves

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

Leases

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in the timing of the performance of reclamation activities), the revisions to the obligation and the asset are recognised at the appropriate discount rate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments

The Company operates a share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). Further details are given in note 40 to the financial statements.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) processing income, when the relevant services have been rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Pension obligations

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

Early retirement benefits

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

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

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

Medical benefit costs

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

Housing fund

The Group contributes on a monthly basis to defined contribution housing fund plans organised by the PRC government. Contributions to these plans by the Group are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 3.80% and 6.60% has been applied to the expenditure on the individual assets.

Dividends

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Perpetual capital instruments

If the perpetual capital instruments are non-redeemable (or only be redeemable by the issuer's choice) and any interest distributed is discretionary, then the instruments are classified as equity. Distribution of interest from perpetual instruments in the equity is recognised as distribution of equity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2016 was approximately RMB189,379,000 (2015: RMB244,251,000). Further details are contained in note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (continued)

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was RMB875,897,000 (2015: RMB885,815,000). Further details are contained in note 15 to the financial statements.

(c) Impairment of other intangible assets and property, plant and equipment

The carrying values of mining and exploration assets and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of these assets, or where appropriate, the cash-generating unit to which they belong, is the higher of their fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The aggregate carrying value of other intangible assets and property, plant and equipment at 31 December 2016 was RMB22,396,048,000 (2015: RMB21,588,324,000).

(d) Post-employment benefit obligations

The present value of the early retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the early retirement benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of PRC government bonds that are denominated in RMB (the currency in which the benefits will be paid), and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for early retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in note 35.

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) Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2016, impairment losses in the amount of RMB26,877,000 (2015: RMB26,677,000) have been recognised for available-for-sale financial assets. The carrying amount of available-for-sale assets as at 31 December 2016 was RMB305,746,000 (2015: RMB21,746,000).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the gold operations segment consists of gold mining and smelting operations;

(b) the copper operations segment consists of copper mining and smelting operations; and

(c) the "others" segment comprises, principally, the Group's other investment activities, a finance company operation, a hotel and catering operation and engineering design and consulting operation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, deferred tax assets, derivative financial instruments for gold forward contracts, available-for-sale investments for unlisted debt investments, pledged deposits and other unallocated corporate assets as these assets are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude interest-bearing bank and other borrowings, corporate bonds, financial liabilities at fair value through profit or loss – gold leasing business and gold forward contracts, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

Year ended 31 December 2016

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenue from external customers	6,070,825	542,899	51,061	6,664,785
Segment results	1,186,536	(6,865)	(75,211)	1,104,460
Reconciliation:				
Interest income				160,067
Finance costs				(465,083)
Profit before tax				799,444
Segment assets	27,485,399	2,200,906	1,049,015	30,735,320
Reconciliation:				
Corporate and other unallocated assets				2,228,339
Total assets				32,963,659
Segment liabilities	2,996,618	253,880	1,013,098	4,263,596
Reconciliation:				
Corporate and other unallocated liabilities				14,564,846
Total liabilities				18,828,442

4. OPERATING SEGMENT INFORMATION (Continued)

The Group's operation by business segment is as follows: (Continued)

Year ended 31 December 2016 (Continued)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Other segment information				
Capital expenditure*	2,082,535	64,172	4,301	2,151,008
Investments in associates	289,638	–	–	289,638
Investment in a joint venture	–	120,229	–	120,229
Impairment losses recognised in the statement of profit or loss	261,568	(14)	10,429	271,983
Share of profits/(losses) of				
– Associates	7,622	–	–	7,622
– A joint venture	–	(1,628)	–	(1,628)
Depreciation and amortisation	763,498	71,331	8,690	843,519
Fair value loss on equity investments at fair value through profit or loss	(6,817)	–	(1,737)	(8,554)

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and prepaid land lease payments, including assets from the acquisition of a subsidiary.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenue from external customers	5,311,452	533,567	41,826	5,886,845
Segment results	1,109,878	19,776	(89,469)	1,040,185
Reconciliation:				
Interest income				40,661
Finance costs				(526,333)
Profit before tax				554,513
Segment assets (Restated)	25,101,861	3,213,632	337,563	28,653,056
Reconciliation:				
Corporate and other unallocated assets				2,411,026
Total assets (Restated)				31,064,082
Segment liabilities (Restated)	2,836,632	248,220	451,428	3,536,280
Reconciliation:				
Corporate and other unallocated liabilities				13,881,391
Total liabilities (Restated)				17,417,671
Other segment information				
Capital expenditure*	7,215,493	172,196	44,585	7,432,274
Investments in associates	268,914	–	–	268,914
Investment in a joint venture	–	131,857	–	131,857
Impairment losses recognised in the statement of profit or loss	243,181	4,112	27,233	274,526
Share of profits/(losses) of				
– Associates	6,819	–	–	6,819
– A joint venture	–	(3,443)	–	(3,443)
Depreciation and amortisation	687,943	62,956	1,381	752,280
Fair value loss on equity investments at fair value through profit or loss	–	–	14,147	14,147
Fair value gain on commodity derivative contracts	1,382	–	–	1,382

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and prepaid land lease payments, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

As over 97.50% of the assets of the Group were located in Mainland China and over 99.99% of the sales were made to customers in Mainland China, no further geographical segment information has been presented.

Information about a major customer

Revenue of approximately RMB4,894,643,000 (73% of the total sales) (2015: RMB4,752,144,000, 81% of the total sales) was derived from sales by the gold operations segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and net of various types of government surcharges where applicable, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of goods:		
Gold	**5,828,045**	5,240,201
Copper	**486,493**	471,830
Silver	**278,992**	46,977
Sulphur	**41,318**	66,192
Other by-products	**81,487**	69,789
Rendering of services:		
Processing of gold and silver	**32,992**	24,478
Others	**51,761**	44,305
	6,801,088	5,963,772
Less:		
Government surcharges	**(136,303)**	(76,927)
Revenue	**6,664,785**	5,886,845
Other income and gains		
Interest income	**160,067**	40,661
Government grants	**96,274**	83,413
Sales of auxiliary materials	**72,635**	63,752
Gain on settlement of commodity derivative contracts	**–**	97,159
Others	**30,927**	77,943
Other income and gains	**359,903**	362,928

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 **RMB'000**	2015 RMB'000
Interest on bank and other borrowings	**241,654**	314,249
Interest on corporate bonds	**176,221**	157,868
Interest on gold leasing business	**112,423**	75,421
Interest on short-term bonds	**69,961**	103,021
Subtotal	**600,259**	650,559
Less: Interest capitalised	**(139,122)**	(127,661)
Incremental interest on provisions and other long-term liabilities	**3,946**	3,435
Total	**465,083**	526,333

7. PROFIT BEFORE TAX

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

	2016 **RMB'000**	2015 RMB'000
Cost of inventories sold and services provided	**3,935,465**	3,655,753
Staff costs (including Directors' remuneration):		
Wages and salaries	**634,196**	633,868
Early retirement benefits	**–**	40,748
Share-based payment expense	**105,600**	–
Defined contribution fund:		
– Retirement costs	**130,512**	112,761
– Other staff benefits	**88,903**	92,175
Total staff costs	**959,211**	879,552

7. PROFIT BEFORE TAX (Continued)

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

	2016 *RMB'000*	2015 *RMB'000*
Auditor's remuneration	**2,800**	2,700
Amortisation of prepaid land lease payments	**18,166**	14,485
Amortisation of other intangible assets	**63,901**	105,242
Depreciation of property, plant and equipment	**761,452**	632,553
Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, prepaid land lease payments and other long-term assets	**174,104**	6,046
Operating lease rentals	**12,576**	13,969
Provision for impairment of receivables	**3,516**	13,169
Impairment loss on prepaid land lease payments	**7,214**	–
Impairment loss on available-for-sale investments	**200**	26,677
Impairment loss on assets of a disposal group classified as held for sale	**20,248**	–
Impairment loss on property, plant and equipment	**192,473**	11,532
Impairment loss on other intangible assets	**31,325**	142,982
Impairment loss on goodwill	**–**	49,168
Impairment loss on inventories	**11,847**	30,476
Impairment loss on loans receivable	**5,160**	522
Fair value loss/(gain), net:		
– Equity investments at fair value through profit or loss	**8,554**	(14,147)
– Commodity derivative contracts	**–**	(1,382)
Loss/(gain) on settlement of commodity derivative contracts	**162,099**	(97,159)
(Gain)/loss on gold leasing business	**(533)**	49,237
Loss on disposal of equity investments at fair value through profit or loss	**12,615**	53,178
Gain on disposal of a subsidiary	**–**	(1,207)

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Fees:		
– Non-executive directors	**–**	–
– Independent non-executive directors	**640**	640
– Supervisors	**–**	–
	640	640
Salaries, allowances and benefits in kind	**466**	466
Performance related bonuses	**1,903**	1,686
Pension scheme contributions	**181**	186
	2,550	2,338
	3,190	2,978

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(a) (i) Executive directors, non-executive directors (excluding independent non-executive directors) and supervisors

For the year ended 31 December 2016

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:					
– Weng Zhan Bin	–	188	680	43	911
– Li Xiu Chen	–	150	659	69	878
– Cong Jian Mao	–	128	564	69	761
	–	466	1,903	181	2,550
Non-executive directors:					
– Liang Xin Jun	–	–	–	–	–
– Xu Xiao Liang	–	–	–	–	–
– Li Shou Sheng (appointed on 26 February 2016)	–	–	–	–	–
– Gao Min (appointed on 26 February 2016)	–	–	–	–	–
– Wu Yi Jian (resigned on 26 February 2016)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Jin Ting	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Zhao Hua (appointed on 26 February 2016)	–	–	–	–	–
– Chu Yu Shan (resigned on 26 February 2016)	–	–	–	–	–
	–	–	–	–	–
	–	466	1,903	181	2,550

