

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2016**

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2016, the Group's revenue was approximately RMB6,664,785,000 (2015: RMB5,886,845,000), representing an increase of approximately 13.21% as compared to the previous year.

For the year ended 31 December 2016, the Group's net profit was approximately RMB433,519,000 (2015: RMB399,583,000), representing an increase of approximately 8.49% as compared to the previous year.

For the year ended 31 December 2016, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.12 and RMB0.12, respectively (2015: RMB0.10 and RMB0.10, respectively), representing increase of approximately 20.00% and 20.00% respectively as compared to the previous year.

For the year ended 31 December 2016, the profit attributable to owners of the parent was approximately RMB353,322,000 (2015: RMB308,140,000), representing an increase of approximately 14.66% as compared to the previous year.

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

The board of directors (the "Board") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the consolidated audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "Year").

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***Year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>RMB'000</b>	<b>2015</b> <b>RMB'000</b>
<b>REVENUE</b>	<b>3</b>	<b>6,664,785</b>	5,886,845
Cost of sales		<u>(3,935,465)</u>	<u>(3,655,753)</u>
Gross profit		<b>2,729,320</b>	2,231,092
Other income and gains	<b>3</b>	<b>359,903</b>	362,928
Selling and distribution costs		<b>(71,720)</b>	(98,343)
Administrative expenses		<b>(1,054,665)</b>	(957,406)
Other expenses		<b>(704,305)</b>	(460,801)
Finance costs	<b>4</b>	<b>(465,083)</b>	(526,333)
Share of profits and losses of:			
– Associates		<b>7,622</b>	6,819
– A joint venture		<u><b>(1,628)</b></u>	<u>(3,443)</u>
<b>PROFIT BEFORE TAX</b>	<b>5</b>	<b>799,444</b>	554,513
Income tax expense	<b>6</b>	<u><b>(365,925)</b></u>	<u>(154,930)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>433,519</b></u>	<u>399,583</u>
Attributable to:			
Owners of the parent		<b>353,322</b>	308,140
Non-controlling interests		<u><b>80,197</b></u>	<u>91,443</u>
		<u><b>433,519</b></u>	<u>399,583</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic			
– For profit for the year (RMB)	<b>8</b>	<u><b>0.12</b></u>	<u>0.10</u>
Diluted			
– For profit for the year (RMB)	<b>8</b>	<u><b>0.12</b></u>	<u>0.10</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2016*

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

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2016

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

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

## NOTES TO FINANCIAL INFORMATION

31 December 2016

### 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. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

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

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

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

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

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

Details of the restated consolidated statement of financial position as at 31 December 2015 includes the followings:

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

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

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

Other than as explained below regarding the impact of (state the applicable standards), the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
  - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
  - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
  - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its noncurrent assets.
- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:
- *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.



### 1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but is available for adoption

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

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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

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

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

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

## **2. OPERATING SEGMENT INFORMATION**

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

- (a) the gold operations segment consists of gold mining and smelting operations;
- (b) the copper operations segment consists of copper mining and smelting operations; and
- (c) the “others” segment comprises, principally, the Group’s other investment activities, a finance company operation, a hotel and catering operation and engineering design and consulting operation.

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

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

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

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

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

**Year ended 31 December 2016**

	<b>Gold operations RMB'000</b>	<b>Copper operations RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>				
Revenue from external customers	<b>6,070,825</b>	<b>542,899</b>	<b>51,061</b>	<b>6,664,785</b>
Segment results	<b>1,186,536</b>	<b>(6,865)</b>	<b>(75,211)</b>	<b>1,104,460</b>
<i>Reconciliation:</i>				
Interest income				<b>160,067</b>
Finance costs				<b>(465,083)</b>
Profit before tax				<b>799,444</b>
Segment assets	<b>27,685,399</b>	<b>2,280,906</b>	<b>1,049,015</b>	<b>31,015,320</b>
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<b>1,948,339</b>
Total assets				<b>32,963,659</b>
Segment liabilities	<b>2,996,618</b>	<b>253,880</b>	<b>1,013,098</b>	<b>4,263,596</b>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<b>14,564,846</b>
Total liabilities				<b>18,828,442</b>
<b>Other segment information</b>				
Capital expenditure*	<b>2,082,535</b>	<b>64,172</b>	<b>4,301</b>	<b>2,151,008</b>
Investments in associates	<b>289,638</b>	<b>–</b>	<b>–</b>	<b>289,638</b>
Investment in a joint venture	<b>–</b>	<b>120,229</b>	<b>–</b>	<b>120,229</b>
Impairment losses recognised in the statement of profit or loss	<b>261,568</b>	<b>(14)</b>	<b>10,429</b>	<b>271,983</b>
Share of profits/(losses) of				
– Associates	<b>7,622</b>	<b>–</b>	<b>–</b>	<b>7,622</b>
– A joint venture	<b>–</b>	<b>(1,628)</b>	<b>–</b>	<b>(1,628)</b>
Depreciation and amortisation	<b>763,498</b>	<b>71,331</b>	<b>8,690</b>	<b>843,519</b>
Fair value loss on equity investments at fair value through profit or loss	<b>(6,817)</b>	<b>–</b>	<b>(1,737)</b>	<b>(8,554)</b>

