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 2018

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, the Group's revenue was approximately RMB7,177,057,000 (2017: RMB6,673,999,000), representing an increase of approximately 7.54% as compared to the previous year.

For the year ended 31 December 2018, the Group's net profit was approximately RMB576,303,000 (2017: RMB754,029,000), representing a decrease of approximately 23.57% as compared to the previous year.

For the year ended 31 December 2018, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.15 and RMB0.15, respectively (2017: RMB0.2 and RMB0.2, respectively), representing a decrease of approximately 25% and 25% respectively as compared to the previous year.

For the year ended 31 December 2018, the profit attributable to owners of the parent was approximately RMB474,287,000 (2017: RMB643,951,000), representing a decrease of approximately 26.35% as compared to the previous year.

The Board proposed the payment of a cash dividend of RMB0.04 (tax included) per share (2017: RMB0.06 (tax included)) to all Shareholders.

The board (the "Board") of directors (the "Director") 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 2018 (the "Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*3*	**7,177,057**	6,673,999
Cost of sales		**(4,694,849)**	(4,039,470)
Gross profit		**2,482,208**	2,634,529
Other income and gains	*3*	**440,070**	254,560
Selling and distribution expenses		**(55,584)**	(44,806)
Administrative expenses		**(941,521)**	(893,850)
Impairment losses on financial assets		**(38,535)**	(109,247)
Loss on disposal of financial assets		**(23,505)**	—
Other expenses		**(649,406)**	(534,052)
Finance costs	*4*	**(480,525)**	(432,974)
Share of profits and losses of:			
– Associates		**6,195**	4,274
– Joint ventures		**17,306**	9,750
PROFIT BEFORE TAX	*5*	**756,703**	888,184
Income tax expense	*6*	**(180,400)**	(134,155)
PROFIT FOR THE YEAR		**576,303**	754,029
Attributable to:			
Owners of the parent		**474,287**	643,951
Non-controlling interests		**102,016**	110,078
		576,303	754,029
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	*8*	**0.15**	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**576,303**	754,029
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,005**	5,505
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**1,005**	5,505
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement of post-employment benefit obligations	**1,381**	9,677
Income tax effect	**(345)**	(2,419)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(28,960)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(27,924)**	7,258
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(26,919)**	12,763
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**549,384**	766,792
Attributable to:		
Owners of the parent	**445,692**	656,714
Non-controlling interests	**103,692**	110,078
	549,384	766,792

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Note	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**14,221,347**	13,630,237
Prepaid land lease payments		**683,906**	705,819
Goodwill		**693,434**	779,931
Other intangible assets		**9,399,297**	9,315,819
Investments in joint ventures		**172,416**	119,979
Investments in associates		**678,125**	282,872
Available-for-sale investments		**—**	38,350
Equity investments designated at fair value through other comprehensive income		**—**	—
Financial assets measured at amortised cost		**241,753**	—
Deferred tax assets		**147,827**	170,055
Long-term deposits		**72,882**	82,706
Other long-term assets		**589,864**	649,424
Total non-current assets		**26,900,851**	25,775,192
CURRENT ASSETS			
Inventories		**4,190,556**	3,564,584
Trade and notes receivables	*9*	**145,497**	236,307
Prepayments, other receivables and other assets		**657,929**	708,939
Financial assets at fair value through profit or loss		**598,007**	279,078
Pledged deposits		**352,756**	277,822
Loans receivable		**1,898,284**	1,123,795
Cash and cash equivalents		**1,143,299**	1,847,169
Total current assets		**8,986,328**	8,037,694

	Note	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
CURRENT LIABILITIES			
Trade and notes payables	*10*	**524,515**	445,583
Other payables and accruals		**1,707,054**	1,949,251
Interest-bearing bank and other borrowings		**8,365,787**	10,779,923
Tax payable		**64,705**	68,312
Provisions		**14,525**	16,636
Deposits from customers		**1,002,015**	517,832
Current portion of other long-term liabilities		**125,000**	—
Total current liabilities		**11,803,601**	13,777,537
NET CURRENT LIABILITIES		**(2,817,273)**	(5,739,843)
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,083,578**	20,035,349
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**236,630**	619,338
Corporate bonds		**6,098,697**	1,794,964
Deferred tax liabilities		**361,989**	390,718
Deferred income		**305,238**	364,523
Provisions		**62,941**	76,980
Other long-term liabilities		**210,518**	24,918
Total non-current liabilities		**7,276,013**	3,271,441
Net assets		**16,807,565**	16,763,908
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,220,696**	3,220,696
Perpetual capital instruments		**2,664,600**	2,664,600
Reserves		**7,413,181**	7,314,638
		13,298,477	13,199,934
Non-controlling interests		**3,509,088**	3,563,974
Total equity		**16,807,565**	16,763,908