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(a) (i) Executive directors, non-executive directors (excluding independent non-executive directors) and supervisors (Continued)

For the year ended 31 December 2015

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:					
– Weng Zhan Bin	–	188	658	30	876
– Li Xiu Chen	–	150	634	62	846
– Cong Jian Mao (appointed on 20 March 2015)	–	128	293	62	483
– Lu Dong Shang (resigned on 20 March 2015)	–	–	101	32	133
	–	466	1,686	186	2,338
Non-executive directors:					
– Liang Xin Jun	–	–	–	–	–
– Xu Xiao Liang	–	–	–	–	–
– Cong Jian Mao (resigned on 20 March 2015)	–	–	–	–	–
– Kong Fan He (resigned on 20 March 2015)	–	–	–	–	–
– Wu Yi Jian (appointed on 20 March 2015)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Jin Ting	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Chu Yu Shan	–	–	–	–	–
	–	–	–	–	–
	–	466	1,686	186	2,338

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(a) (ii) Independent non-executive directors

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

	2016 RMB'000	2015 RMB'000
Nie Feng Jun (resigned on 26 February 2016)	**40**	160
Xie Ji Yuan (resigned on 26 February 2016)	**40**	160
Cai Si Cong	**160**	160
Chen Jin Rong	**160**	160
Shen Shi Fu (appointed on 26 February 2016)	**120**	–
Wei Jun Hao (appointed on 26 February 2016)	**120**	–
	640	640

There were no other emoluments payable to the independent non-executive directors during the year (2015: 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:

	2016	2015
Directors	**3**	2
Non-director and non-supervisor employees	**2**	3
	5	5

Details of directors' remuneration are set out in note 8(a) to the financial statements.

Details of the remuneration for the year of the non-director and non-supervisor highest paid employees are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**255**	383
Performance related bonuses	**1,114**	1,698
Pension scheme contributions	**137**	187
	1,506	2,268

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Five highest paid employees (Continued)

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

	Number of employees	
	2016	2015
Nil to HK$1,000,000 (Equivalent to RMB894,510)	**2**	3

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

9. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Provision for Mainland China current income tax is based on the statutory rate of 25% (2015: 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 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% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2016	2015
	RMB'000	*RMB'000*
Current – Hong Kong	**–**	–
Current – Mainland China		
– Charge for the year	**388,235**	130,395
Deferred tax *(note 20)*	**(22,310)**	24,535
Total tax charge for the year	**365,925**	154,930

9. INCOME TAX EXPENSE (Continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rates in Mainland China and Hong Kong to the income tax expense at the Group's effective income tax rate for the year is as follows:

	2016 %	**2016** ***RMB'000***	2015 %	2015 *RMB'000*
Profit before tax		**799,444**		554,513
Tax at the statutory tax rates	**25.0 or 16.5**	**199,861**	25.0 or 16.5	143,456
Reconciling items:				
Lower tax rates for specific entities	**(0.4)**	**(2,972)**	(2.6)	(14,614)
Expenses not deductible for tax	**1.2**	**9,981**	0.9	4,955
Income not subject to tax	**(1.0)**	**(8,078)**	(4.8)	(26,600)
Adjustment in respect of current tax of previous periods	**1.1**	**8,828**	(5.4)	(29,749)
Tax losses and temporary differences not recognised	**20.6**	**165,085**	13.7	75,933
Effect on opening deferred tax of increase in rates of certain subsidiaries	**–**	**–**	0.5	2,773
Tax losses utilised from previous periods	**(0.7)**	**(5,281)**	(0.1)	(380)
Profits and losses attributable to associates and a joint venture	**(0.2)**	**(1,499)**	(0.2)	(844)
Total tax charge for the year	**45.8**	**365,925**	27.9	154,930

The share of tax attributable to associates and a joint venture amounting to RMB2,818,000 (2015: RMB2,212,000) is included in "Share of profits and losses of associates" and "Share of profits and losses of a joint venture" in the consolidated statement of profit or loss.

10. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 1 March 2016, the Company entered into an equity transfer agreement with a third party to dispose of its 67% equity interests in Hezheng Ming, for a total consideration of RMB12,000,000. The disposal is due to be completed in 2017. Subsequent to the completion of the equity transfers, as the Group will loss the control over the board of directors as well as the operating and financial policy decision making of Hezheng Ming, Hezheng Ming will not be a subsidiary of the Group anymore. As at 31 December 2016, final negotiations for the sale were in progress and all the assets and liabilities of Hezheng Mining were classified as assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale in aggregate in the consolidated statement of financial position.

The major classes of assets and liabilities of Hezheng Mining classified as held for sale as at 31 December 2016 are as follows:

	RMB'000
Assets	
Property, plant and equipment	**49,546**
Goodwill	**9,918**
Other intangible assets	**43,127**
Inventories	**263**
Prepayments, deposits and other receivables	**68**
	102,922
Liabilities	
Interest-bearing bank and other borrowings	**(35,100)**
Other payables and accruals	**(15,259)**
Deferred tax liability	**(13,340)**
	(63,699)
Less: elimination for intra-group balances	**50,141**
Liabilities after intra-group elimination	**(13,558)**
Net carrying amount of assets and liabilities of a disposal group classified as held for sale	**89,364**
Less: Impairment of assets of a disposal group classified as held for sale	**(20,248)**
Fair value less cost to sell of net assets of the disposal group	**69,116**
Assets of a disposal group classified as held for sale	**82,674**
Liabilities directly associated with the assets classified as held for sale	**(13,558)**

In accordance with HKFRS 5, assets held for sale with a carrying amount of RMB89,364,000 were written down to their fair value less costs to sell of RMB69,116,000, resulting in a loss of RMB20,248,000, which was included in profit or loss for the year.

11. DIVIDEND

	2016 RMB'000	2015 RMB'000
Ordinary:		
Proposed final – RMB0.04 per share (2015: RMB0.04 per share)	**118,633**	118,633

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.04 per share (tax included) (2015: 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 2,965,827,000 (2015: 2,965,827,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2016 RMB'000	2015 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**353,322**	308,140

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares	
	2016	2015
	'000	*'000*
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**2,965,827**	2,965,827
Effect of dilution – weighted average number of ordinary shares:		
– Employee Shares Subscription Plan *(note 40)*	**22,732**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**2,988,559**	2,965,827
Basic earnings per share (RMB)	**0.12**	0.10
Diluted earnings per share (RMB)	**0.12**	0.10

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2016

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:							
At 1 January 2016	4,419,409	2,831,471	244,161	294,990	5,482,265	2,960,454	16,232,750
Additions	26,531	89,616	13,224	20,525	83,153	1,009,688	1,242,737
Transferred from CIP	374,164	228,416	92	1,752	741,867	(1,346,291)	–
Acquisition of a subsidiary not accounted for as a business combination *(note 42)*	232	533	5	–	–	–	770
Classified as assets held for sale *(note 10)*	(5,165)	(3,529)	(247)	(706)	(14,540)	(30,813)	(55,000)
Disposals/write-off	(61,551)	(82,225)	(9,210)	(22,401)	–	(14,294)	(189,681)
At 31 December 2016	4,753,620	3,064,282	248,025	294,160	6,292,745	2,578,744	17,231,576
Accumulated depreciation:							
At 1 January 2016	704,998	1,008,505	142,952	167,718	1,377,336	–	3,401,509
Charge for the year	175,106	249,268	24,991	32,925	279,162	–	761,452
Classified as assets held for sale *(note 10)*	(1,563)	(1,160)	(67)	(327)	(2,337)	–	(5,454)
Disposals/write-off	(19,506)	(58,155)	(8,531)	(18,205)	–	–	(104,397)
At 31 December 2016	859,035	1,198,458	159,345	182,111	1,654,161	–	4,053,110
Impairment:							
At 1 January 2016	–	–	–	–	11,532	–	11,532
Charge for the year*	–	–	–	–	150,425	42,048	192,473
At 31 December 2016	–	–	–	–	161,957	42,048	204,005
Net book value:							
At 31 December 2016	3,894,585	1,865,824	88,680	112,049	4,476,627	2,536,696	12,974,461

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

* During the year, the impairment loss on property, plant and equipment related to mining infrastructure and relevant CIP, these assets belonged to the mining operation of the Qinghe Mining CGU, the Liangdang Mining CGU and the Kunhe Mining CGU, respectively. The impairment charges are driven by the lower recoverable amounts of those CGUs mentioned above than the carrying amounts in aggregate of relevant assets (including property, plant and equipment, other intangible assets and prepaid land lease payments) belong to those CGUs resulting in the directors' reassessment of proved and probable mining reserves and the grade of gold mine taken the recent production and technical information of those CGUs into consideration. The recoverable amounts of those CGUs have been determined based on value-in-use calculation, which are based on certain key assumptions including discount rate, gold price projection and estimation of mineral reserves and resources.

During the process of impairment test, the carrying amounts of those assets belonged to the mining operation of the Qinghe Mining CGU were determined to be higher than the recoverable amount of zero, and impairment losses of RMB158,063,000 (2015: RMB11,532,000), RMB4,162,000 (2015: RMB124,182,000), and RMB7,214,000 (2015: Nil) were allocated and recognised in mining infrastructure, other intangible assets and prepaid land lease payments, respectively.

During the process of impairment test, the carrying amounts of those assets belonged to the Liangdang Mining CGU were determined to be higher than the recoverable amount of RMB331,020,000, and impairment losses of RMB27,621,000 (2015: Nil) and RMB8,363,000 (2015: Nil) were allocated and recognised in mining infrastructure and other intangible assets, respectively.