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

## Year ended 31 December 2015

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

\* 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 97.5% of the assets of the Group are located in Mainland China and over 99.99% of the sales are made to customers in Mainland China, no further geographical segment information has been presented.

## Information about a major customer

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

### 3. REVENUE, OTHER INCOME AND GAINS

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

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

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

### 4. FINANCE COSTS

An analysis of finance costs is as follows:

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

## 5. PROFIT BEFORE TAX

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Cost of inventories sold and services provided	<u>3,935,465</u>	<u>3,655,753</u>
Staff costs (including Director's remuneration):		
Wages and salaries	634,196	633,868
Early retirement benefits	–	40,748
Share-based payment expense	105,600	–
Defined contribution fund:		
– Retirement costs	130,512	112,761
– Other staff benefits	<u>88,903</u>	<u>92,175</u>
Total staff costs	<u>959,211</u>	<u>879,552</u>
Auditors' remuneration	2,800	2,700
Amortisation of prepaid land lease payments*	18,166	14,485
Amortisation of other intangible assets*	63,901	105,242
Depreciation of property, plant and equipment	761,452	632,553
Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, prepaid land lease payments and other long-term assets	174,104	6,046
Operating lease rentals	12,576	13,969
Provision for impairment of receivables	3,516	13,169
Impairment loss of prepaid land lease payments	7,214	–
Impairment loss of available-for-sale investments	200	26,677
Impairment loss of assets of a disposal group classified as held for sale	20,248	–
Impairment loss of property, plant and equipment	192,473	11,532
Impairment loss of other intangible assets	31,325	142,982
Impairment loss of goodwill	–	49,168
Impairment loss of inventories	11,847	30,476
Impairment loss of loans receivable	5,160	522
Fair value loss/(gain), net:		
– Equity investments at fair value through profit or loss	8,554	(14,147)
– Commodity derivative contracts	–	(1,382)
Loss on settlement of commodity derivative contracts	162,099	97,159
(Gain)/loss on gold leasing business	(533)	49,237
Loss on disposal of equity investments at fair value through profit or loss	12,615	53,178
Loss/(gain) on disposal of a subsidiary	<u>–</u>	<u>(1,207)</u>

\* The amortisation of prepaid land lease payments and other intangible assets for the year is included in "Cost of sales" 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 Mainland China current income tax is based on the statutory rate of 25% (2015: 25%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%. Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Current – Hong Kong	–	–
Current – Mainland China		
– Charged for the year	<b>388,235</b>	134,921
Deferred tax	<u>(22,310)</u>	<u>20,009</u>
Total tax charge for the year	<u><b>365,925</b></u>	<u>154,930</u>

## 7. DIVIDEND

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Ordinary:		
Proposed final – RMB0.04 per share (2015: RMB0.04 per share)	<u><b>118,633</b></u>	<u>118,633</u>

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.04 per share (tax included) (2015: RMB0.04 per share (tax included)).

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

## 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 2,965,827,000 (2015: 2,965,827,000) in issue during the year.

The calculation of the diluted earnings per share amounts 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 at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Earnings:		
Profit attributable to ordinary equity holders of the parent	<u><b>353,322</b></u>	<u>308,140</u>



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

## 9. TRADE AND NOTES RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	<b>270,167</b>	51,106
Notes receivable	<b>11,048</b>	16,021
	<b>281,215</b>	67,127
An ageing analysis of the trade receivables, based on the invoice date, is as follows:		
	2016 RMB'000	2015 RMB'000
Outstanding balances due within 1 year	<b>252,355</b>	39,143
Outstanding balances due within 1 to 2 years	<b>7,296</b>	14,026
Outstanding balances due within 2 to 3 years	<b>13,842</b>	1,387
Outstanding balances due over 3 years	<b>755</b>	–
	<b>274,248</b>	54,556
Less: provision for impairment of trade receivables	<b>(4,081)</b>	(3,450)
	<b>270,167</b>	51,106

Trade and notes receivables are non-interest-bearing. As 73% (2015: 81%) of the sales of the Group for the year ended 31 December 2016 were made through the SGE without specific credit terms, there were no significant receivables that were overdue or impaired.

