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 2019

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the Group's revenue was approximately RMB6,329,928,000 (2018: RMB7,177,057,000), representing a decrease of approximately 11.80% as compared to the previous year.

For the year ended 31 December 2019, the Group's net profit was approximately RMB438,235,000 (2018: RMB576,303,000), representing a decrease of approximately 23.96% as compared to the previous year.

For the year ended 31 December 2019, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.15 and RMB0.15, respectively (2018: RMB0.15 and RMB0.15, respectively), representing no change when compared to the previous year.

For the year ended 31 December 2019, the profit attributable to owners of the parent was approximately RMB479,270,000 (2018: RMB474,287,000), representing an increase of approximately 1.05% as compared to the previous year.

The Board proposed the payment of a cash dividend of RMB0.04 (tax included) per share (2018: RMB0.04 (tax included)) to all Shareholders.

The board (the "Board") of directors (the "Directors") 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 2019 (the "Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	3	**6,329,928**	7,177,057
Cost of sales		**(4,039,965)**	(4,694,849)
Gross profit		**2,289,963**	2,482,208
Other income and gains	3	**497,525**	440,070
Selling and distribution expenses		**(55,782)**	(55,584)
Administrative expenses		**(955,612)**	(941,521)
Impairment losses on financial assets		**(27,512)**	(38,535)
Other expenses		**(442,900)**	(672,911)
Finance costs	4	**(662,180)**	(480,525)
Share of profits and losses of:			
Associates		**7,453**	6,195
Joint ventures		**(55,268)**	17,306
PROFIT BEFORE TAX	5	**595,687**	756,703
Income tax expense	6	**(157,452)**	(180,400)
PROFIT FOR THE YEAR		**438,235**	576,303
Attributable to:			
Owners of the parent		**479,270**	474,287
Non-controlling interests		**(41,035)**	102,016
		438,235	576,303
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	8	**0.15**	0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**438,235**	576,303
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**35,245**	1,005
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**35,245**	1,005
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement of post-employment benefit obligations	**2,608**	1,381
Income tax effect	**(652)**	(345)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**–**	(28,960)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**1,956**	(27,924)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**37,201**	(26,919)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**475,436**	549,384
Attributable to:		
Owners of the parent	**517,277**	445,692
Non-controlling interests	**(41,841)**	103,692
	475,436	549,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**14,988,626**	14,221,347
Right-of-use assets		**768,088**	–
Prepaid land lease payments		**–**	683,906
Goodwill		**666,179**	693,434
Other intangible assets		**9,603,768**	9,399,297
Investments in joint ventures		**173,954**	172,416
Investments in associates		**718,584**	678,125
Financial assets measured at amortised cost		**400,994**	241,753
Deferred tax assets		**163,052**	147,827
Loans receivable		**252,525**	–
Long-term deposits		**22,312**	72,882
Other long-term assets		**496,281**	589,864
Total non-current assets		**28,254,363**	26,900,851
CURRENT ASSETS			
Inventories		**4,310,373**	4,190,556
Trade and notes receivables	9	**142,447**	145,497
Prepayments, other receivables and other assets		**591,874**	657,929
Financial assets at fair value through profit or loss		**554,642**	598,007
Pledged deposits		**278,303**	352,756
Loans receivable		**2,611,471**	1,898,284
Cash and cash equivalents		**3,508,307**	1,143,299
Total current assets		**11,997,417**	8,986,328

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
CURRENT LIABILITIES			
Trade and notes payables	*10*	**368,166**	524,515
Other payables and accruals		**1,770,923**	1,707,054
Interest-bearing bank and other borrowings		**8,386,684**	8,365,787
Corporate bonds		**508,629**	–
Tax payable		**108,189**	64,705
Provisions		**9,616**	14,525
Deposits from customers		**1,223,619**	1,002,015
Current portion of other long-term liabilities		**159,368**	125,000
Total current liabilities		**12,535,194**	11,803,601
NET CURRENT LIABILITIES		**(537,777)**	(2,817,273)
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,716,586**	24,083,578
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**388,490**	236,630
Corporate bonds		**9,170,130**	6,098,697
Lease liabilities		**41,085**	–
Deferred tax liabilities		**361,400**	361,989
Deferred income		**250,505**	305,238
Provisions		**50,506**	62,941
Other long-term liabilities		**91,612**	210,518
Total non-current liabilities		**10,353,728**	7,276,013
Net assets		**17,362,858**	16,807,565
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,270,393**	3,220,696
Perpetual capital instruments		**2,664,600**	2,664,600
Reserves		**8,014,594**	7,413,181
		13,949,587	13,298,477
Non-controlling interests		**3,413,271**	3,509,088
Total equity		**17,362,858**	16,807,565

NOTES

1.1 BASIS OF PREPARATION

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

As at 31 December 2019, the Group had net current liabilities of RMB537,777,000 (2018: RMB2,817,273,000). 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 2019, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period, accordingly, these financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including structured entities), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land use rights and buildings. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used hindsight in determining the lease term where the contract contains options to extend/terminate the lease as elective practical expedients when applying HKFRS 16 at 1 January 2019.