During the process of impairment test, the carrying amounts of those assets belonged to the Kunhe Mining CGU were determined to be higher than the recoverable amount of RMB50,174,000, and impairment losses of RMB6,789,000 (2015: Nil) were recognised in mining infrastructure.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2015 (Restated)

	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 2015	3,483,642	2,467,541	219,247	273,840	4,387,216	3,107,101	13,938,587
Additions	99,477	121,832	23,601	26,902	73,065	2,006,626	2,351,503
Transferred from CIP	832,060	313,141	2,347	1,235	1,023,343	(2,172,126)	–
Acquisition of a subsidiary	–	–	261	808	–	–	1,069
Acquisition of a subsidiary not accounted for as a business combination	12,116	–	606	117	–	18,853	31,692
Disposal of a subsidiary	–	–	(19)	(321)	–	–	(340)
Disposals/write-off	(7,886)	(71,043)	(1,882)	(7,591)	(1,359)	–	(89,761)
At 31 December 2015	4,419,409	2,831,471	244,161	294,990	5,482,265	2,960,454	16,232,750
Accumulated depreciation:							
At 1 January 2015	564,523	789,577	118,449	139,675	1,180,995	–	2,793,219
Charge for the year	141,024	234,872	26,090	33,586	196,981	–	632,553
Disposal of a subsidiary	–	–	(19)	(312)	–	–	(331)
Disposals/write-off	(549)	(15,944)	(1,568)	(5,231)	(640)	–	(23,932)
At 31 December 2015	704,998	1,008,505	142,952	167,718	1,377,336	–	3,401,509
Impairment:							
At 1 January 2015	–	–	–	–	–	–	–
Charge for the year	–	–	–	–	11,532	–	11,532
At 31 December 2015	–	–	–	–	11,532	–	11,532
Net book value:							
At 31 December 2015	3,714,411	1,822,966	101,209	127,272	4,093,397	2,960,454	12,819,709

At 31 December 2016, certain of the Group's plant and machinery with a net carrying amount of approximately RMB16,815,000 (2015: RMB20,910,000) were pledged to secure certain of the Group's bank borrowings (note 32).

14. PREPAID LAND LEASE PAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Carrying amount at 1 January	**623,579**	326,733
Additions during the year	**113,357**	199,523
Acquisition of a subsidiary not accounted for as a business combination	**–**	111,808
Write-off during the year	**(2,749)**	–
Amortised during the year	**(18,166)**	(14,485)
Impairment during the year *(note 13)*	**(7,214)**	–
Carrying amount at 31 December	**708,807**	623,579

The Group's leasehold lands are located in Mainland China. The Group were formally granted by the relevant PRC authorities certain rights to use the lands on which the Group's factories are erected and gold mines are located, for periods generally ranging between 10 and 50 years from the grant date.

At 31 December 2016, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB26,424,000 (2015: RMB26,991,000) were pledged to secure certain of the Group's bank borrowings (note 32).

15. GOODWILL

	RMB'000
Cost at 1 January 2015, net of accumulated impairment (Restated)	932,792
Acquisition of a subsidiary	2,191
Impairment during the year	(49,168)
Cost and net carrying amount at 31 December 2015	885,815
At 31 December 2015 (Restated):	
Cost	934,983
Accumulated impairment	(49,168)
Net carrying amount	885,815
Cost at 1 January 2016, net of accumulated impairment	**885,815**
Classified as assets held for sale *(note 10)*	**(9,918)**
Cost and net carrying amount at 31 December 2016	**875,897**
At 31 December 2016:	
Cost	**925,065**
Accumulated impairment	**(49,168)**
Net carrying amount	**875,897**

15. GOODWILL (Continued)

Impairment testing of goodwill

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired.

The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in a range of 11% to 15.5% (2015: 10% to 16.3%).

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2016 and 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gold and copper output

The values assigned to the future revenues are estimated based on the annual gold and copper production, which is in line with the processing capacity of each cash-generating unit, taking into consideration the expected future capital expenditure and capacity expansion.

Mining costs

The basis used to determine the values assigned to the mining costs is the input requirements in accordance with the long-term mining plan at real unit costs.

Commodity price

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

Discount rates

The discount rates used are based on a weighted average cost of capital, and are real rates, before tax reflecting specific risks relating to the cash-generating units.

The values assigned to the key assumptions are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

31 December 2016

	Exploration rights and assets *RMB'000*	Mining rights and reserves *RMB'000*	Software *RMB'000*	Non-patent technologies *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2016	7,247,154	2,522,050	3,208	18,185	9,790,597
Additions	768,747	4,844	1,283	–	774,874
Acquisition of a subsidiary not accounted for as a business combination *(note 42)*	–	19,270	–	–	19,270
Reclassification	(17,623)	17,623	–	–	–
Classified as assets held for sale *(note 10)*	(43,127)	–	–	–	(43,127)
Disposals/write-off	(2,267)	–	–	(1,700)	(3,967)
At 31 December 2016	7,952,884	2,563,787	4,491	16,485	10,537,647
Accumulated amortisation:					
At 1 January 2016	42,203	787,391	238	–	829,832
Provided during the year	–	58,509	430	4,962	63,901
Disposals/write-off	–	–	–	(1,148)	(1,148)
At 31 December 2016	42,203	845,900	668	3,814	892,585
Impairment:					
At 1 January 2016	18,800	173,350	–	–	192,150
Provided during the year*	27,163	4,162	–	–	31,325
At 31 December 2016	45,963	177,512	–	–	223,475
Net book value:					
At 31 December 2016	7,864,718	1,540,375	3,823	12,671	9,421,587

* During the year, the impairment losses on other intangible assets related to the mining operation of the Qinghe Mining CGU of RMB4,162,000 (2015: RMB124,182,000) (note 13), the Liangdang Mining CGU of RMB8,363,000 (2015: Nil) (note 13), and certain exploration rights of RMB18,800,000 (2015: RMB18,800,000), respectively.

As at 31 December 2016, no other intangible assets were pledged to secure certain of the Group's bank borrowings. As at December 2015, certain of the Group's other intangible assets with a net carrying amount of approximately RMB33,010,000 were pledged to secure certain of the Group's bank borrowings (note 32).

16. OTHER INTANGIBLE ASSETS (Continued)

31 December 2015 (Restated)

	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 2015	2,650,848	2,491,266	–	–	5,142,114
Additions	57,864	31,082	2,497	–	91,443
Acquisition of a subsidiary	–	–	711	18,185	18,896
Acquisition of a subsidiary not accounted for as a business combination	4,633,971	–	–	–	4,633,971
Transfer to property, plant and equipment	(68,853)	–	–	–	(68,853)
Disposal of a subsidiary	(9,142)	–	–	–	(9,142)
Write-off	(17,534)	(298)	–	–	(17,832)
At 31 December 2015	7,247,154	2,522,050	3,208	18,185	9,790,597
Accumulated amortisation:					
At 1 January 2015	42,203	682,388	–	–	724,591
Provided during the year	–	105,003	238	–	105,241
At 31 December 2015	42,203	787,391	238	–	829,832
Impairment:					
At 1 January 2015	–	49,168	–	–	49,168
Provided during the year	18,800	124,182	–	–	142,982
At 31 December 2015	18,800	173,350	–	–	192,150
Net book value:					
At 31 December 2015	7,186,151	1,561,309	2,970	18,185	8,768,615

17. INVESTMENT IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Share of net assets	**120,229**	131,857

The Group's prepayments, deposits and other receivable balances and trade transactions with the joint venture are disclosed in notes 26 and 45 to the financial statements.

Particulars of the Group's material joint venture are as follows:

Company name	Place and date of establishment	Paid-up/ registered share capital RMB'000	Percentage of equity interest directly attributable to the Group	Principal activities
Ruoqiang Changyun Sanfengshan Mining Company Limited ("Sanfengshan") (若羌縣昌運三峰山金礦有限責任公司)	PRC 13 November 2006	9,000	50%	Mining, exploration of non-ferrous and ferrous metals; and processing of non-ferrous and ferrous metal products

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

The above interest in a joint venture is directly held by the Company.

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

	2016 RMB'000	2015 RMB'000
Current assets	**34,519**	54,910
Non-current assets	**318,336**	358,721
Current liabilities	**(91,539)**	(105,968)
Non-current liabilities	**(20,858)**	(43,949)
Net assets	**240,458**	263,714

17. INVESTMENT IN A JOINT VENTURE (Continued)

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

	2016 **RMB'000**	2015 RMB'000
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**120,229**	131,857
Carrying amount of the investment	**120,229**	131,857
Revenue	**134,805**	110,061
Other income	**1,051**	2,719
	135,856	112,780
Total expenses	**(138,288)**	(119,666)
Tax	**(823)**	–
Loss and total comprehensive income for the year	**(3,255)**	(6,886)
Dividend received	**10,000**	–

18. INVESTMENTS IN ASSOCIATES

	2016 **RMB'000**	2015 RMB'000
Share of net assets	**229,039**	208,315
Goodwill on acquisition	**60,599**	60,599
	289,638	268,914

The Group's prepayments, deposits and other receivable balances, trade payable balances and transactions with the associates are disclosed in notes 26, 29 and 45 to the financial statements.

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 *RMB'000*	Percentage of equity interest directly attributable to the Group	Principal activities
Aletai Zhengyuan International Mining Company Limited ("Aletai") (阿勒泰正元國際礦業有限公司)	PRC 20 May 2005	90,000	38.50%	Gold mining and processing of gold products
Jin's Bonanza (Resource) Holding Limited ("JBHL") (大愚智水(資源)控股有限公司)	BVI 31 October 2011	USD10,000	46.07%	Investment holding

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for JBHL, the shareholding in which is held through a wholly-owned subsidiary of the Company.

