招金

ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code: 1818)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017, the Group's revenue was approximately RMB6,673,999,000 (2016: RMB6,664,785,000), representing an increase of approximately 0.14% as compared to the previous year.

For the year ended 31 December 2017, the Group's net profit was approximately RMB754,029,000 (2016: RMB433,519,000), representing an increase of approximately 73.93% as compared to the previous year.

For the year ended 31 December 2017, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.2 and RMB0.2, respectively (2016: RMB0.12 and RMB0.12, respectively), representing an increase of approximately 66.67% and 66.67% respectively as compared to the previous year.

For the year ended 31 December 2017, the profit attributable to owners of the parent was approximately RMB643,951,000 (2016: RMB353,322,000), representing an increase of approximately 82.26% as compared to the previous year.

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

The board of directors (the "Board") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the consolidated audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
REVENUE	*3*	**6,673,999**	6,664,785
Cost of sales		**(4,039,470)**	(3,935,465)
Gross profit		**2,634,529**	2,729,320
Other income and gains	*3*	**254,560**	359,903
Selling and distribution costs		**(44,806)**	(71,720)
Administrative expenses		**(893,850)**	(1,054,665)
Other expenses		**(643,299)**	(704,305)
Finance costs	*4*	**(432,974)**	(465,083)
Share of profits and losses of:			
Associates		**4,274**	7,622
A joint venture		**9,750**	(1,628)
PROFIT BEFORE TAX	*5*	**888,184**	799,444
Income tax expense	*6*	**(134,155)**	(365,925)
PROFIT FOR THE YEAR		**754,029**	433,519
Attributable to:			
Owners of the parent		**643,951**	353,322
Non-controlling interests		**110,078**	80,197
		754,029	433,519
EARNINGS PER SHARE ATTRIBUTABLETO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	*8*	**0.20**	0.12
Diluted			
– For profit for the year (RMB)	*8*	**0.20**	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

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

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
CURRENT LIABILITIES			
Trade and notes payables	*10*	**445,583**	389,861
Other payables and accruals		**1,949,251**	2,150,217
Financial liabilities at fair value through profit or loss		**—**	52,854
Interest-bearing bank and other borrowings		**10,779,923**	10,884,200
Tax payable		**68,312**	179,076
Provisions		**16,636**	22,556
Corporate bonds		**—**	1,198,071
Deposits from customers		**517,832**	985,736
		13,777,537	15,862,571
Liabilities directly associated with the assets classified as held for sale		**—**	13,558
Total current liabilities		**13,777,537**	15,876,129
NET CURRENTLIABILITIES		**(5,739,843)**	(8,265,753)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,035,349**	17,087,530
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**619,338**	1,087,706
Corporate bonds		**1,794,964**	945,101
Deferred tax liabilities		**390,718**	396,914
Deferred income		**364,523**	420,635
Provisions		**76,980**	78,339
Other long-term liabilities		**24,918**	23,618
Total non-current liabilities		**3,271,441**	2,952,313
Net assets		**16,763,908**	14,135,217
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,220,696**	2,965,827
Perpetual capital instruments		**2,664,600**	2,147,132
Reserves		**7,314,638**	6,108,910
		13,199,934	11,221,869
Non-controlling interests		**3,563,974**	2,913,348
Total equity		**16,763,908**	14,135,217

1. 1 BASIS OF PREPARATION

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.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cashflows and non-cash changes.

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

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

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Directors of the Company anticipate that the new and revised HKFRSs, excluding HKFRS 9, HKFRS 15 and HKFRS 16, may result in changes in accounting policies but are unlikely to have a material impact on the Group's results of operations and financial position upon application.

2. 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 operations and engineering design and consulting operations.