Financial impacts at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	**750,483**
Increase in deferred tax assets	**652**
Decrease in prepaid land lease payments	**(683,906)**
Decrease in other long-term assets	**(5,219)**
Increase in total assets	**62,010**
Liabilities	
Increase in lease liabilities	**47,021**
Increase in other payables and accruals	**18,071**
Increase in total liabilities	**65,092**
Decrease in retained earnings	**3,082**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	72,226
Weighted average incremental borrowing rate as at 1 January 2019	4.90%
Discounted operating lease commitments as at 1 January 2019	65,092
Lease liabilities as at 1 January 2019	65,092

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group has assessed whether it has any uncertain tax position arising from uncertain interest and penalty. After assessment by the Group's tax compliance, it is concluded that the interpretation did not have any significant impact on the financial position or performance of the Group.

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 3	*Definition of a Business*[1]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 No mandatory effective date yet determined but available for adoption

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;

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

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

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, corporate bonds, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

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

Year ended 31 December 2019

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

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

Year ended 31 December 2018

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

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

Geographical information

As over 91% of the assets of the Group were located in Mainland China and almost all of the sales were made to customers in Mainland China, no further geographical segment information has been presented.

Information about a major customer

Revenue of approximately RMB4,441,113,000 (70% of the total sales) (2018: RMB5,089,492,000, 71% of the total sales) was derived from sales by the gold operations segment to a single customer.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**6,523,301**	7,375,881
Less:		
Government surcharges	**(193,373)**	(198,824)
	6,329,928	7,177,057

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

	RMB'000
Type of goods or services	
Sale of gold	5,519,743
Sale of copper	464,631
Sale of silver	124,551
Sale of sulphur	38,692
Sale of other by-products	246,997
Rendering of processing services	73,396
Others	55,291
Less:	
Government surcharges	(193,373)
Total revenue from contracts with customers	6,329,928
Timing of revenue recognition	
Goods transferred at a point in time	6,394,614
Services transferred over time	128,687
Less:	
Government surcharges	(193,373)
Total revenue from contracts with customers	6,329,928

For the year ended 31 December 2018

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

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

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**100,273**	220,384
Others	**2,545**	1,399
	102,818	221,783

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

(b) Performance obligations

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

Sale of goods

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

Processing and other services

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

At 31 December 2019, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**175,503**	100,125
Government grants	**62,889**	75,488
Sales of auxiliary materials	**89,654**	82,386
Gain on settlement of financial instruments	**61,990**	23,791
Fair value gains on financial assets at fair value through profit or loss	**77,434**	81,017
Gain on repayment of gold for gold leasing business	**18,151**	–
Exchange gain	**–**	60,171
Others	**11,904**	17,092
	497,525	440,070

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**109,235**	178,230
Interest on corporate bonds	**404,266**	193,742
Interest on gold leasing business	**175,924**	236,038
Interest on short-term bonds	**77,943**	6,824
Interest on lease liabilities	**1,885**	–
Subtotal	**769,253**	614,834
Less: Interest capitalised	**(109,891)**	(137,435)
Incremental interest on provisions and other long-term liabilities	**2,818**	3,126
Total	**662,180**	480,525

5. PROFIT BEFORE TAX

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

	2019 *RMB'000*	2018 *RMB'000*
Cost of inventories sold and services provided	**4,039,965**	4,694,849
Staff costs (including Directors' remuneration):		
Wages and salaries	**749,245**	751,620
Defined contribution fund:		
– Retirement costs	**148,988**	141,945
– Other staff benefits	**102,986**	93,615
Total staff costs	**1,001,219**	987,180
Auditor's remuneration	**3,300**	2,970
Depreciation of right-of-use assets (2018: Amortisation of land lease payments)	**42,461**	20,852
Amortisation of other intangible assets	**116,354**	134,471
Depreciation of property, plant and equipment	**862,141**	861,598
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	**4,471**	12,028
Provision for impairment of receivables	**5,283**	15,639
Impairment loss on right-of-use assets	**1,606**	–
Impairment loss on property, plant and equipment	**26,194**	159,938
Impairment loss on other intangible assets	**72,844**	350,738
Impairment loss on goodwill	**62,211**	86,497
Impairment loss on construction in progress	**19,989**	388
Impairment reversal on inventories	**(8,650)**	(85,547)
Impairment loss on loans receivable	**22,230**	22,896
Fair value gain, net:		
– Equity investments at fair value through profit or loss	**(77,434)**	(81,017)
Loss/(gain) on settlement of commodity derivative contracts	**121,003**	(23,791)
Gain on settlement of gold leasing business	**(18,151)**	–
(Gain)/loss on disposal of equity investments at fair value through profit or loss	**(61,990)**	23,505
Gain on derecognition of financial assets at amortised cost	**(1,497)**	–
Loss on disposal of subsidiaries	**2,745**	–
Gain on bargain purchase*	**(233)**	–

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

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 current income tax in Mainland China is based on the statutory rate of 25% (2018: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain high and new technology enterprises and western-region-development enterprises of the Group in Mainland China, which are taxed at a preferential rate of 15%. Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
Current – Hong Kong	**–**	–
Current – Mainland China		
– Charge for the year	**196,954**	187,246
Deferred tax	**(39,502)**	(6,846)
Total tax charge for the year	**157,452**	180,400

7 DIVIDEND

	2019	2018
	RMB'000	*RMB'000*
Ordinary:		
Proposed final – RMB0.04 per share (2018: RMB0.04 per share)	**130,816**	128,828

The board of directors recommended a cash dividend to all shareholders on the basis of RMB0.04 per share (tax included) (2018: 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 3,221,376,000 (2018: 3,220,696,000) in issue during the year.