NOTES TO FINANCIAL INFORMATION

31 December 2018

1.1 BASIS OF PREPARATION

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

As at 31 December 2018, the Group had net current liabilities of RMB2,817,273,000 (2017: RMB5,739,843,000). In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2018, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	**Category**	**Amount**	**re-classification**	**ECL**	**Amount**	**Category**
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets							
Equity investments designated at fair value through other comprehensive income		N/A	—	30,761	—	30,761	FVOCI[1] (equity)
From: Available-for-sale investments	*(i)*			30,761	—	—	
Available-for-sale investments		AFS[2]	38,350	(38,350)	—	—	N/A
To: Equity investments designated at fair value through other comprehensive income	*(i)*			(30,761)	—	—	
To: Financial assets at fair value through profit or loss	*(ii)*			(7,589)	—	—	
Trade receivables	*(iii)*	L&R[3]	236,307	—	—	236,307	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	226,183	—	—	226,183	AC
Equity investments at fair value through profit or loss		FVPL[5]	279,078	7,589	—	286,667	FVPL
From: Available-for-sale investments	*(ii)*			7,589	—	—	
Loans receivable		L&R	1,123,795	—	—	1,123,795	AC
Pledged deposits		L&R	277,822	—	—	277,822	AC
			2,181,535	—	—	2,181,535	

	Notes	HKAS 39 measurement Category	Amount RMB'000	re-classification RMB'000	ECL RMB'000	HKFRS 9 measurement Amount RMB'000	Category
Financial liabilities							
Trade payables and notes payables		AC	445,583	—	N/A	445,583	AC
Financial liabilities included in other payables and accruals		AC	1,547,051	—	N/A	1,547,051	AC
Interest-bearing bank loans and other borrowings		AC	11,399,261	—	N/A	11,399,261	AC
Corporate bonds		AC	1,794,964	—	N/A	1,794,964	AC
Deposits from customers		AC	517,832	—	N/A	517,832	AC
Other long-term liabilities (including current portion)		AC	24,918	—	N/A	24,918	AC
Total liabilities			15,729,609	—	N/A	15,729,609	

1 FVOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(iii) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

Impairment

The impact of adopting the ECL allowances under HKFRS 9 is not significant.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is not significant.

(b) HKFRS 15 and its amendments replace HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a 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 disclosures are included in note 3 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has no outstanding contracts on 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 18 and related interpretations.

There was no financial impact of the transition to HKFRS 15 on the Group's accumulated losses at 1 January 2018. However, upon adoption of HKFRS 15, the Group recognised revenue-related contract liabilities for the unsatisfied performance obligation which were previously recognised as "Advances from customers" under "Other payables and accruals (current)". Accordingly, upon adoption of HKFRS 15, "Contract liabilities" were increased by RMB221,783,000 and "Advances from customers" included in "Other payables and accruals (current)" were decreased by RMB221,783,000 at the date of initial application of HKFRS 15 (1 January 2018).

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Segment assets exclude cash and cash equivalents, deferred tax assets, 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, 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 2018

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

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

Year ended 31 December 2017

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

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

Geographical information

As over 95% of the assets of the Group were located in Mainland China and almost all of the sales were made to customers in Mainland China, no further geographical segment information has been presented.

Information about a major customer

Revenue of approximately RMB5,089,492,000 (71% of the total sales) (2017: RMB5,275,094,000, 79% of the total sales) was derived from sales by the gold operations segment to a single customer.

3. REVENUE, OTHER INCOME AND GAINS

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

Revenue	**2018** *RMB'000*	2017 *RMB'000*
Revenue from contracts with customers	**7,375,881**	—
Sale of goods	**—**	6,760,519
Rendering of services	**—**	90,897
Less:		
Government surcharges	**(198,824)**	(177,417)
	7,177,057	6,673,999

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	RMB'000
Type of goods or services	
Sales of gold	6,268,954
Sales of copper	665,272
Sales of silver	111,758
Sales of sulphur	68,194
Sales of other by-products	133,685
Rendering of services	78,009
Others	50,009
	7,375,881
Less:	
Government surcharges	(198,824)
Total revenue from contracts with customers	7,177,057
Timing of revenue recognition	
Goods transferred at a point in time	7,247,863
Services transferred over time	128,018
Total revenue from contracts with customers	7,375,881

The amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods was RMB221,783,000.