## 10. TRADE AND NOTES PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	376,311	570,845
Notes payable	<u>13,550</u>	<u>12,431</u>
	<u><b>389,861</b></u>	<u><b>583,276</b></u>

At 31 December 2016, the balance of trade and notes payables mainly represents the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within one year	355,253	534,854
Over one year but within two years	19,449	24,738
Over two years but within three years	9,322	12,319
Over three years	<u>5,837</u>	<u>11,365</u>
	<u><b>389,861</b></u>	<u><b>583,276</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results for the Year**

#### ***Gold Output***

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

#### ***Copper Output***

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

#### ***Revenue***

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

#### ***Net Profit***

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

#### ***Earnings Per Share***

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.12 and RMB0.12, respectively (2015: RMB0.10 and RMB0.10, respectively), representing increase of approximately 20.00% and 20.00% as compared to the previous year.

### **Analysis of Results**

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

### **Distribution Proposal**

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

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

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

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

Under the relevant tax rules and regulations of the PRC (collectively the “PRC Tax Law”), the Company is required to withhold and pay the corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company on Tuesday, 20 June 2017.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 20 June 2017. Individual H Shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between countries where the individual H Shareholders reside in and China and the bilateral tax treaties between mainland China and Hong Kong or Macau. The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries which have bilateral tax treaties with China for personal income tax rate in respect of dividend of 10%. For individual H Shareholders who are residents of those countries that entered into agreements with China for personal income tax rates in respect of dividend of lower than 10%, the Company will make applications on their behalf for entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)). For individual H Shareholders who are residents of those countries having bilateral tax treaties with China for personal income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H Shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for personal income tax in respect of dividend of 20% and for other situations, the Company would withhold and pay the individual income tax at a tax rate of 20%.

In accordance with the PRC Tax Law, the Company has an obligation to withhold and pay the corporate income tax and individual income tax for payment of the final dividend to non-resident enterprises and individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 20 June 2017. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual shareholders whose names appear on the H shares register of members of the Company on Tuesday, 20 June 2017 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual Shareholders, on or before 4:30 p.m. on Wednesday, 14 June 2017. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

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

## **Market Overview**

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

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

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

## **Business Review**

### ***An internal market-oriented reform achieved new effect***

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

### ***The coordinated growth of the mines inside and outside the district***

In 2016, the Company focused on the acceleration of the construction of key projects, in particular, the Company invested RMB816 million for implementing 30 key projects. Various key projects including the continuous transformation of the production process and processing plants were completed on time, creating favorable conditions for continuous enhancement in our production capacity. The development strategy of “half inside and half outside the district” has been adopted, particularly given the growth in the Company’s production capacity. In particular, the gold output completed by mining enterprises outside the district amounted to 284,044.56 ozs (approximately 8,834.78 kg), representing an increase by 5.09% on a year-on-year basis and accounting for nearly 50% of the Company’s total output. Meanwhile, the Company continued to explore new strategy and invested mineral prospecting funds of RMB140 million, which led to the production of 61 additional tons of gold metals and over 3,000 tons of copper metals. According to standards set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the Company’s gold resources amounted to 1,235.52 tons (approximately 39,722,900 ozs), and the mineable reserves amounted to 548.82 tons (approximately 17,645,000 ozs).

### ***Internal management approaches achieved sound outcomes***

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

### ***Technological innovations emerging***

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



### ***Positive entrepreneurial culture***

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

### **Financial Analysis**

#### ***Revenue***

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

#### ***Cost of Sales***

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

#### ***Gross Profit and Gross Profit Margin***

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

#### ***Other Income and Gains***

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

### ***Selling and Distribution Costs***

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

### ***Administrative and Other Expenses***

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

### ***Finance Costs***

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

### ***Income Tax Expenses***

For the Year, the Group's income tax expenses increased by approximately RMB210,995,000 as compared to the previous year. It was mainly attributable to the increase in profit before tax in relation to profitable companys of the Group. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2015: 25%) on the taxable income (except for certain subsidiaries of the Group in Xinjiang and Gansu, where the corporate income tax is provided at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. The Group did not incur any Hong Kong profits tax during the Year. The effective tax rate of the Group is 45.77% during the Year (2015: 27.94%).