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

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

	2019	2018
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**479,270**	474,287
	Number of shares	
	2019	2018
	'000	*'000*
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,221,376**	3,220,696
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**3,221,376**	3,220,696
Basic earnings per share *(RMB)*	**0.15**	0.15
Diluted earnings per share *(RMB)*	**0.15**	0.15

9. TRADE AND NOTES RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**132,867**	116,514
Notes receivable	**27,138**	40,288
Impairment	**(17,558)**	(11,305)
	142,447	145,497

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

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**92,493**	96,024
1 to 2 years	**18,528**	4,404
2 to 3 years	**1,809**	152
Over 3 years	**20,037**	15,934
	132,867	116,514
Less: Impairment of trade receivables	**(17,558)**	(11,305)
	115,309	105,209

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**11,305**	9,575
Addition as result of acquisition of subsidiaries	**9,931**	–
Impairment (reversal)/losses	**(3,014)**	1,730
Amount written off as uncollectible	**(664)**	–
At end of year	**17,558**	11,305

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

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

As at 31 December 2019

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

As at 31 December 2018

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

Trade and notes receivables are non-interest-bearing. As 70% (2018: 71%) of the sales of the Group for the year ended 31 December 2019 were made through the Shanghai Gold Exchange (SGE) without specific credit terms, there were no significant receivables that were overdue or impaired.

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

	2019 *RMB'000*	2018 *RMB'000*
Amounts due from related parties:		
– Zhaojin Group	**8,816**	1,562
– Subsidiaries of Zhaojin Group	**22,679**	18,471
– Associates of Zhaojin Group	**84**	11
	31,579	20,044

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

10. TRADE AND NOTES PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**324,109**	367,885
Notes payable	**44,057**	156,630
	368,166	524,515

At 31 December 2019, the balance of trade and notes payables mainly represented the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

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

	2019	2018
	RMB'000	*RMB'000*
Within one year	**289,344**	465,410
Over one year but within two years	**50,021**	43,961
Over two years but within three years	**17,742**	9,341
Over three years	**11,059**	5,803
	368,166	524,515

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

	2019	2018
	RMB'000	*RMB'000*
Amounts due to related parties:		
– Subsidiaries of Zhaojin Group	**237**	19,883
– Associates	**7,397**	–
	7,634	19,883

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Year

Gold output

For the Year, the Group's total output of gold amounted to 32,696.38 kg (approximately 1,051,212.24 ozs), representing a decrease of approximately 4.32% as compared to the previous year. Among which, 19,768.11 kg (approximately 635,559.02 ozs) of gold was mine-produced gold, representing a decrease of approximately 5.12% as compared to the previous year, and 12,928.26 kg (approximately 415,652.90 ozs) was smelted and processed gold, representing a decrease of approximately 3.07% as compared to the previous year.

Copper output

For the Year, the Group's total output of content copper amounted to 11,142.00 tons, representing a decrease of approximately 32.16% as compared to the previous year.

Revenue

For the Year, the Group's revenue was approximately RMB6,329,928,000 (2018: RMB7,177,057,000), representing a decrease of approximately 11.80% as compared to the previous year.

Net profit

For the Year, the Group's net profit was approximately RMB438,235,000 (2018: RMB576,303,000), representing a decrease of approximately 23.96% as compared to the previous year. The decrease in net profit was primarily due to the decrease in gross profit.

Earnings per share

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.15 and RMB0.15, respectively (2018: RMB0.15 and RMB0.15, respectively), representing no change compared to the previous year.

Distribution Proposal

The Board proposed the payment of a cash dividend of RMB0.04 (tax included) per share (2018: RMB0.04 (tax included)) to 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 "2019 AGM"), which will be held on Friday, 5 June 2020.

If the distribution proposal is approved at the 2019 AGM, it is expected that the final dividend for the Year will be paid on or before Tuesday, 30 June 2020 to the Shareholders whose names appear on the register of members of the Company on Monday, 15 June 2020.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold and pay the corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company on Monday, 15 June 2020.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 15 June 2020. Individual H Shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between countries where the individual H Shareholders reside in and China and the bilateral tax treaties between mainland China and Hong Kong or Macau. The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries which have bilateral tax treaties with China for individual income tax rate in respect of dividend of 10%. For individual H Shareholders who are residents of those countries that entered into agreements with China for individual income tax rates in respect of dividend of lower than 10%, the Company will make applications on their behalf for entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家税務總局關於印發<非居民享受税收協議待遇管理辦法（試行）>的通知》（國税發[2009]124號）). For individual H Shareholders who are residents of those countries having bilateral tax treaties with China for individual income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H Shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for individual income tax in respect of dividend of 20% and for other situations, the Company would withhold and pay the individual income tax at a tax rate of 20%.