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

	2016 *RMB'000*	2015 *RMB'000*
Share of the associates' profit for the year	**7,622**	6,819
Share of the associates' total comprehensive income	**7,622**	6,819
Aggregate carrying amount of the Group's investments in the associates	**289,638**	268,914

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at cost:		
– Mainland China	**25,946**	21,746
– Australia	**26,677**	26,677
Unlisted debt investments, at cost*	**280,000**	–
Subtotal	**332,623**	48,423
Less: Impairment	**(26,877)**	(26,677)
Total	**305,746**	21,746
Less: Current portion of available-for-sale investments – financial products	**(280,000)**	–
Total of non-current portion	**25,746**	21,746

* As at 31 December 2016, the unlisted debt investments represented the financial products issued by PRC creditworthy banks, whose expected annual yield were around 4% to 7% (2015:nil). At the date of approval of these financial statements, all investments have been retrieved with the principal and returns.

20. DEFERRED TAX

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

2016

Deferred tax assets

	Share-based payment RMB'000	Difference on tax depreciation and book value of property, plant and equipment RMB'000	Provision for early retirement and rehabilitation RMB'000	Deferred income RMB'000	Losses available for offsetting against future taxable profits RMB'000	Fair value change from commodity derivative contract RMB'000	Unrealized profit RMB'000	Inventory provision RMB'000	Impairment of assets of a disposal group classified as held for sale RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	–	36,769	28,279	18,157	56,273	(207)	6,847	3,280	–	94,853	244,251
Deferred tax charged/(credited) to the statement of profit or loss during the year (*note 9*)	26,400	6,263	(2,478)	8,548	15	207	5	(1,115)	5,062	(30,077)	12,830
Deferred tax credited to other comprehensive income	–	–	(3,177)	–	–	–	–	–	–	–	(3,177)
At 31 December 2016	26,400	43,032	22,624	26,705	56,288	–	6,852	2,165	5,062	64,776	253,904

20. DEFERRED TAX (Continued)

2016 (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 2016	(384,184)	(100,075)	(484,259)
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)*	10,260	(780)	9,480
At 31 December 2016	(373,924)	(100,855)	(474,779)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position as at 31 December 2016. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax assets

	2016 *RMB'000*
Gross deferred tax assets at 31 December 2016	253,904
Deferred tax assets and liabilities have been offset in the statement of financial position	(64,525)
Net deferred tax assets recognised in the consolidated statement of financial position	189,379

Deferred tax liabilities

	2016 *RMB'000*
Gross deferred tax liabilities at 31 December 2016	(474,779)
Deferred tax assets and liabilities have been offset in the statement of financial position	64,525
Net deferred tax liabilities included in the disposal group *(note 10)*	13,340
Net deferred tax liabilities recognised in the consolidated statement of financial position	(396,914)

20. DEFERRED TAX (Continued)

2015 (Restated)

Deferred tax assets

	Difference on tax depreciation and book value of property, plant and equipment *RMB'000*	Provision for early retirement and rehabilitation *RMB'000*	Deferred income *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Fair value change from commodity derivative contract *RMB'000*	Unrealized profit *RMB'000*	Inventory provision *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2015	32,413	23,278	103,271	32,921	2,634	17,533	10,668	122,817	345,535
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)*	4,356	(483)	(84,114)	23,352	(2,841)	(10,686)	(7,388)	(27,964)	(106,768)
Deferred tax credited to other comprehensive income	–	5,484	–	–	–	–	–	–	5,484
At 31 December 2015	36,769	28,279	18,157	56,273	(207)	6,847	3,280	94,853	244,251

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*	Fair value change from equity investments at fair value through profit or loss *RMB'000*	Fair value change from gold leasing business and gold forward contracts *RMB'000*	Total *RMB'000*
At 1 January 2015	(463,332)	(72,157)	(325)	(30,678)	(566,492)
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)*	79,148	(27,918)	325	30,678	82,233
At 31 December 2015	(384,184)	(100,075)	–	–	(484,259)

20. DEFERRED TAX (Continued)

At 31 December 2016, there was no significant unrecognised deferred tax liability (2015: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or joint venture as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences of RMB1,319,843,000 and RMB255,025,000 respectively as at 31 December 2016 (2015: RMB498,522,000 and RMB88,938,000) 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	**2016** **RMB'000**	2015 RMB'000
Loans receivable due from			
– a joint venture	(a)	**53,000**	73,000
– an associate	(a)	**28,934**	7,000
– Zhaojin Group	(b)	**200,000**	–
– subsidiaries of Zhaojin Group	(c)	**91,872**	20,000
– an associate of Zhaojin Group	(d)	**70,000**	–
– third parties	(e)	**211,000**	130,870
		654,806	230,870
Less: Impairment		**(5,682)**	(522)
		649,124	230,348
Less: Due within 12 months		**(649,124)**	(222,348)
Due after 12 months		**–**	8,000

(a) Pursuant to the entrusted loan agreements, the Company extended loans to a joint venture and an associate through a bank. The loans are unsecured, bear interest at a fixed rate of 4.35% per annum and have maturity dates in 2017.

(b) Zhaojin Finance, a subsidiary of the Group, signed a loan agreement to provide a loan of RMB200,000,000 (2015: Nil) to Zhaojin Group. The loan is unsecured, bears interest at a fixed rate of 3.915% per annum and has a maturity date on 18 December 2017.

21. LOANS RECEIVABLE (Continued)

(c) Zhaojin Finance, a subsidiary of the Group, signed loan agreements to provide loans of RMB39,685,000 (2015: RMB20,000,000) to subsidiaries of Zhaojin Group. The loans are guaranteed by Zhaojin Group or a subsidiary of Zhaojin Group, bear interest at fixed rates from 2.81% to 4.35% per annum and have maturity dates from 10 April 2017 to 18 December 2017.

Zhaojin Finance, a subsidiary of the Group, provided bill discounting service of RMB52,187,000 (2015: Nil) to subsidiaries of Zhaojin Group, bears interest at fixed rates from 4.10% to 4.1325% per annum and have maturity dates from 17 February 2017 to 19 April 2017.

(d) Zhaojin Finance, a subsidiary of the Group, signed loan agreements to provide loans of RMB70,000,000 (2015: Nil) to an associate of Zhaojin Group. The loans are unsecured, bear interest at a fixed rate of 4.35% per annum and has maturity dates from 3 July 2017 to 16 October 2017.

(e) The Company signed entrusted loan agreements to provide loans of RMB150,000,000 (2015: 130,000,000) to a third party through Zhaojin Finance, a subsidiary of the Group. The loans are unsecured, bear interest at fixed rates from 0% to 4.35% per annum and have maturity dates from 1 January 2017 to 28 November 2017.

Zhaojin Finance, a subsidiary of the Group, signed a loan agreement to provide a loan of RMB61,000,000 (2015: Nil) to a third party. The loan is guaranteed by the Company, bears interest at a fixed rate of 4.35% per annum and has a maturity date on 19 April 2017.

22. LONG-TERM DEPOSITS

Long-term deposits represent utilities and environmental rehabilitation deposits paid to service providers and the government respectively. The amounts were not expected to be refunded within the next 12 months as at 31 December 2016.

23. OTHER LONG-TERM ASSETS

	2016 *RMB'000*	2015 *RMB'000*
Advances and deposits paid for acquisitions of subsidiaries and exploration rights	**514,792**	445,717
Advance payments for purchases of property, plant and equipment	**115,102**	158,975
Long-term prepaid expenses	**40,262**	44,987
	670,156	649,679

The outstanding commitments in relation to the above acquisitions and purchases are disclosed in note 44.

24. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**121,214**	123,289
Work in progress	**3,431,421**	3,264,693
Finished goods	**90,120**	110,913
	3,642,755	3,498,895
Less: impairment	**(12,157)**	(59,712)
	3,630,598	3,439,183

25. TRADE AND NOTES RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**270,167**	51,106
Notes receivable	**11,048**	16,021
	281,215	67,127

An ageing analysis of the trade receivables, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Outstanding balances due within 1 year	**252,355**	39,143
Outstanding balances due within 1 to 2 years	**7,296**	14,026
Outstanding balances due within 2 to 3 years	**13,842**	1,387
Outstanding balances due over 3 years	**755**	–
	274,248	54,556
Less: provision for impairment of trade receivables	**(4,081)**	(3,450)
	270,167	51,106

25. TRADE AND NOTES RECEIVABLES (Continued)

The movements in provision for impairment are as follows:

	2016 RMB'000	2015 RMB'000
At beginning of year	**3,450**	3,774
Impairment losses recognised	**1,723**	637
Impairment losses reversed	**(1,092)**	(961)
At end of year	**4,081**	3,450

Trade and notes receivables are non-interest-bearing. As 73% (2015: 81%) of the sales of the Group for the year ended 31 December 2016 were made through the 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:

	2016 RMB'000	2015 RMB'000
Amounts due from related parties		
– Zhaojin Group	**261**	–
– Subsidiaries of Zhaojin Group	**252,631**	20,147
– Associates of Zhaojin Group	**15**	–
	252,907	20,147

The amounts due from related parties are unsecured, interest-free and are expected to be settled within 60 days.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments	**155,973**	119,450
Other receivables	**401,614**	395,626
	557,587	515,076
Less: impairment	**(43,851)**	(43,119)
	513,736	471,957

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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

	2016 RMB'000	2015 RMB'000
Amounts due from related parties:		
– Zhaojin Group	**3,829**	4,378
– Subsidiaries of Zhaojin Group	**28,481**	294
– An associate – Aletai	**95**	–
– A joint venture – Sanfengshan	**4,245**	–
	36,650	4,672

The amounts due from related parties are unsecured, interest-free and have no fixed terms of settlement.