### ***Profit Attributable to Owners of the Parent***

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

### ***Liquidity and Capital Resources***

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



## ***Cash Flows and Working Capital***

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

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

## ***Borrowings***

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

As at 31 December 2016, except for secured bank loans of RMB715,511,000 and RMB76,307,000 (2015: RMB671,596,000 and RMB32,742,000) denominated in Hong Kong dollars and US dollars respectively, all borrowings are denominated in RMB. As at 31 December 2016, approximately 71% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

## ***Gearing Ratio***

The Group monitors capital by gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, corporate bonds and financial liabilities arising from the gold leasing business less cash and cash equivalents. As at 31 December 2016, the gearing ratio of the Group was 47.38% (31 December 2015: 45.4%). As the Group issued optimized all kinds of financing channels these years, the gearing ratio of the Group for the Year is stable compared with last year.

## ***Market Risks***

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

### ***Gold Prices and Other Commodities Prices Risks***

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

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

The Group also entered into copper cathode and gold forward contracts on the SHFE for the sale of copper and gold.

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

### ***Interest Rate Risk***

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

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

### ***Foreign Exchange Risk***

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

### ***Risk of change in industry policies***

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

## ***Pledge***

As at 31 December 2016, except for the following assets pledged for the bank borrowings and notes payable of the Group, the Group has not pledged any assets: (1) property, plant and equipment, prepaid land lease payments with net carrying amount of approximately RMB43,239,000 (31 December 2015: RMB47,902,000); (2) pledged deposits of RMB90,872,000 (31 December 2015: RMB133,572,000).

## **Business Outlook**

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

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

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

### ***Enhance enterprise management to maintain a sound and efficient development***

In 2017, the Company will reform its management mode starting from improving its operation vitality, management efficiency and labor productivity. First, consolidate development and management foundations. Firstly, strengthen talent, resources, capital, technological innovation, mechanism and compliance building; secondly, focus on system construction, risk control, basic management, informatization, corporate culture, etc. Second, deepen construction of talent team, salary incentive and supervision and restraint mechanisms. Firstly, promote the “talent thriving enterprise strategy”, optimize talent introduction, cultivation and exploitation, selection and appointment and flow configuration mechanisms; secondly, promote reasonable and orderly income distribution in the principle of “controlling high wages, maintaining medium wages and adjusting base wages”; thirdly, integrate financial supervision, legal supervision, discipline inspection,

audit inspection, superintendence and democratic supervision to establish an all-rounded, whole-process and full-coverage “full supervision” working mechanism. Third, carry out reform contract operation, improving management measures, market risk control and low cost control management reforms. Firstly, further promote workshop contracting, section contracting and station contracting to increase cadres’ innovation and efficiency creation enthusiasm; secondly, carry out certification of “three systems” – quality, environment and occupational health and safety, and consolidate and deepen earlier-stage management results of TOPS. At the same time, focus on promoting integration of finance and business as well as six information management platforms covering human resources management, portal site, project management, production management, sales management and operation analysis; thirdly, make a good analysis and judgment on the market, actively yet prudently develop the market, achieve a breakthrough on creating benefit; fourthly, strengthen energy management, mining, supply and marketing, construction projects, non-productive expenditures and other management, to consolidate and strengthen low-cost advantages and core competitiveness.

***Overcome the difficulties, and propel the development of stable and healthy transport to a new level***

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

**EQUITY-LINKED AGREEMENT – EMPLOYEE SHARE SUBSCRIPTION PLAN**

On 29 December 2015, the Board passed resolutions to implement an employee share subscription plan (“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.

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.

At present, the Company is working on the registration of Minmetals Securities Zhaojin Mining No.1 Directional Asset Management Plan with China Securities Depository and Clearing Company Limited regarding the share subscription. The Company will announce timely once the registration is completed.

## **CONNECTED TRANSACTIONS**

For details of other connected transactions of the Company, please refer to the annual report for the year ended 31 December 2016 to be published by the Company.

## **SIGNIFICANT EVENTS**

1. On 8 June 2016, the following resolutions, among other things, were passed at the 2015 annual general meeting of the Company:
  - (1) the Company's profit distribution proposal for the year ended 31 December 2015 to distribute a cash dividend of RMB0.04 (tax included) per share to all Shareholders. On 30 June 2016, the Company distributed the cash dividend of RMB0.04 (tax included) per share for 2015 to all Shareholders;
  - (2) authorizing the Board to allot, issue or deal with the H shares and domestic shares of up to a maximum of 20% of the aggregate nominal value of each of the issued H shares and existing domestic shares of the Company as at the date of passing such resolution;
  - (3) authorizing the Board to repurchase H shares of up to a maximum of 10% of the aggregate nominal value of the issued H share capital of the Company as at the date of passing such resolution.