In accordance with the PRC Tax Law, the Company has an obligation to withhold and pay the corporate income tax and individual income tax for payment of the final dividend to non-resident enterprises and individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 15 June 2020. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 15 June 2020 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual Shareholders, on or before 4:30 p.m. on Thursday, 11 June 2020. 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 2019, central banks across the world, with the Federal Reserve at the forefront, began to lower interest rates and launch monetary easing policies. In such a circumstance intensified by China-US trade tensions, the risk aversion sentiment stimulated global gold price to rise significantly from the level in 2018. The global gold price opened at US$1,282.59/oz and closed at US$1,517.18/oz, once hitting the high of US$1,557.10/oz and the low of US$1,266.10/oz and recording an average of US$1,392.60/oz for the entire year. The global gold price kept fluctuating within the range of US$1,260-1,350/oz in the first half of the Year. As the Federal Reserve began to lower the interest rate and the China-US trade tension escalated, the gold price began to increase significantly to the year high in the third quarter, and then slightly declined during the period from September to November. The gold price was supported at US$1,440/oz and maintained the trend of fluctuating at high levels. In the end of the Year, the gold price gradually rebounded to US$1,500/oz and above. The 9995 gold traded on the Shanghai Gold Exchange (the "SGE") opened at RMB283.80/g, once hit the high of RMB360/g and the low of RMB251.35/g, and then closed at RMB342.70/g, recording the average of RMB307.92/g for the whole year and increasing by 13.37% on a year-on-year basis.

The data from the China Gold Association showed that China's gold output amounted to 380.23 tons in 2019. While the output decreased by 5.21% on a year-on-year basis, China still ranked first in the world for the 13th consecutive year.

Business Review

Greatly Implementing "Three Ones" Program and Continuously Building New Strength Through Deepening Internal Reform

In 2019, facing the trend of having increasingly strict macro policies in the mining industry, the Company adhered to the "double H" development strategy in order to implement the "one increase, one decrease, one advantage" program (i.e. "Three Ones" program) as the main direction, promoted reform and innovation while maintaining steady development, and therefore achieved new progress in the principal businesses in midst of adversity. One of the efforts was to enhance existing strength to boost production. As the Company prioritised the allocation of advantageous resources to its key mines, Xiadian Gold Mine, Dayingezhuang Gold Mine, and Jinchiling Gold Mine became strong engines for the Company's performance growth. The Company accumulated 32,696.38 kg of total gold output (approximately 1,051,212.24 ozs) and 19,768.11 kg of mine-produced gold (approximately 635,559.02 ozs). The second was to optimise continuity of storage. The Company persisted in improving itself both internally and externally. It greatly expanded resource storage through enhancing mine exploration for increasing reserves. It invested a total of RMB85 million in geological exploration, resulting in additional output of 21.08 tons of gold metal and additional output of 2,195.85 tons of copper metal. As at the end of the Year, the Company's gold resource reserves amounted to 1,226.50 tons, and the mineable reserves were 499.73 tons. Meanwhile, the Company steadily promoted mineral resource development both domestically and overseas. With survey conducted on 41 projects in total for the Year, the Company participated in the integration and development of domestic projects and accelerated its overseas expansion, thereby advancing the implementation of "double H" strategy. The third was to dispose of entities with low-efficiency to streamline organization structure. The Company accelerated the company-wide compression of hierarchies, further optimising the Company's management structure.

Focusing on "Double Focus" Construction and Continuing to Realise High-quality Operational Efficiency

In 2019, the Company focused closely on development priorities and difficulties, and accelerated the "Major Projects and Key Works" in accordance with the standard requirements of improving quality and efficiency and increasing development speed. The Company cumulatively invested RMB622 million in capital construction and technical innovation for the entire Year. In particular, 12 major projects in key mines including Xiadian Gold Mine, Dayingezhuang Gold Mine, Zaozigou Gold Mine and Tonghui Mining all achieved their annual plans ahead of schedule. Ruihai Mining obtained the restricted mining zone permit from the Ministry of Natural Resources, which was a key step for accelerating the application procedures of mining permit. Adhering to the bottom line of operating in compliance with laws, the Company applied for and renewed 22 permits in total for the entire Year. With respect to technology innovation, the Company had 40 technical innovation projects throughout the Year and invested a total of RMB24 million. It had 92 patent applications and 84 licensed patents. New progress was made in major scientific researches that were closely related to the Company's development, including the experimental study on mining method, the deep exploration of ventilation system, and experimental study on mining method on the comprehensive utilization of tailings. In the meantime, the intelligent mine project successfully passed the acceptance of Department of Science & Technology of Shandong Province and was rated excellent in the overall conclusion. The Company promoted the application of 186 items under the "four new technologies" and made new achievements in the transformation to mechanization, automation, digitalization and mine intelligence. In addition, with respect to industry and financing integration, the Company successfully issued the first tranche of US$300 million bonds, making the first achievement in overseas financing. The non-public issuance was completed with the acquisition of three companies, namely Shandong Zhaojin Geology Exploration Company Limited* (山東招金地質勘查有限公司), Shandong Goldsoft Technology Company Limited* (山東金軟科技股份有限公司) and Zhaoyuan Gold Supplies Centre Company Limited* (招遠市黃金物資供應中心有限公司). All of these further improved to the industry synergy.

Firmly Building the Base of Green Mining Development and Conscientiously Undertaking Corporate Social Responsibilities

In 2019, the Company conscientiously undertook its responsibilities in ensuring safety and environmental protection. By adhering to the safety redline and the environmental protection bottom line, further enhancing the zoning management, leading the gold mines of the whole province by the Dual Prevention Systems, the Company witnessed steady improvement in safety and environmental management. The Company withdrew RMB150 million of safety funds in total for improving staff's working environment and promoting the development of four new technologies, and the coverage of the construction of safety and health management system reached 100%. The Company invested RMB82.85 million of environmental protection funds in total throughout the Year, sourced RMB3.6 million of environmental protection support funds, and rolled out strict measures to eliminate the emissions of various pollutants. With the construction of "Lucid Waters and Lush Mountains Program" as the core, the Company further added 46.3 hectares of afforestation areas throughout the Year and recorded 13 national green mines and 3 national green plants in total.