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

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

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

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

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

Year ended 31 December 2017

	Gold operations *RMB'000*	**Copper operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Revenue from external customers	**6,001,719**	**632,254**	**40,026**	**6,673,999**
Segment results	**1,287,596**	**53,078**	**(76,487)**	**1,264,187**
Reconciliation:				
Interest income				**56,971**
Finance costs				**(432,974)**
Profit before tax				**888,184**
Segment assets	**28,124,608**	**2,351,863**	**1,041,369**	**31,517,840**
Reconciliation:				
Corporate and other unallocated assets				**2,295,046**
Total assets				**33,812,886**
Segment liabilities	**2,518,146**	**350,895**	**594,994**	**3,464,035**
Reconciliation:				
Corporate and other unallocated liabilities				**13,584,943**
Total liabilities				**17,048,978**
Other segment information				
Capital expenditure*	**1,757,693**	**114,857**	**40,983**	**1,913,533**
Investments in associates	**282,872**	**—**	**—**	**282,872**
Investment in a joint venture	**—**	**119,979**	**—**	**119,979**
Impairment losses recognised in the statement of profit or loss	**347,655**	**55,791**	**9,317**	**412,763**
Share of profits/(losses) of				
- Associates	**4,274**	**—**	**—**	**4,274**
- A joint venture	**—**	**9,750**	**—**	**9,750**
Depreciation and amortisation	**801,048**	**97,747**	**17,539**	**916,334**
Fair value (loss)/gain on equity investments at fair value through profit or loss	**(1,178)**	**—**	**2,216**	**1,038**

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

Year ended 31 December 2016

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenue from external customers	6,070,825	542,899	51,061	6,664,785
Segment results	1,186,536	(6,865)	(75,211)	1,104,460
Reconciliation:				
Interest income				160,067
Finance costs				(465,083)
Profit before tax				799,444
Segment assets	27,485,399	2,200,906	1,049,015	30,735,320
Reconciliation:				
Corporate and other unallocated assets				2,228,339
Total assets				32,963,659
Segment liabilities	2,996,618	253,880	1,013,098	4,263,596
Reconciliation:				
Corporate and other unallocated liabilities				14,564,846
Total liabilities				18,828,442
Other segment information				
Capital expenditure*	2,082,535	64,172	4,301	2,151,008
Investments in associates	289,638	—	—	289,638
Investment in a joint venture	—	120,229	—	120,229
Impairment losses recognised in the statement of profit or loss	261,568	(14)	10,429	271,983
Share of profits/(losses) of				
- Associates	7,622	—	—	7,622
- A joint venture	—	(1,628)	—	(1,628)
Depreciation and amortisation	763,498	71,331	8,690	843,519
Fair value loss on equity investments at fair value through profit or loss	(6,817)	—	(1,737)	(8,554)

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

Geographical information

As over 96% 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 RMB5,275,094,000 (79% of the total sales) (2016: RMB4,894,643,000, 73% of the total sales) was derived from sales by the gold operations segment to a single customer.

3. REVENUE, OTHER INCOME AND GAINS

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

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods:		
Gold	**5,952,639**	5,828,045
Copper	**604,197**	486,493
Silver	**62,342**	278,992
Sulphur	**36,401**	41,318
Other by-products	**104,940**	81,487
Rendering of services:		
Processing of gold and silver	**60,072**	32,992
Others	**30,825**	51,761
	6,851,416	6,801,088
Less:		
Government surcharges	**(177,417)**	(136,303)
Revenue	**6,673,999**	6,664,785
Other income and gains		
Interest income	**56,971**	160,067
Government grants	**71,351**	96,274
Sales of auxiliary materials	**74,173**	72,635
Gain on settlement of commodity derivative contracts	**26,953**	—
Others	**25,112**	30,927
Other income and gains	**254,560**	359,903

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**182,505**	241,654
Interest on corporate bonds	**105,905**	176,221
Interest on gold leasing business	**207,646**	112,423
Interest on short-term bonds	**37,803**	69,961
Subtotal	**533,859**	600,259
Less: Interest capitalised	**(104,138)**	(139,122)
Incremental interest on provisions and other long-term liabilities	**3,253**	3,946
Total	**432,974**	465,083

5. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**4,039,470**	3,935,465
Staff costs (including Directors' remuneration):		
Wages and salaries	**672,620**	634,196
Share-based payment expense	**—**	105,600
Defined contribution fund:		
– Retirement costs	**123,902**	130,512
– Other staff benefits	**96,160**	88,903
Total staff costs	**892,682**	959,211

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**2,800**	2,800
Amortisation of prepaid land lease payments	**20,218**	18,166
Amortisation of other intangible assets	**76,556**	63,901
Depreciation of property, plant and equipment	**819,560**	761,452
Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, prepaid land lease payments and other long-term assets	**42,682**	174,104
Operating lease rentals	**15,900**	12,576
Provision for impairment of receivables	**66,130**	3,516
Impairment loss on prepaid land lease payments	**94**	7,214
Impairment loss on available-for-sale investments	**—**	200
Impairment loss on assets of a disposal group classified as held for sale	**—**	20,248
Impairment loss on property, plant and equipment	**62,861**	192,473
Impairment loss on other intangible assets	**31,140**	31,325
Impairment loss on goodwill	**95,966**	—
Impairment loss on inventories	**113,455**	11,847
Impairment loss on loans receivable	**43,117**	5,160
Fair value (gain)/loss, net:		
– Equity investments at fair value through profit or loss	**(1,038)**	8,554
Loss on settlement of commodity derivative contracts	**1,741**	162,099
Gain on gold leasing business	**—**	(533)
(Gain)/loss on disposal of equity investments at fair value through profit or loss	**(25,915)**	12,615
Loss on disposal of a subsidiary	**493**	—
Gain on bargain purchase	**(2,118)**	—

6. INCOME TAX EXPENSE

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

Provision for Mainland China current income tax is based on the statutory rate of 25% (2016: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for the five High and New Technology Enterprises and four western-region-development enterprises of the Group in Mainland China, which are taxed at a preferential rate of 15%. Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2017	2016
	RMB'000	*RMB'000*
Current – Hong Kong	**—**	—
Current – Mainland China		
– Charge for the year	**123,446**	388,235
Deferred tax	**10,709**	(22,310)
Total tax charge for the year	**134,155**	365,925

7. DIVIDEND

	2017	2016
	RMB'000	*RMB'000*
Ordinary:		
Proposed final – RMB0.06 per share (2016: RMB0.04 per share)	**193,242**	118,633

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.06 per share (tax included) (2016: RMB0.04 per share (tax included)).

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,155,675,000 (2016: 2,965,827,000) in issue during the year.

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

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

	2017	2016
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**643,951**	353,322

	Number of shares	
	2017	2016
	RMB'000	*RMB'000*
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earningsper share calculations	**3,155,675**	2,965,827
Effect of dilution – weighted average number of ordinary shares:		
– Employee Shares Subscription Plan	**—**	22,732
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**3,155,675**	2,988,559
Basic earnings per share (RMB)	**0.20**	0.12
Diluted earnings per share (RMB)	**0.20**	0.12

9. TRADE AND NOTES RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**45,770**	270,167
Notes receivable	**190,537**	11,048
	236,307	281,215

An aging analysis of the trade receivables, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**33,305**	252,355
1 to 2 years	**527**	7,296
2 to 3 years	**7,161**	13,842
Over 3 years	**14,352**	755
	55,345	274,248
Less: provision for impairment of trade receivables	**(9,575)**	(4,081)
	45,770	270,167

Trade and notes receivables are non-interest-bearing. As 79% (2016: 73%) of the sales of the Group for the year ended 31 December 2017 were made through the Shanghai Glod Exchange without specific credit terms, there were no significant receivables that were overdue or impaired.