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:

	2016 RMB'000	2015 RMB'000
At 1 January	**43,119**	29,832
Impairment losses recognised	**21,305**	32,989
Impairment losses reversed	**(18,420)**	(19,496)
Amount written off as uncollectible	**(2,153)**	(206)
At 31 December	**43,851**	43,119

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 RMB'000	2015 RMB'000
Listed equity investments, at market value	**294,682**	164,055
Listed fund investments, at market value	**119,387**	–
	414,069	164,055

28. CASH AND CASH EQUIVALENTS

	2016	2015
	RMB'000	*RMB'000*
Cash and bank balances	**1,419,591**	1,914,032
Time deposits	**338,711**	252,743
	1,758,302	2,166,775
Less: Pledged deposits		
– Pledged for environment governance	**(121,493)**	(42,539)
– Pledged for short-term bank loans	**(76,589)**	(58,634)
– Required reserve deposits*	**(113,719)**	(23,306)
– Pledged for bills payable	**(8,550)**	(9,093)
	1,437,951	2,033,203

* Required reserve deposits amounting to RMB113,719,000 (2015: RMB23,306,000) are placed by Zhaojin Finance, with the People's Bank of China ("PBOC"). The reserve deposits with the PBOC are not available for use in the Group's daily operations.

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to approximately RMB160,992,000 (2015: RMB431,885,000), those denominated in US dollars ("USD") amounted to approximately RMB91,958,000 (2015: RMB61,444,000), those denominated in Australian dollars amounted to approximately RMB23,416,000 (2015: Nil), those denominated in Kazakhstani Tenge amounted to approximately RMB4,000 (2015: RMB4,000), those denominated in Canadian dollars amounted to approximately RMB171,000 (2015: Nil) and those denominated in British Pounds amounted to approximately RMB4,000 (2015: Nil). All other cash and cash equivalents held by the Group are denominated in RMB. The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the time deposit rates. Time deposits (except for pledged time deposits) can be withdrawn at the discretion of the Group with seven days' notice. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE AND NOTES PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**376,311**	570,845
Notes payable	**13,550**	12,431
	389,861	583,276

At 31 December 2016, the balance of trade and notes payables mainly represents the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

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

	2016 RMB'000	2015 RMB'000
Within one year	**355,253**	534,854
Over one year but within two years	**19,449**	24,738
Over two years but within three years	**9,322**	12,319
Over three years	**5,837**	11,365
	389,861	583,276

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

	2016 RMB'000	2015 RMB'000
Amounts due to related parties		
– An associate – Aletai	**2,162**	4,820
– Subsidiaries of Zhaojin Group	**12,799**	27,644
	14,961	32,464

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

	2016 RMB'000	2015 RMB'000
Accrued taxes other than income tax	**251,574**	214,878
Accrued expenses and other payables	**867,698**	584,448
Payable of cash consideration from acquisition of a subsidiary	**–**	172,500
Advances received from disposal of a subsidiary classified as held for sale	**9,000**	–
Capital expenditure payables	**1,021,945**	842,619
	2,150,217	1,814,445

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

	2016 RMB'000	2015 RMB'000
Amounts due to related parties		
– Zhaojin Group	**9,269**	3,276
– Subsidiaries of Zhaojin Group	**30,561**	39,888
	39,830	43,164

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

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

31. DERIVATIVE FINANCIAL INSTRUMENTS/FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		2016 RMB'000	2015 RMB'000
Derivative financial instruments:			
– Gold forward contracts	(a)	**658**	–
– Commodity derivative contracts	(b)	**–**	1,382
		658	1,382
Financial liabilities at fair value through profit or loss:			
Gold leasing business	(a)	**52,854**	–

31. DERIVATIVE FINANCIAL INSTRUMENTS/FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) The Group financed through leases of gold from banks and subsequently sold through the SGE. The maturity periods range from 180 days to 1 year. The Group used two different approaches to settle the leased golds with banks on the day of maturity as follows:

(i) During the year of 2016, the Group would return gold with the same quantity and specification purchased through the SGE on maturity, and pay rental fees to banks. At the same time, the Group engaged in gold forward contracts on the SGE and SHFE in accordance with the quantity, specification and repayment terms of gold to be returned to banks in the future for the purpose of hedging certain risks arising from gold price fluctuation from the gold leasing business. There were no such transactions in 2015. As at 31 December 2016, an unrealised loss on changes in fair value of the financial liabilities at fair value through profit or loss amounted to RMB125,000 (2015: Nil), and an unrealised gain on changes in fair value arising from derivative financial assets was RMB658,000 (2015: Nil);

(ii) During the years of 2016 and 2015, the Group settled the leased gold with the banks to return the same quantity of gold to the banks at a fixed repayment amount on the contract maturity date. Accordingly, the risk of gold price fluctuation during the gold leasing period is burdened by the banks rather than by the Group. So the Group recorded the disposal proceeds through the SGE of all gold leased from the banks under interest-bearing banks and other borrowings. Please refer to note 32 to the consolidated financial statements..

(b) The Group uses commodity derivative contracts to hedge its commodity price risk, which do not meet the criteria of hedge accounting. As at 31 December 2015, commodity derivative contracts utilised by the Group are gold futures contracts on the SHFE and Au(T+D) contracts on the SGE (2016: Nil).

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2016			2015		
		Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans-secured	(b)	**1.76-4.35**	**2017**	**165,643**	2.12-4.60	2016	127,648
Bank loans-guaranteed	(c)	**4.35**	**2017**	**120,000**	4.35-4.60	2016	230,000
Bank loans-unsecured		**3.92-10.00**	**2017**	**4,467,844**	4.13-5.10	2016	2,104,467
Gold leasing business –unsecured *(note 31)*		**3.20-3.70**	**2017**	**3,738,674**	2.10-4.20	2016	2,566,405
Gold leasing business –guaranteed	(c)	**3.60-4.00**	**2017**	**394,681**	–	–	–
Other borrowings –unsecured	(d)	**2.55**	**2017**	**708**	2.55-7.00	2016	998,827
Short-term bonds –unsecured		**2.79-2.82**	**2017**	**1,996,650**	3.3-4.48	2016	1,997,321
				10,884,200			8,024,668
Non-current							
Bank loans-secured	(b)	**4.56**	**2019-2020**	**150,420**	4.80-5.00	2019-2021	208,880
Bank loans-guaranteed	(c)	**2.59**	**2018**	**693,238**	2.39	2018	650,690
Bank loans-unsecured		**4.75**	**2018**	**101,430**	4.75	2017-2018	765,800
Other borrowings –unsecured		**2.55-5.46**	**2018-2021**	**142,618**	2.55-5.46	2017-2021	107,279
				1,087,706			1,732,649
				11,971,906			9,757,317

Notes:

(a) Unutilised limit of bank loans, short-term bonds and gold leasing business

	2016 *RMB'000*	2015 *RMB'000*
Banking facilities:		
– Available	**27,420,500**	21,320,000
– Utilised	**(12,886,300)**	(9,219,000)
Unutilised	**14,534,200**	12,101,000

(b) Certain of the Group's bank loans are secured by mortgages over the Group's plant and machinery, prepaid land lease payments, other intangible assets and pledged deposits, which had aggregate carrying values at the end of the reporting period of approximately RMB16,815,000 (2015: RMB20,910,000) (note 13), RMB26,424,000 (2015: RMB26,991,000) (note 14), zero (2015: RMB33,010,000) (note 16) and RMB76,589,000 (2015: RMB58,634,000) (note 28), respectively.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes (continued):

(c) As at 31 December 2016, bank loans and gold leasing business of the subsidiaries with carrying amounts in aggregate of RMB1,207,919,000 guaranteed by the Company (2015: RMB880,690,000 guaranteed by the Company).

(d) As at 31 December 2016, the private placement note issued to China Construction Bank with a par value of RMB1 billion has been redeemed by the Company.

As at 31 December 2016, except for bank loans of RMB715,511,000 and RMB76,307,000 (2015: RMB671,596,000 and RMB32,742,000) denominated in Hong Kong dollars and United States dollars, respectively, all borrowings were denominated in RMB.

	2016 ***RMB'000***	2015 *RMB'000*
Analysed into:		
Bank loans and short-term bonds repayable:		
Within one year or on demand	**6,750,137**	4,459,436
In the second year	**794,668**	667,600
In the third to fifth years, inclusive	**150,420**	915,770
Beyond five years	**–**	42,000
	7,695,225	6,084,806
Other borrowings repayable:		
Within one year	**708**	998,827
In the second year	**104,572**	708
In the third to fifth years, inclusive	**38,046**	101,998
Beyond five years	**–**	4,573
	143,326	1,106,106
Gold leasing business repayable:		
Within one year	**4,133,355**	2,566,405
	11,971,906	9,757,317

33. CORPORATE BONDS

On 23 December 2009, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.5 billion (the "2009 Zhaojin Bond"). The bond carries interest at 5% per annum with a term of seven years, which is payable annually in arrears on 23 December each year. According to the offering memorandum of the 2009 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 fifth year since issuance, i.e., 23 December 2014. On 22 December 2016, the "2009 Zhaojin Bond" has been redeemed.

On 16 November 2012, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.2 billion (the "2012 Zhaojin Bond"). The bond carries interest at 5% per annum with a term of five years, which is payable annually in arrears on 16 November each year.

On 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.