Deepening the "Five-Excellence" Competition and Consolidating the Foundation of Internally-driven Development

In 2019, the Company deepened the five-excellence competition highlighting "excellent performance, superior management, innovative advantages, beautiful environment, and team optimization", and built an environment that is ripe for sustaining growth, tackling problems, improving profit and benchmarking. Through internal recruitment and joint training programs, 34 outstanding talents from the headquarters participated in exchange activities and achieved development and growth, four sessions of limited 100-place training program launched in the Gold College were successfully held; and the preliminary preparation for "Three Squads • 100-Talent Program" has been completed. As a result, the Company injected vitality into its talent pool. Led by the Party building and corporate culture, the Company launched a variety of excellence themed activities, which greatly contributed to guiding the social ethos, educating staff, building brand image and promoting development. With the further advancement of "Ten Pro-people Projects" and the support of staff mutual funds and three-tier assisting system, the Company cumulatively granted RMB1.65 million of relief funds, and staff had improved their sense of achievement and sense of well-being.

Financial Analysis

Revenue

For the Year, the Group's revenue was approximately RMB6,329,928,000 (2018: RMB7,177,057,000), representing a decrease of approximately 11.80% (2018: an increase of approximately 7.54%) as compared to the previous year. The decrease was mainly due to the decrease in volumes of sales of gold by the Group during this year.

Cost of sales

For the Year, the Group's cost of sales was approximately RMB4,039,965,000 (2018: RMB4,694,849,000), representing a decrease of approximately 13.95% (2018: an increase of approximately 16.22%) as compared to the previous year. The decrease was primarily attributable to the decrease in the sales of gold by the Group this year.

Gross profit and gross profit margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB2,289,963,000 (2018: RMB2,482,208,000) and approximately 36.18% (2018: 34.59%), respectively, representing a decrease in gross profit of approximately 7.74% (2018: a decrease of approximately 5.78%) and an increase in gross profit margin of approximately 4.60% (2018: a decrease of approximately 4.89%), respectively, as compared to the previous year. The decrease in gross profit was primarily due to the decrease in sales of gold whilst there was an increase in unit cost of sales of the Group during this year.

Other income and gains

During the Year, the Group's other income and gains were approximately RMB497,525,000 (2018: RMB440,070,000), representing an increase of approximately 13.06% (2018: an increase of approximately 72.87%) as compared to the previous year. The increase in other income and gains was mainly due to the increase in interest income.

Selling and distribution expenses

For the Year, the Group's selling and distribution expenses were approximately RMB55,782,000 (2018: RMB55,584,000), representing an increase of approximately 0.36% (2018: an increase of approximately 24.05%) as compared to the previous year, and basically remaining stable when compared to last year.

Administrative and other expenses

The Group's administrative and other operating expenses were approximately RMB1,426,024,000 during the Year (2018: RMB1,652,967,000), representing a decrease of approximately 13.73% (2018: an increase of approximately 7.53%) as compared to 2018. The decrease was primarily due to the decrease in impairment of long-term assets and goodwill of the Company.

Finance costs

For the Year, the Group's finance costs were approximately RMB662,180,000 (2018: RMB480,525,000), representing an increase of approximately 37.80% (2018: an increase of approximately 10.98%) as compared to 2018. The increase was mainly due to the increase in interest-bearing debt which were included in the profit and loss statement.

Income tax expenses

For the Year, the Group's income tax expenses decreased by approximately RMB22,948,000 as compared to the previous year. The decrease was primarily due to the effects of preferential tax for high and new technological enterprises which resulted in additional tax concessions enjoyed for 2018. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2018: 25%) on the taxable income (except for the High and New Technology Enterprises and western-region-development subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 26.43% during the Year (2018: 23.84%).

Profit attributable to owners of the parent

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB479,270,000, representing an increase of approximately 1.05% (2018: a decrease of approximately 26.35%) from approximately RMB474,287,000 in 2018.

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 RMB1,143,299,000 as at 31 December 2018 to approximately RMB3,508,307,000 as at 31 December 2019. The increase was mainly because the cash inflow from operating and financing activities of the Group was more than the net cash outflow of investing activities of the Group.

As at 31 December 2019, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB141,544,000 (2018: RMB95,549,000), those denominated in US dollars amounted to approximately RMB2,015,572,000 (2018: RMB27,023,000), those denominated in Australian dollars amounted to approximately RMB4,499,000 (2018: RMB0), those denominated in Kazakhstani tenge amounted to approximately RMB3,000 (2018: RMB8,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2019, the Group had outstanding bank loans, other borrowings and gold from gold leasing business (namely, the funds that were raised by the Group through leasing gold from bank and subsequently sold through SGE) of approximately RMB8,775,174,000 (2018: RMB8,602,417,000), of which approximately RMB8,386,684,000 (2018: RMB8,365,787,000) shall be repaid within one year, approximately RMB388,490,000 (2018: RMB236,630,000) shall be repaid within two to five years. As at 31 December 2019, the Group had outstanding corporate bonds of approximately RMB508,629,000, which shall be repaid in one year (2018: RMB0) and approximately RMB9,170,130,000 (2018: RMB6,098,697,000), which shall be repaid within two to five years. The increase in the Group's borrowings during the Year was mainly because the Company adjusted its debt structure during the Year.