10. TRADE AND NOTES PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**426,637**	376,311
Notes payable	**18,946**	13,550
	445,583	389,861

As at 31 December 2017, the balance of trade and notes payables mainly represents the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

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

	2017	2016
	RMB'000	*RMB'000*
Within one year	**407,673**	355,253
Over one year but within two years	**28,270**	19,449
Over two years but within three years	**1,858**	9,322
Over three years	**7,782**	5,837
	445,583	389,861

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Year

Gold Output

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

Copper Output

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

Revenue

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

Net Profit

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

Earnings Per Share

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

Distribution Proposal

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

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

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

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

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

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 19 June 2018. Individual H Shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between countries where the individual H Shareholders reside in and China and the bilateral tax treaties between mainland China and Hong Kong or Macau. The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries which have bilateral tax treaties with China for 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) (《國家稅務總局關於印發<非居民享受稅收協議待遇管理辦法 (試行) >的通知》(國稅發[2009]124號)). For individual H Shareholders who are residents of those countries having bilateral tax treaties with China for 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, 19 June 2018. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 19 June 2018 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual Shareholders, on or before 4:30 p.m. on Wednesday, 13 June 2018. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

Market Overview

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

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

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

Business Review

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

In 2017, the Company paid close attention to production and operation, strengthened the production organization and scheduling and broke through various difficulties and constraints, thereby delivering remarkable operational results. As a result, the Company recorded operating revenue of RMB6.674 billion and net profit of RMB754 million, up by 0.14% and 73.93% on a year-on-year basis respectively; the total output of gold amounted to 33,742.11 kg (approximately 1,084,833.19 ozs), of which 20,301.39 kg (approximately 652,704.39 ozs) of gold was mined; and 13,440.72 kg (approximately 432,128.80 ozs) of gold was smelted and processed. The key mining business of the Company continued to grow in scale and strengthen. The output of gold of Xiadian Gold Mine and the Zaozigou Gold Mine both exceeded 100,000 ozs, ranked among "China Top Ten Gold Production Mines". The output of gold of Dayingezhuang Gold Mine, Fengning Jinlong and Yuantong Mining all exceeded 1 ton. What's more, the Company's major mines located in Xinjiang, Gansu, Inner Mongolia and other mining bases have become major tax payers in their respective region. The Company increased its efforts in geological prospecting and management with a total investment of RMB139 million in geological prospecting, resulting in an additional output of 60,537 kg of gold metal. According to the standards set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), the Company's gold resources amounted to 1,251.77 tons (approximately 40,245,300 ozs), and the mineable reserves amounted to 528.14 tons (approximately 16,980,000 ozs).

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

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

Topic of the "Technology for Hierarchical Separation, Enrichment and Sanitisation of Sulfur, Iron and Gold from Cyanide Tailings" successfully passed the inspection, and the industry standards of the "Temperature Measurement for Primitive Rocks of Gold Mines" and the "Technical Specifications for the Balance of Gold Metal in Mill Run and Smelting – Chloridizing Roasting Techniques", the preparation of which was led by the Company, were successfully passed the review by the National Technical Committee on Gold of Standardization Administration of China. In addition, The Company extensively carried out six competitions with the theme of heralding and championing throughout the Company. With the in-depth launch of the cost-effective competition, the on-site management competition, the basic management competition, the overcoming difficulties competition, the safe, environmental and ecological development competition, and the hand-in-hand service competition, the development vitality and comprehensive competitiveness of the Company were significantly improved.

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

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

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

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

Financial Analysis

Revenue

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Income and Gains

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

Selling and Distribution Costs

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

Administrative and Other Expenses

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

Finance Costs

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

Income Tax Expenses

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

Profit Attributable to Owners of the Parent

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

Liquidity and Capital Resources

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

Cash Flows and Working Capital

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

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

Borrowings

As at 31 December 2017, the Group had outstanding bank loans, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through SGE) of approximately RMB11,399,261,000 (2016: RMB11,971,906,000), of which approximately RMB10,779,923,000 (2016: RMB10,884,200,000) shall be repaid within one year, approximately RMB619,338,000 (2016: RMB1,087,706,000) shall be repaid within two to five years, and approximately RMB0 (2016: RMB0) shall be repaid after five years. As at 31 December 2017, the Group had outstanding corporate bonds of approximately RMB0, which will be repaid in one year (2016: RMB1,198,071,000) and approximately RMB1,794,964,000 (2016: RMB945,101,000), which shall be repaid within two to five years. The decrease in the Group's borrowings during the Year was mainly because the Company adjusted its capital structure proactively this year and settled part of its borrowings, which reduced the financial risk of the Group.