	2016 ***RMB'000***	2015 *RMB'000*
Corporate bonds at the beginning of the year	**3,639,815**	2,690,309
Corporate bonds issued during the year	**–**	943,350
Corporate bonds redeemed during the year	**(1,500,000)**	–
Increase arising from the amortisation method	**3,357**	6,156
Corporate bonds at the end of the year	**2,143,172**	3,639,815
Current	**1,198,071**	1,498,997
Non-current	**945,101**	2,140,818
	2,143,172	3,639,815

As at 31 December 2016, the bonds issued with a carrying amount of RMB2,143,172,000 were guaranteed by Zhaojin Group.

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:

	2016 **RMB'000**	2015 RMB'000
At beginning of year	**464,370**	415,745
Received during the year	**45,790**	132,038
Recognised as income during the year	**(89,525)**	(83,413)
At end of year	**420,635**	464,370

35. PROVISIONS

	Notes	**2016** **RMB'000**	2015 RMB'000
Post-employment benefit obligations:			
Early retirement	(a)	**89,658**	121,225
Rehabilitation	(b)	**11,237**	9,652
		100,895	130,877
Current		**22,556**	28,539
Non-current		**78,339**	102,338
		100,895	130,877

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 – 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 2016, using the projected cumulative unit credit method.

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

	2016	2015
Discount rate (%)	**2.75**	3.00
Annual increase rate of post-employment salary continuance benefits (%)		
– Before 2020 (including 2020)	**–**	–
– After 2021	**–**	2.00

Mortality: Average life expectancy of residents in Mainland China

A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 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	(635)	0.25	(644)
Annual increase rate of post-employment salary continuance benefits	0.50	1,362	0.50	N/A*

* Since the annual increase rate of post-employment salary continuance benefits assumption is zero in actuarial valuations before 2020. Therefore, only the results with a 0.5% increase in the annual increase rate of post-employment salary continuance benefits are provided.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the post-employment obligation to significant actuarial assumptions, the same method (present value of the post-employment obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating post-employment obligations recognised on the statement of financial position.

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

35. PROVISIONS (Continued)

(a) (Continued)

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

	2016 *RMB'000*	2015 *RMB'000*
At beginning of year	**121,225**	84,651
Statement of profit or loss charge for employment benefit		
– additional early retirees	**–**	40,748
– interest increment	**2,674**	2,941
Remeasurement (gain)/loss recognised in the statement of other comprehensive income	**(12,707)**	21,936
Utilised during the year	**(21,534)**	(29,051)
At end of year	**89,658**	121,225
Current	**22,556**	28,539
Non-current	**67,102**	92,686
	89,658	121,225

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

At 31 December 2016	**Less than 1 year** *RMB'000*	**Between 1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Early retirement benefits	22,556	56,679	18,134	97,369

(b) The provision for rehabilitation is in relation to the estimated costs of complying with the Group's obligations for land reclamation. These costs are expected to be incurred on mine closure, which, based on current mineral reserve estimates, lasts for periods ranging from 2 to 72 years.

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

	2016 *RMB'000*	2015 *RMB'000*
At beginning of year	**9,652**	8,461
Interest increment	**461**	494
Change in discount rate	**1,124**	697
At end of year	**11,237**	9,652
Current	**–**	–
Non-current	**11,237**	9,652
	11,237	9,652

36. DEPOSITS FROM CUSTOMERS

	2016 RMB'000	2015 RMB'000
Demand deposits	**944,589**	399,248
Notice deposits	**14,550**	11,000
Time deposits	**26,597**	–
	985,736	410,248

As at 31 December 2016, deposits from customers represented the deposits which were placed in Zhaojin Finance, a subsidiary of the Group. The deposit interest rates range from 0.42% to 1.95% per annum, except for the time deposits with maturity dates from 15 February 2017 to 21 November 2017, other deposits will be repaid upon the demand and notice of the customers.

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

	2016 RMB'000	2015 RMB'000
Amounts due to related parties		
– Zhaojin Group	**143,702**	59,249
– Subsidiaries of Zhaojin Group	**756,895**	344,877
– Associates of Zhaojin Group	**3,259**	–
	903,856	404,126

37. OTHER LONG-TERM LIABILITIES

As at 31 December 2016, the current and non-current portions of other long-term liabilities amounting to zero and RMB23,618,000 (2015: RMB90,000,000 and RMB22,515,000) represent the payable for the commitment of profit distribution to non-controlling shareholders of a subsidiary of the Group, which will be settled in the next 6 years.

38. SHARE CAPITAL

	2016 RMB'000	2015 RMB'000
Registered, issued and fully paid:		
2,091,481,195 (2015: 2,091,481,195) domestic shares of RMB1.00 each	**2,091,481**	2,091,481
874,346,000 (2015: 874,346,000) H shares of RMB1.00 each	**874,346**	874,346
	2,965,827	2,965,827

39. PERPETUAL CAPITAL INSTRUMENTS

On 18 March 2015 and 7 July 2015, the Company issued perpetual capital instruments to institutional investors in the PRC inter-bond market with par value of RMB500,000,000 at a fixed initial distribution rate of 5.90% per annum and RMB1,600,000,000 at a fixed initial distribution rate of 5.20% per annum, respectively. Proceeds from issuance, net of issuance expense, were RMB2,083,200,000 in aggregate. The perpetual capital instruments have no fixed maturity dates and are callable only at the Company's option. On the fifth and each of the subsequent distribution payment dates of the perpetual capital instruments, the Company is entitled to redeem the perpetual capital instruments at par value together with any accrued, unpaid or deferred coupon distribution payments. If the Group does not exercise the right of redemption, from the beginning of the first six years of distribution bearing, the coupon distribution rate will be reset every five years to a percentage per annum equal to the sum of (a) the initial spread, (b) the five-year China Government Bond rate, and (c) a margin of 3%. While any coupon distribution payments are unpaid or deferred, the Company cannot declare or pay dividends or reduce the registered capital of the Company.

Pursuant to the terms of perpetual capital instruments, the Company has no contractual obligations to repay their principal or to pay any coupon distribution. The perpetual capital instruments do not meet the definition of financial liabilities according to HKAS 32 *Financial Instruments: Presentation*, and are classified as equity and subsequent distribution declared will be treated as distribution to equity owners.

40. SHARE-BASED PAYMENT

The Company operates an employee shares subscription plan (the "ESSP') by way of non-public issuance of new domestic shares to a specified asset management plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the ESSP include the Company's directors (not including independent directors of the Company) and the member of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

The relevant approvals from the State-Owned Assets Supervision and Administration Commission of Shandong Province and the general meeting of the Company have been obtained on 26 May 2016 and 19 September 2016 respectively, pursuant to which the date of grant for the ESSP was set on 19 September 2016.

On 19 September 2016 (the "Date of Grant"), pursuant to the ESSP, 80 million domestic shares of the Company were granted to eligible participants of ESSP (the "Holder") through the Asset Management Plan by way of non-public issuance with a subscription price of RMB2.97 per share. The lock-up period imposed by the ESSP is 36 months, commencing from the date on which the granted shares are being registered under the name of the Asset Management Plan. Once granted, in the case of incapacity, retirement, resignation or transfer of jobs of a Holder, the ESSP portions and interest held by the Holder shall not be affected, or in the case of death of a Holder, the ESSP portions and interest held by such Holder in the ESSP shall be inherited by his or her designated successor or lawful successor, pursuant to which the ESSP was identified as equity-settled share-based payment and could be vested immediately, so the date of vesting for the ESSP was also set on 19 September 2016. And pursuant to the ESSP, there is no compulsory obligation of the Company to repurchase the granted shares till the end of the lock-up period.

40. SHARE-BASED PAYMENT (Continued)

The aggregate fair value of the shares granted amounted to approximately RMB343,200,000, of which RMB105,600,000 was charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate on 19 September 2016, after netting of the total considerations received for the granted shares amounting to RMB237,600,000. Because the share registration has not been completed as at 31 December 2016, the total considerations received for the granted shares amounting to RMB237,600,000 were recorded in capital reserve, in which, the par value of RMB80,000,000 will be transferred into share capital after the completion of share registration.

The fair value of the shares granted during the year was estimated as at the Date of Grant, using the Black-Scholes model taking into account the terms and conditions upon which the shares were granted. The following table lists the inputs to the model used:

Risk-free interest rate (%)	0.82
Historical volatility (%)	48.39
Expected volatility (%)	48.39
Expected life of plan (year)	5
Expected dividend yield (%)	0.58
Market price of the Company's H shares on the date of grant (RMB per share)	7.04
Fair value of the shares granted on the date of grant (RMB per share)	4.29

The fair value of the domestic shares granted from the Black-Scholes model was arrived at based on the market price of the Company's H shares on the Date of Grant. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

At the date of approval of these financial statements, the Company had 80,000,000 domestic shares under the ESSP outstanding for the share registration, which represented approximately 2.63% of the Company's shares in issue as at that date.

41. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Capital reserve

Share premium, which represented the difference between the nominal value and the issue price of the new H Shares issued to the public upon listing of the Company's H Shares on the Main Board of the SEHK amounting to RMB2,332,418,000, was recognised in the capital reserve. In addition, share subscription expenses of RMB163,665,000 were offset against the share premium.

On 16 May 2008, the shareholders approved a bonus issue of 546,536,000 shares of RMB1 each on the basis of 0.75 share for every share held by capitalising the capital reserve amounting to RMB546,536,000 to share capital.

41. RESERVES (Continued)

Capital reserve (Continued)

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 recognized RMB105,600,000 as costs of share-based compensation in aggregate and the total considerations received for the granted domestic shares amounting to RMB237,600,000 the the capital reserve. In which, the par value of RMB80,000,000 will be transferred into share capital after the completion of share registration. Please refer to note 40 for details.