As at 31 December 2019, bank loans are denominated in RMB. As at 31 December 2019, approximately 85.91% 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 2019, the gearing ratio of the Group was 46.26% (31 December 2018: 44.65%). As the Group's financing needs have increased this year, the gearing ratio has therefore increased.

Market risks

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

Gold prices and other commodities prices risks

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

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

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

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

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the cash and bank 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 international and local gold prices, which may therefore affect the Group's operating results. Fluctuations in the exchange rate may have an adverse effect on net assets of, the earnings of and any dividend declared by the Group in Hong Kong dollars. Separately, the Group has not entered into any hedging activities during the Year due to fluctuations in foreign exchange rate.

Risk of change in industry policies

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

Pledge

As at 31 December 2019, except for pledged deposits and the following assets pledged for the bank borrowings and notes payable of the Group, the Group has not pledged any assets: treasury bonds and China Development Bank bonds of RMB400,000,000 (31 December 2018: RMB0).

Business Outlook

In 2020, the Company will persist in its theme of "intensive development, synergistic growth, breakthrough", and deepen reform, overcome difficulties and foster innovation, and ensure the achievement of annual targets by focusing on the seizing of strategic window of opportunities, whilst aiming to strengthen and optimize core mining business and following the guideline of promoting further progress in the three major growth driver replacement projects of "one increase, one advantage, one decrease", in order to open up a new horizon of corporate construction that is "satisfactory to the four parties", namely the shareholders, government, staff and community.

Strengthening and Optimizing the Principal Business of Mining and Building Core Competitiveness to Support Strategic Development

In 2020, the Company will continue to enhance construction of infrastructure technical reform projects and improve the quality of capacity expansion and profit growth. It will focus on key projects that have far-reaching impact and are able to promote efficiency improvement and profit growth, and drive massive development with major projects. The Company has set a plan to realize an annual aggregate gold production of 32,374.7 kg (approximately 1,040,800 ozs), to attain 21.5 tons of increased gold resource reserves and 1,500 tons of increased copper metal reserves with an investment of RMB94.67 million, and to invest RMB818 million mainly in the "Two Key Priorities" projects and "Ten Major Projects" of 2020 including the construction of the mining and ore processing facilities of Ruihai Mining, the deep exploration projects of Xiadian Gold Mine, Dayingezhuang Gold Mine, Zhaojin North Xin Jian and Zaozigou Gold Mine and the ore treatment plant expansion project of Fengningjinlong, to ensure the accomplishment of the annual infrastructure construction tasks and that key mines would continuously release productivity and efficiency.

Devotedly Promoting Reform and Innovation and Cultivating Strong Momentum for High-quality Development

In 2020, the Company will strengthen efforts in building the three major systems to boost internal momentum for innovation-driven development. First, the Company will enhance the construction of human resource system. It will focus on people-oriented education and put greater efforts to build the talent pipeline. By building a three-tier talent development system covering high-end talent development, specialized professional development and corporate reserve talent development, the Company aims to enable talents to create greater value in practice and to improve quality in job rotations. Second, the Company will enhance construction of the technology innovation system. The Company plans to invest RMB116 million in technology innovation for the whole year to conduct 56 technology innovation projects. With the ten major innovation projects as a key note, it will focus resources on the safe and highly-efficient mining method of Dayingezhuang Gold Mine, optimization and upgrading of the transportation system at Xiadian Gold Mine and the construction of crumbly soft rock tunnels at Tonghui Mining. The Company will focus on research achievement in critical fields and key links, conduct experimental study on the comprehensive recovery of polymetallic ore, and accelerate the study on the technical roadmap of tailings disposal, thereby resolving concerns of operating enterprises in developing new approaches for new projects. Finally, the Company will enhance the construction of the mechanism assurance system. The Company will focus on improving governance mechanism, incentive mechanism and reform and distribution mechanism to build a company-wide distribution mechanism with an entrepreneurship culture under which higher compensation is paid to hard-working staff, skilled talents and staff who have made significant contribution.

Unswervingly Advancing Mining Development and Facilitating Greater Sustainable Development

In 2020, the Company will enhance the positioning of External Development Project I* (對外開發一號工程), integrate and improve the existing development teams, work out plans for investment regions and expand information channels to cultivate engines for the realization of strategic objectives. The Company will launch targeted development programs, adjust external development strategies, strategically focus resources, teams and funds on "Belt and Road" key mineralization fields, and build regional development centers, by which it will construct the network. The Company will improve the development support system, strengthen joint investment and cooperation and optimize the overseas mining project information database to provide strong support for external development initiatives.

Strengthening Safety and Environmental Management and Accelerating the Upgrade of Mining Development

In 2020, while strictly keeping the two redlines of "safety and environmental protection" and upholding the concept of "giving priority to ecology and developing safely", the Company will comprehensively construct green mines and plants, enhance the safety and environmental foundation management, improve the integration of management systems and reduce safety and environmental risks. It will adhere to the principles of responsibility gridding, management systematization and behavior standardization, make the safety culture building as the key task of the whole year, facilitate the effective integration and operation of zoning management + Dual Prevention Systems + safety standardization, strengthen safety education and training, improve the on-site refined management, so as to realize safety and environmental protection excellence management and to create a favorable and stable environment that is safe and environment-friendly for the Company's international development. The Company plans to invest safety and environmental protection funds of RMB235 million to promote the mechanization, automation, digitalization and intelligence and to improve the essential safety level with the combination of intelligence mine construction.