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

Gearing Ratio

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

Market Risks

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

Gold Prices and Other Commodities Prices Risks

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

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

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

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

Interest Rate Risk

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

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

Foreign Exchange Risk

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

Risk of change in industry policies

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

Pledge

As at 31 December 2017, except for the following assets pledged for the bank borrowings and notes payable of the Group, the Group has not pledged any assets: (1) property, plant and equipment, prepaid land lease payments with net carrying amount of approximately RMB0 (31 December 2016: RMB43,239,000); (2) pledged deposits of RMB17,710,000 (31 December 2016: RMB76,589,000).

Business Outlook

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

Strengthen the production organization and scheduling to enhance total factor productivity

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

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

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

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

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

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

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

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

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

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

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

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

On 25 October 2016, funding for this ESSP was in place and the operation of the related Asset Management Plan started officially on the same date.

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

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

CONNECTED TRANSACTIONS

For details of other connected transactions of the Company, please refer to the annual report for the year ended 31 December 2017 to be published by the Company.

SIGNIFICANT EVENTS

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

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

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

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

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

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

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

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

   The proposal was approved at the Class Meetings.

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

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

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

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

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

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

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

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

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

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

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

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

6. **Issue of Renewable Corporate Bonds**

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

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

7. Issue of Corporate Bonds

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

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

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

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

8. Placing of new H Shares under general mandate

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

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

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

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

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

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

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

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

DETAILS OF SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END

1. **Termination of the acquisition by the Joint Venture Company**

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

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

2. **Changes in Composition of the Board**

The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of an executive director, the chairman of Safety and Environmental Protection Committee, the president and the authorized representative of the Company, Mr. Cong Jianmao resigned from the position of an executive director, member of Nomination and Remuneration Committee and Safety and Environment Protection Committee, and Mr. Li Shousheng resigned from the position of a non-executive director, member of Strategic Committee and Geological and Resources Management Committee due to re-allocation of their work arrangement; Mr. Liang Xinjun resigned from being the vice chairman of the fifth session of the Board, a non-executive Director and a member of Nomination and Remuneration Committee due to health reason, Their resignations are all with effect from 6 March 2018. Mr. Li

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

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

3. Changes in Supervisors

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

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

4. Changes in Senior Management

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

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

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

5. Issue of Corporate Bonds

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

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

PRE-EMPTIVE RIGHTS

There is no provision or regulation for pre-emptive rights under the Company's 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

For details of the Corporate Governance Report, please refer to the annual report to be dispatched to Shareholders in due course.

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 that, after making specific enquiries with all directors and supervisors, all directors and supervisors have fully complied with the standards required according to the Model Code 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 one Non-executive Director and two 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 which have been agreed by the Company's auditor, and is of the view that the Group's audited consolidated financial statements for the Year are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CLOSURE OF THE REGISTER OF MEMBERS

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

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

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

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2017 AGM will be held on Friday, 8 June 2018. The notice of 2017 AGM will be dispatched to the Shareholders as soon as possible. The Group's annual report for the Year will be dispatched to the Shareholders in due course.

Notes:

1. This annual results announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.zhaojin.com.cn).

2. As at the date of this announcement, the members of the Board include: Executive Directors: Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang; Non-executive Directors: Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Yao Ziping and Mr. Gao Min; Independent Non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu.

By the order of the Board
Zhaojin Mining Industry Company Limited*
Weng Zhanbin
Chairman

Zhaoyuan, the PRC, 16 March 2018

* *For identification purpose only*