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 after tax profit, until the fund aggregates 50% of the Company's share capital. For the purpose of calculating the transfer to the reserve, the profit after tax shall be the amount determined under PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to shareholders.

The statutory common reserve fund can be used to offset previous years' losses, if any, and part of the statutory common reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For dividend purposes, the amount which the Company and its subsidiaries can legally distribute by way of a dividend is determined with reference to their profits available for distribution as reflected in the respective PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those reflected in the financial statements which are prepared in accordance with HKFRSs.

42. ACQUISITION OF A SUBSIDIARY NOT ACCOUNTED FOR AS A BUSINESS COMBINATION

On 5 December 2016, the Group completed an acquisition of 100% equity interests in Qianfeng, a company established in the PRC, at a cash consideration of RMB20,040,000. The acquisition was made as part of the Group's strategy to expand other metal business in China.

The above acquisition has been accounted for an acquisition of assets in the Group's consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively on the basis of their relative fair values at the date of purchase.

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase is as follows:

	Allocation of purchase cost *RMB'000*
Other intangible assets *(note 16)*	19,270
Property, plant and equipment *(note 13)*	770
	20,040
Satisfied by cash	20,040

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	RMB'000
Cash consideration	20,040
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents in respect of the acquisition	20,040

From the date of acquisition, the results of the newly acquired subsidiary have no significant impact on the Group's consolidated revenue or net profit for the year ended 31 December 2016.

43. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

Indemnities from Zhaojin Group

The Group and the Company have received indemnities from Zhaojin Group in respect of certain State levies totalling RMB45,600,000 and RMB33,400,000, respectively, for the period from 24 December 1999 to 8 December 2006 (listing date) and certain government funding arrangements amounting to RMB49,300,000, which predated the Company's formation on 16 April 2004. The directors are of the opinion that the Group and the Company do not have any financial liability in respect of these arrangements.

44. COMMITMENTS

(a) Capital commitments

	2016 ***RMB'000***	2015 *RMB'000*
Contracted, but not provided for:		
– Property, plant and equipment	**383,033**	64,218
– Prepayment for potential acquisitions	**1,844,963**	1,808,243
	2,227,996	1,872,461

(b) Operating lease commitments

The Group leases certain of its land and offices under operating lease arrangements, which are negotiated for terms ranging between one and fifty years.

Future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Within one year	**12,288**	7,868
In the second to fifth years, inclusive	**17,487**	8,658
After five years	**45,108**	8,000
	74,883	24,526

45. 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:

	2016 RMB'000	2015 RMB'000
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Payment of rental of land use rights	**5,782**	6,533
– Brokerage service fees	**4,073**	3,849
Others:		
– Loans to related parties	**200,000**	–
– Interest income from loans to related parties	**275**	–
– Increase in deposits from customers, net	**84,453**	59,249
– Interest expense on deposits from customers	**2,628**	356
(ii) Subsidiaries of Zhaojin Group		
Sales of silver	**198,713**	7,000
Expenses:		
– Fees for refining services	**7,226**	7,413
– Brokerage service fees	**350**	297
Capital transactions:		
– Purchase of materials	**84,040**	84,361
– Purchase of exploration services	**35,842**	35,723
– Purchase of digital mine construction technology services	**17,663**	15,943
– Purchase of water treatment engineering services and relevant necessary super filter membrane and equipment	**6,213**	6,830
Others:		
– Loans to related parties	**1,447,370**	360,000
– Interest income from loans to related parties	**2,885**	3,512
– Increase in deposits from customers, net	**412,151**	344,877
– Interest expense on deposits from customers	**3,909**	756
– Bill discounting service	**140,280**	–
– Interest income from bill discounting service	**1,486**	–
(iii) Associate – Aletai		
– Purchase of gold concentrates	**92,742**	98,687
(iv) Joint venture – Sanfengshan		
– Purchase of copper concentrates	**53,725**	113,565
– Entrusted loans	**–**	8,000
– Interest income	**2,769**	4,578

45. 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)

	2016 *RMB'000*	2015 *RMB'000*
(v) A subsidiary of an associate – Shandong Wucailong Investment Company Limited		
– Entrusted loans	**25,000**	2,000
– Interest income	**690**	346
(vi) An associate of Zhaojin Group – Yantai Zhaojin Lifu Precious Metal Company Limited		
– Loans to related parties	**205,000**	–
– Interest income from loans to related parties	**1,461**	–
– Increase in deposits from customers, net	**3,259**	513
– Interest expense on deposits from customers	**11**	513

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

(b) Outstanding balances with related parties:

(i) Details of the Group's loans 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, 30 and 36 to the financial statements.

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

	2016 *RMB'000*	2015 *RMB'000*
Short-term employee benefits	**4,697**	5,420
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**4,697**	5,420

Further details of directors' emoluments are included in note 8 to the financial statements.

45. RELATED PARTY TRANSACTIONS (Continued)

(d) Connected transactions

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

46. 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

	2016			
	Financial assets at fair value through profit or loss			
	Held for trading *RMB'000*	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Trade and notes receivables	–	281,215	–	281,215
Financial assets included in other receivables	–	275,799	–	275,799
Available-for-sale investments	–	–	305,746	305,746
Equity investments at fair value through profit or loss	414,069	–	–	414,069
Derivative financial instruments	658	–	–	658
Loans receivable	–	649,124	–	649,124
Pledged deposits	–	320,351	–	320,351
Cash and cash equivalents	–	1,437,951	–	1,437,951
Total	414,727	2,964,440	305,746	3,684,913

46. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

Financial liabilities

	2016			
	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition *RMB'000*	Held for trading *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and notes payables	–	–	389,861	389,861
Financial liabilities included in other payables and accruals	–	–	1,649,276	1,649,276
Interest-bearing bank and other borrowings	–	–	11,971,906	11,971,906
Financial liabilities at fair value through profit or loss	52,854	–	–	52,854
Corporate bonds	–	–	2,143,172	2,143,172
Deposits from customers	–	–	985,736	985,736
Other long-term liabilities (including current portion)	–	–	23,618	23,618
Total	52,854	–	17,163,569	17,216,423

46. 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

	2015			
	Financial assets at fair value through profit or loss			
	Held for trading *RMB'000*	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Trade and notes receivables	–	67,127	–	67,127
Financial assets included in other receivables	–	262,062	–	262,062
Available-for-sale investments	–	–	21,746	21,746
Equity investments at fair value through profit or loss	164,055	–	–	164,055
Derivative financial instruments	1,382	–	–	1,382
Loans receivable	–	230,348	–	230,348
Pledged deposits	–	133,572	–	133,572
Cash and cash equivalents	–	2,033,203	–	2,033,203
Total	165,437	2,726,312	21,746	2,913,495

46. 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

	2015			
	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition *RMB'000*	Held for trading *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and notes payables	–	–	583,276	583,276
Financial liabilities included in other payables and accruals	–	–	1,433,229	1,433,229
Interest-bearing bank and other borrowings	–	–	9,757,317	9,757,317
Deposits from customers	–	–	410,248	410,248
Corporate bonds	–	–	3,639,815	3,639,815
Other long-term liabilities (including current portion)	–	–	112,515	112,515
Total	–	–	15,936,400	15,936,400

47. 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	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Equity investments at fair value through profit or loss	**414,069**	164,055	**414,069**	164,055
Derivative financial instruments	**658**	1,382	**658**	1,382
Loans receivable, non-current portion	**–**	8,000	**–**	8,068
Total	**414,727**	173,437	**414,727**	173,505
Financial liabilities				
Financial liabilities at fair value through profit or loss	**52,854**	–	**52,854**	–
Interest-bearing bank and other borrowings, non-current portion	**1,087,706**	1,732,649	**1,088,232**	1,732,298
Corporate bonds	**2,143,172**	3,639,815	**2,171,700**	3,771,500
Other long-term liabilities, non-current portion	**23,618**	22,515	**23,618**	22,515
Total	**3,307,350**	5,394,979	**3,336,404**	5,526,313

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

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

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

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of listed equity investments without a lock-up period, derivative financial instruments, financial liabilities at fair value through profit or loss and corporate bonds are based on quoted market prices. The fair values of listed investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 31 December 2016, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments which were unlisted investments in China held by the Group was RMB305,746,000 (31 December 2015: RMB21,746,000).

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 2016

	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Total** *RMB'000*
Equity investments at fair value through profit or loss	**383,237**	**30,832**	**414,069**
Derivative financial instruments	**658**	**–**	**658**
Total	**383,895**	**30,832**	**414,727**

As at 31 December 2015

	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Total *RMB'000*
Equity investments at fair value through profit or loss	124,204	39,851	164,055
Derivative financial instruments	1,382	–	1,382
Total	125,586	39,851	165,437

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2016

	Quoted prices in active markets (Level 1) ***RMB'000***
Financial liabilities at fair value through profit or loss	**52,854**

As at 31 December 2015

	Quoted prices in active markets (Level 1) *RMB'000*
Financial liabilities at fair value through profit or loss	–

Assets for which fair values are disclosed:

As at 31 December 2016

	Significant observable inputs (Level 2) ***RMB'000***
Loans receivable, non-current portion	**–**

As at 31 December 2015

	Significant observable inputs (Level 2) *RMB'000*
Loans receivable, non-current portion	8,068

47. 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 2016

	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings, non-current portion	–	1,088,232	1,088,232
Corporate bonds	2,171,700	–	2,171,700
Other long-term liabilities, non-current portion	–	23,618	23,618
Total	2,171,700	1,111,850	3,283,550

As at 31 December 2015

	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings, non-current portion	–	1,732,298	1,732,298
Corporate bonds	3,771,500	–	3,771,500
Other long-term liabilities, non-current portion	–	22,515	22,515
Total	3,771,500	1,754,813	5,526,313

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group entered into derivative transactions, including gold and copper forward contracts to manage the market price fluctuations on gold and copper from the Group's operations.