Enhancing the Construction of Harmonious Enterprise and Cohering Synergies to Drive Corporate Development

With respect to the construction of a harmonious enterprise, the Company will exert efforts to create "Four Zhaojin Highlights" in 2020. The first is to promote Party building at Zhaojin. It will duly fulfill its duties in Party management and self-governance, consolidate the foundation for Party building, build firm defensive lines of audit, discipline inspection and supervision, compliance management and integrity development, so as to safeguard the Company's sustainable and healthy development. The second is to build a safe Zhaojin. The Company will strengthen efforts in security protection, fire fighting and maintaining mining order and fully perform its social responsibilities to build a society with harmonious development. The third is to build a caring Zhaojin. The Company will pay great attention to staff's satisfaction, deeply promote "Ten Pro-people Projects", continuously improve the working and living environment of staff and improve their sense of achievement and sense of well-being. The last is to enhance the development of culture at Zhaojin. The Company will build the corporate culture of "fairness, competition, loyalty and integrity" through system construction and family value establishment, so as to create a harmonious and stable environment for the Company's development.

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 of Hong Kong Limited (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 2019 to be published by the Company.

SIGNIFICANT EVENTS

1. On 14 June 2019, the following resolutions, among other things, were passed at the 2018 annual general meeting of the Company:

    (1) the Company's profit distribution proposal for the year ended 31 December 2018 to distribute a cash dividend of RMB0.04 (tax included) per share to all Shareholders. On 28 June 2019, the Company distributed the cash dividend of RMB0.04 (tax included) per share for 2018 to all Shareholders;

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

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

    (4) amending Article 8.23 and Article 10.13 of the Articles of Association; and

    (5) amending Article 11, Article 45, Article 57 and Article 65 of the Rules of Procedures for General Meetings.

    Relevant details of the 2018 annual general meeting were set out in the circular and notice both dated 26 April 2019 and the voting results announcement dated 14 June 2019 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 14 June 2019, the following proposals (among other things) were reviewed at the domestic shares class meeting and H shares class meeting (collectively, the "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 shares of the Company as at the date of passing such resolution.

    The proposal was approved at the Class Meetings.

    Relevant details of the Class Meetings were set out in the circular and notices dated 26 April 2019 and the voting results announcement dated 14 June 2019 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. Changes in Composition of the Board

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

The Company held the first meeting of the sixth session of the Board on 26 February 2019 at which, the Board agreed to appoint (i) Mr. Weng Zhanbin as the chairman of the sixth session of the Board; (ii) Mr. Xu Xiaoliang as the vice chairman of the sixth session of the Board; (iii) Mr. Yao Ziping as a member of the Audit Committee; and (iv) Mr. Gao Min as a member of the Nomination and Remuneration Committee. Their appointments were all with effect from 26 February 2019.

The Company held the sixth meeting of the sixth session of the Board on 16 October 2019, at which Mr. Yao Ziping resigned from his positions as a non-executive Director and a member of the Audit Committee of the Company due to re-allocation of the work arrangement. His resignation was with effect from 16 October 2019. The Board appointed Mr. Huang Zhen as a non-executive Director and a member of the Audit Committee of the Company. His appointment was with effect from 16 October 2019.

The details of changes in the composition of the Board were set out in the circular and notice both dated 11 January 2019, the voting results announcement dated 26 February 2019 and the announcement dated 16 October 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Change in Composition of the Supervisory Committee

The Company held the 2019 first extraordinary general meeting on 26 February 2019, at which the Shareholders re-elected Mr. Zou Chao as a Shareholders' representative supervisor of the Company; and appointed Mr. Wang Xiaojie as a Shareholders' representative supervisor of the Company. On 26 February 2019, Mr. Li Xiuchen retired from his positions as a Shareholders' representative supervisor and the chairman of the Supervisory Committee due to expiry of his term of office.

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

The details of changes in the composition of the Supervisory Committee were set out in the circular and notice both dated 11 January 2019 and the voting results announcement dated 26 February 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. **Changes in Senior Management**

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

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

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

Relevant details were set out in the announcements of the Company dated 14 January 2019 and 18 January 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 27 March 2019, the Company issued the second tranche of super short-term bonds for 2019 with a par value of RMB1 billion for a term of 180 days and bearing interest rate of 3.15% per annum. The proceeds are to repay interest-bearing loans and replenish liquid working capital of the Company.

Relevant details were set out in the announcements of the Company dated 26 March 2019 and 3 April 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 18 July 2019, the Company issued the third tranche of super short-term bonds for 2019 with a par value of RMB0.7 billion for a term of 270 days and bearing interest rate of 3.10% per annum. The proceeds are to repay interest-bearing loans and replenish liquid working capital of the Company.

Relevant details were set out in the announcements of the Company dated 17 July 2019 and 23 July 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 19 August 2019, the Company issued the fourth tranche of super short-term bonds for 2019 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 3.18% per annum. The proceeds are to repay interest-bearing loans and replenish liquid working capital of the Company.