Relevant details of 2015 annual general meeting were set out in the circular and notice both dated 21 April 2016 and voting results announcement dated 8 June 2016, published by the Company on the website of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

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

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

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

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



### **3. Distribution of Interest of “14 Corporate Bonds” for 2016**

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

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

### **4. Distribution of Interest of “12 Corporate Bonds” for 2016**

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

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

### **5. Principal and interest payment and delisting of “09 Corporate Bonds” for 2016**

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

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

### **6. Changes in Composition of the Board**

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

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

The new composition of the Board was set out in the announcement of the Company dated 26 February 2016 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

## **7. Changes in Senior Management**

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

## **8. Issuance of Super Short-term Bonds**

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

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

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

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

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

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

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

On 15 August 2016, the shareholders of the Company passed resolutions in relation to the issue of renewable bonds not more than RMB4.0 billion to the eligible investors in the People's Republic of China. Each term of the renewable bonds shall be 5 interest accruing years. When the Company exercises the renewal option, the renewable bonds will be renewed for an additional term of 5 years. As at the date of this announcement, no renewable bond has been issued.

Relevant details were set out in the circular and notice both dated 30 June 2016 and voting results announcement dated 15 August 2016 published by the Company on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

## **DETAILS OF SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END**

### **1. Exploration Services Framework Agreement**

On 18 January 2017, the Company and Shandong Zhaojin Geological Prospecting Co., Ltd\* ("Shandong Zhaojin Geological") entered into the Exploration Services Framework Agreement in relation to Shandong Zhaojin Geological's provision of exploration services to the Company from 1 January 2017 to 31 December 2019.

The annual caps in respect of the transactions contemplated under the Exploration Services Framework Agreement for the year ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB100,000,000, RMB100,000,000 and RMB100,000,000.

Shandong Zhaojin Group Company Limited\* ("Shandong Zhaojin") is a controlling Shareholder of the Company. Shandong Zhaojin Geological is a wholly-owned subsidiary of Shandong Zhaojin and is a connected person of the Company. Therefore, according to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Exploration Services Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

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

### **2. Material Procurement Framework Agreement**

On 18 January 2017, the Company and Zhaoyuan Gold Materials Supply Center Co., Ltd\* ("Material Supply Center") entered into the Material Procurement Framework Agreement in relation to the provision of material procurement services by Materials Supply Center to the Company in the PRC from 1 January 2017 to 31 December 2019.

The annual caps in respect of the transactions contemplated under the Material Procurement Framework Agreement for the year ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB85,000,000, RMB90,000,000 and RMB98,000,000.



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

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

### **3. Proposed quotation of shares on National Equities Exchange Quotations System (“NEEQ”)**

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

Relevant details were set out in the announcement of the Company dated 27 February 2017 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://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 2016. No director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Code by the Company at any time during the Year.

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

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

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

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

## **AUDIT COMMITTEE**

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

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

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

## **CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company confirmed that it had received the annual confirmation of independence from each of the Independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 17 March 2017. The Company is of the view that the Independent Non-executive Directors remain independent during the Year in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

## **CLOSURE OF THE REGISTER OF MEMBERS**

In order to determine the Shareholders who are entitled to attend the 2016 AGM, the register of members will be closed from 10 May 2017 to 9 June 2017, both days inclusive, during which no transfer of shares will be registered. If the resolution in relation to the distribution of final dividend is approved by the Shareholders at the 2016 AGM and in order to determine the Shareholders who are entitled to receive the final dividend for the Year, the register of members will be closed between 15 June 2017 and 20 June 2017, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2016 AGM, Shareholders whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for 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, 9 May 2017.

To be qualified for receiving the final dividend for 2016, Shareholders whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for 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, 14 June 2017.

## ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2016 AGM will be held on Friday, 9 June 2017. The notice of 2016 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](http://www.hkexnews.hk)) and the Company's website ([www.zhaojin.com.cn](http://www.zhaojin.com.cn)).
2. As at the date of this announcement, the members of the Board include: Executive Directors: Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao; Non-executive Directors: Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min; Independent Non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu.

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

Zhaoyuan, the PRC, 17 March 2017

\* *For identification purpose only*