The main risks arising from the Group's financial instruments were liquidity risk, interest rate risk, commodity price risk, credit risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed facilities from banks to meet its commitments over the foreseeable future in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
2016				
Financial liabilities at fair value through profit or loss	**52,854**	**–**	**–**	**52,854**
Interest-bearing bank and other borrowings	**11,139,296**	**1,118,146**	**–**	**12,257,442**
Trade and notes payables	**389,861**	**–**	**–**	**389,861**
Financial liabilities included in other payables and accruals	**1,649,276**	**–**	**–**	**1,649,276**
Corporate bonds	**1,295,980**	**1,058,300**	**–**	**2,354,280**
Deposits from customers	**985,736**	**–**	**–**	**985,736**
Other long term liabilities	**–**	**23,618**	**–**	**23,618**
	15,513,003	**2,200,064**	**–**	**17,713,067**
2015				
Interest-bearing bank and other borrowings	8,271,922	1,765,970	46,776	10,084,668
Trade and notes payables	583,276	–	–	583,276
Financial liabilities included in other payables and accruals	1,433,229	–	–	1,433,229
Corporate bonds	1,670,980	2,354,280	–	4,025,260
Deposits from customers	410,248	–	–	410,248
Other long term liabilities	90,000	22,515	–	112,515
	12,459,655	4,142,765	46,776	16,649,196

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's cash holdings, interest-bearing bank and other borrowings and corporate bonds. The Group manages its interest rate exposure from certain cash holdings through placing them into appropriate short-term deposits at a mixture of variable or fixed rates and manages the exposure from all of its interest-bearing loans through the use of fixed rates or floating rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2016		
RMB	**100**	**(2,640)**
HKD	**100**	**(6,932)**
RMB	**(100)**	**2,640**
HKD	**(100)**	**6,932**
2015		
RMB	100	(8,519)
HKD	100	(6,507)
RMB	(100)	8,519
HKD	(100)	6,507

Commodity price risk

The Group's exposure to price risk relates principally to the market price fluctuations on gold and copper which can affect the Group's results of operations.

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

The Group also entered into copper cathode forward contracts and gold forward contracts on the SHFE for the sale of copper and gold.

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group has no significant credit risk with customers since almost all gold sales are made through the SGE.

The Group's notes receivable are guaranteed by banks and the risk for default in payment is minimal. The carrying amounts of cash and cash equivalents, trade and notes receivables, and financial assets in other receivables, pledged deposits and loans receivable represent the Group's maximum exposure to credit risk attributable to its financial assets.

Substantial amounts of the Group's cash and cash equivalents are held in well-known financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality.

The Group has no significant concentration of credit risk with any single counterparty.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual listed equity investments classified as equity investments at fair value through profit or loss (note 27) as at 31 December 2016 and 2015. The Group's listed equity investments are listed on the Shanghai and Shenzhen stock exchanges, the Australian, Hong Kong, US and Toronto Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2016	**High/low 2016**	31 December 2015	High/low 2015
Shanghai – A Share Index	**3,250**	**3,704/2,761**	3,704	5,411/3,067
Shenzhen – A Share Index	**2,060**	**2,237/1,703**	2,416	3,288/1,492
Australia – ASX 200 Index	**5,666**	**5,699/4,707**	5,296	5,975/5,209
Hong Kong – HSI Index	**22,001**	**24,364/18,279**	21,914	28,443/20,557
New York – NYSE Index	**11,057**	**11,256/8,938**	10,143	11,255/9,510
Toronto – TSX Index	**15,288**	**15,433/11,531**	13,010	15,525/12,618

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk (Continued)

	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*
2016				
Investments listed in				
Australia – Held-for-trading	**14,182**	**10**	**1,418**	**–**
		(10)	**(1,418)**	**–**
America – Held-for-trading	**95,105**	**10**	**9,511**	**–**
		(10)	**(9,511)**	**–**
Canada – Held-for-trading	**23,437**	**10**	**2,344**	**–**
		(10)	**(2,344)**	**–**
Shenzhen – Held-for-trading	**61,011**	**10**	**5,251**	**–**
		(10)	**(5,251)**	**–**
Shanghai – Held-for-trading	**3,810**	**10**	**381**	**–**
		(10)	**(381)**	**–**
Hong Kong – Held-for-trading	**97,137**	**10**	**9,714**	**–**
		(10)	**(9,714)**	**–**
Total	**294,682**	**10**	**28,619**	**–**
		(10)	**(28,619)**	**–**
2015				
Investments listed in				
Australia – Held-for-trading	3,192	10	319	–
		(10)	(319)	–
Shenzhen – Held-for-trading	81,957	10	8,196	–
		(10)	(8,196)	–
Shanghai – Held-for-trading	65,127	10	6,513	–
		(10)	(6,513)	–
Hong Kong – Held-for-trading	13,779	10	1,378	–
		(10)	(1,378)	–
Total	164,055	10	16,406	–
		(10)	(16,406)	–

* Excluding retained profits

48. 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 2016 and 2015.

The Group is currently funding its capital expenditure through corporate bonds and new bank borrowings and gold leasing business. Under normal circumstances, the Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. The Group's policy is to maintain the gearing ratio between 20% and 60%. Net debt includes interest-bearing bank and other borrowings, corporate bonds, financial liabilities arising from the gold leasing business, less cash and cash equivalents. Capital represents the equity of the Group.

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Interest-bearing bank and other borrowings	**11,971,906**	9,757,317
Corporate bonds	**2,143,172**	3,639,815
Financial liabilities arising from the gold leasing business	**52,854**	–
Less: Cash and cash equivalents	**(1,437,951)**	(2,033,203)
Net debt	**12,729,981**	11,363,929
Total equity	**14,135,217**	13,646,411
Total equity and net debt	**26,865,198**	25,010,340
Gearing ratio	**47.4%**	45.4%

49. COMPARATIVE AMOUNTS

As further explained in note 2.1 to the financial statements, due to a result of the finalised purchase price allocation of the acquisition of Dongfang Yanjing, certain prior year adjustments have been made.

50. 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 2016 ***RMB'000***	31 December 2015 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**5,482,195**	5,298,618
Prepaid land lease payments	**206,935**	125,525
Goodwill	**84,336**	84,333
Other intangible assets	**1,184,197**	1,117,900
Investments in subsidiaries	**5,118,242**	5,130,080
Investment in a joint venture	**100,000**	100,000
Investment in an associate	**34,650**	34,650
Available-for-sale investments	**5,725**	3,725
Loans receivable	**–**	251,016
Long-term deposits	**11,728**	42,659
Other long-term assets	**557,581**	471,939
Total non-current assets	**12,785,589**	12,660,445
CURRENT ASSETS		
Inventories	**2,199,500**	1,997,479
Trade and receivables	**359,905**	28,266
Prepayments, deposits and other receivables	**1,984,817**	1,539,814
Equity investments at fair value through profit or loss	**33,989**	–
Available-for-sale financial investments	**200,000**	–
Pledged deposits	**143,249**	85,476
Loans receivable	**8,378,970**	7,608,067
Cash and cash equivalents	**558,761**	526,391
Total current assets	**13,859,191**	11,785,493
CURRENT LIABILITIES		
Trade and notes payables	**129,641**	240,957
Other payables and accruals	**990,632**	757,522
Interest-bearing bank and other borrowings	**10,614,794**	7,285,513
Tax payable	**101,729**	–
Provisions	**16,875**	22,047
Corporate bonds	**1,198,071**	1,498,997
Current portion of other long-term liabilities	**–**	90,000
Total current liabilities	**13,051,742**	9,895,036
NET CURRENT ASSETS	**807,449**	1,890,457
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,593,038**	14,550,902

50. 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 2016 ***RMB'000***	31 December 2015 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**98,907**	768,507
Corporate bonds	**945,101**	2,140,818
Deferred tax liabilities	**37,116**	42,282
Deferred income	**266,089**	325,765
Provisions	**52,748**	73,479
Other long-term liabilities	**23,618**	22,515
Total non-current liabilities	**1,423,579**	3,373,366
Net assets	**12,169,459**	11,177,536
EQUITY		
Share capital	**2,965,827**	2,965,827
Perpetual capital instruments *(note 39)*	**2,147,132**	2,146,823
Reserves *(note (a))*	**7,056,500**	6,064,886
TOTAL EQUITY	**12,169,459**	11,177,536

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Capital reserve *RMB'000*	Special reserve-safety fund *RMB'000*	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2015	1,713,752	3,113	773,581	3,354,199	5,844,645
Total comprehensive income for the year	(13,452)	–	–	445,607	432,155
Accrued distribution of perpetual capital instruments	–	–	–	(63,623)	(63,623)
Transfer to reserves	–	–	44,457	(44,457)	–
Final 2014 dividend declared and paid	–	–	–	(148,291)	(148,291)
At 31 December 2015 and 1 January 2016	1,700,300	3,113	818,038	3,543,435	6,064,886
Total comprehensive income for the year	8,348	–	–	871,708	880,056
Accrued distribution of perpetual capital instruments	–	–	–	(113,009)	(113,009)
Issue of shares under the employee shares subscription plan *(note 40)*	237,600	–	–	–	237,600
Equity-settled share-based payments *(note 40)*	105,600	–	–	–	105,600
Transfer to reserves	–	–	85,480	(85,480)	–
Final 2015 dividend declared and paid	–	–	–	(118,633)	(118,633)
At 31 December 2016	2,051,848	3,113	903,518	4,098,021	7,056,500

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2017.