Relevant details were set out in the announcements of the Company dated 16 August 2019 and 21 August 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 8 November 2019, the Company issued the fifth tranche of super short-term bonds for 2019 with a par value of RMB0.7 billion for a term of 270 days and bearing interest rate of 2.90% per annum. The proceeds are to repay interest-bearing loans and replenish liquid working capital of the Company.

Relevant details were set out in the announcements of the Company dated 7 November 2019 and 12 November 2019 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 2019, the Company issued the sixth tranche of super short-term bonds for 2019 with a par value of RMB0.4 billion for a term of 270 days and bearing interest rate of 2.90% per annum. The proceeds are to repay interest-bearing loans and replenish liquid working capital of the Company.

Relevant details were set out in the announcements of the Company dated 12 November 2019 and 15 November 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Issuance of USD Guaranteed Notes

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

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

8. Issuance of Corporate Bonds

On 19 September 2019, the Company issued the first tranche of corporate bonds for 2019 with a par value of RMB1.5 billion for a term of 3 years and bearing interest rate of 3.57% per annum. The proceeds are to repay interest-bearing loans and replenish liquidity funds of the Company.

Relevant details were set out in the announcements of the Company dated 17 September 2019, 23 September 2019 and 10 October 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. Completion of Acquisition of Equity Interests in the Target Companies and the Target Assets Involving the Non-public Issuance of Consideration Shares

On 27 September 2019 (after trading hours), the Company and Shandong Zhaojin Group Company Limited* (山東招金集團有限公司) ("Shandong Zhaojin" or "Zhaojin Group") entered into the Transfer Agreement, pursuant to which the Company conditionally agreed to acquire, and Zhaojin Group conditionally agreed to sell, the 100% equity interest in Shandong Zhaojin Geology Exploration Company Limited* (山東招金地質勘查有限公司); the 100% equity interest in Zhaoyuan Gold Supplies Centre Company Limited* (招遠市黃金物資供應中心有限公司); and the 67.37% equity interest of Shandong Goldsoft Technology Company Limited* (山東金軟科技股份有限公司) (collectively, the "Target Interests") and the land use rights of two parcels of state-owned land in Zhaoyuan City, Shandong Province, the PRC, together with the buildings, fixtures, machinery and equipment thereon (collectively, the "Target Assets") (the "Acquisition") at the aggregate consideration of RMB402,048,800, which shall be satisfied in full by the allotment and issuance of 49,697,009 new domestic shares of the Company ("Consideration Shares") at the issue price of RMB8.09 per Consideration Share.

Zhaojin Group is the primary Shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Therefore, the Acquisition (which involves the allotment and issue of the Consideration Shares) constitutes a connected transaction of the Company, which is subject to reporting, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 14 November 2019, the acquisition of the Target Interests and the Target Assets involving the non-public issuance of Consideration Shares was approved at the 2019 second extraordinary general meeting, the H shares class meeting and the domestic shares class meeting of the Company.

On 27 December 2019, the Company has completed the share registration procedures with China Securities Depository and Clearing Corporation Limited in connection with the non-public issuance of the new domestic shares under specific mandate to Zhaojin Group.

Relevant details were set out in the announcements of the Company dated 27 September 2019, 14 November 2019 and 2 January 2020 and the circular of the Company dated 30 October 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

10. Entering into the Exploration, Environmental Governance and Related Technical Services Framework Agreement

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

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

Relevant details were set out in the announcement of the Company dated 23 August 2019 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

11. Entering into the Framework Agreement for Sales of Silver

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

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

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

12. Entering into the Processing and Smelting, Treatment of Waste Water, Waste Gas and Waste Residue, Testing and Related Technical Services Framework Agreement

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

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

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

DETAILS OF SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END

1. Proposed Implementation of the H Share Full Circulation

On 13 January 2020, the Company has received an official letter from the China Securities Regulatory Commission (the "CSRC"), stating the CSRC had accepted the Company's application regarding the implementation of the H share full circulation. Under its application, the Company would apply for the conversion of up to 1,560,340,597 domestic shares into H shares of the Company and the listing thereof (the "Conversion and Listing"). As at the date of this announcement, details of implementation plan of the Conversion and Listing have not been finalised yet. The Company will make further announcements on the progress of the Conversion and Listing in compliance with the Listing Rules.

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

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

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

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

3. Redeem of Corporate Bonds

On 19 March 2020, the Company redeemed 15 Zhaojin midterm notes with a par value of RMB0.5 billion at a rate of 5.9% per annum.

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

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 2019. 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 the 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 sixth session of the Board of the Company comprises one non-executive Director and two independent non-executive Directors, namely Mr. Huang Zhen, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. The chairman of the Audit Committee is Ms. Chen Jinrong.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the Year which have been agreed by the Company's auditor, and is of the view that the Group's audited consolidated financial statements for the Year are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it had received the annual confirmation of independence from each of the independent non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 20 March 2020. 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 2019 AGM, the register of members will be closed from 6 May 2020 to 5 June 2020, 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 2019 AGM and in order to determine the Shareholders who are entitled to receive the final dividend for the Year, the register of members will be closed between 11 June 2020 and 15 June 2020, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2019 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, 5 May 2020.

To be qualified for receiving the final dividend for 2019, 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, 10 June 2020.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2019 AGM will be held on Friday, 5 June 2020. The notice of 2019 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. Gao Min and Mr. Huang Zhen; 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, 20 March 2020

* *For identification purpose only*