(ii) Performance obligations

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

Sales of goods

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

Processing and other services

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

At 31 December 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Entity-wide disclosures:

Information about products and service

Other than those disclosed above in accordance with HKFRS 15, the following table sets forth the total revenue from external customers by product and services during the year ended 31 December 2017:

Revenue

	RMB'000
Sale of goods:	
Gold	5,952,639
Copper	604,197
Silver	62,342
Sulphur	36,401
Other by-products	104,940
Rendering of services:	
Processing of gold and silver	60,072
Others	30,825
	6,851,416
Less:	
Government surcharges	(177,417)
	6,673,999

Other income and gains	**2018** ***RMB'000***	2017 *RMB'000*
Interest income	**100,125**	56,971
Government grants	**75,488**	71,351
Sales of auxiliary materials	**82,386**	74,173
Gain on settlement of financial instruments	**104,809**	26,953
Exchange gain	**60,171**	–
Others	**17,091**	25,112
Other income and gains	**440,070**	254,560

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Interest on bank and other borrowings	**178,230**	182,505
Interest on corporate bonds	**193,742**	105,905
Interest on gold leasing business	**236,038**	207,646
Interest on short-term bonds	**6,824**	37,803
Subtotal	**614,834**	533,859
Less: Interest capitalised	**(137,435)**	(104,138)
Incremental interest on provisions and other long-term liabilities	**3,126**	3,253
Total	**480,525**	432,974

5. PROFIT BEFORE TAX

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

	2018 *RMB'000*	2017 *RMB'000*
Cost of inventories sold and services provided	**4,694,849**	4,039,470
Staff costs (including directors' remuneration):		
Wages and salaries	**751,620**	672,620
Defined contribution fund:		
– Retirement costs	**141,945**	123,902
– Other staff benefits	**93,615**	96,160
Total staff costs	**987,180**	892,682
Auditor's remuneration	**2,970**	2,800
Amortisation of prepaid land lease payments	**20,852**	20,218
Amortisation of other intangible assets	**134,471**	76,556
Depreciation of property, plant and equipment	**861,598**	819,560
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	**12,028**	42,682
Operating lease rentals	**19,381**	15,900
Provision for impairment of receivables	**15,639**	66,130
Impairment loss on prepaid land lease payments	**—**	94
Impairment loss on property, plant and equipment	**159,938**	62,861
Impairment loss on other intangible assets	**350,738**	31,140
Impairment loss on goodwill	**86,497**	95,966
Impairment loss on construction in progress	**388**	—
Impairment (reversal)/loss on inventories	**(85,547)**	113,455
Impairment loss on loans receivable	**22,896**	43,117
Fair value gain, net:		
– Equity investments at fair value through profit or loss	**(81,017)**	(1,038)
(Gain)/loss on settlement of commodity derivative contracts	**(23,791)**	1,741
Loss/(gain) on disposal of equity investments at fair value through profit or loss	**23,505**	(25,915)
Loss on disposal of a subsidiary	**—**	493
Gain on bargain purchase	**—**	(2,118)

6. INCOME TAX EXPENSE

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

Provision for Mainland China current income tax is based on the statutory rate of 25% (2017: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain high and new technology enterprises and western-region-development enterprises of the Group in Mainland China, which are taxed at a preferential rate of 15%. Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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:

	2018	2017
	RMB'000	*RMB'000*
Current – Hong Kong	**—**	—
Current – Mainland China		
– Charge for the year	**187,246**	123,446
Deferred tax	**(6,846)**	10,709
Total tax charge for the year	**180,400**	134,155

7. DIVIDEND

	2018	2017
	RMB'000	*RMB'000*
Ordinary:		
Proposed final dividend – RMB0.04 per share (2017: RMB0.06 per share)	**128,828**	193,242

The Board of Directors recommends a cash dividend to all Shareholders on the basis of RMB0.04 per share (tax included) (2017: RMB0.06 per share (tax included)).

The proposed final dividend for the Year is subject to the approval of the Shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the Year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,220,696,000 (2017: 3,155,675,000) in issue during the Year.

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

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

	2018	2017
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**474,287**	643,951

	Number of shares	
	2018	2017
	RMB'000	*RMB'000*
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,220,696**	3,155,675
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**3,220,696**	3,155,675
Basic earnings per share (RMB)	**0.15**	0.20
Diluted earnings per share (RMB)	**0.15**	0.20

9. TRADE AND NOTES RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**116,514**	55,345
Notes receivable	**40,288**	190,537
Impairment	**(11,305)**	(9,575)
	145,497	236,307

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**96,024**	33,305
1 to 2 years	**4,404**	527
2 to 3 years	**152**	7,161
Over 3 years	**15,934**	14,352
	116,514	55,345
Less: impairment of trade receivables	**(11,305)**	(9,575)
	105,209	45,770

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**9,575**	4,081
Impairment losses	**1,730**	5,494
At end of year	**11,305**	9,575

Impairment under HKFRS 9 for the year ended 31 December 2018

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

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

As at 31 December 2018

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

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Within 1 year	33,305
1 to 2 years	527
2 to 3 years	7,161
Over 3 years	14,352
	55,345

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Trade and notes receivables are non-interest-bearing. As 71% (2017: 79%) of the sales of the Group for the year ended 31 December 2018 were made through the Shanghai Gold Exchange(SGE) without specific credit terms, there were no significant receivables that were overdue or impaired.

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

	2018 ***RMB'000***	2017 *RMB'000*
Amounts due from related parties		
– Zhaojin Group	**1,562**	55
– Subsidiaries of Zhaojin Group	**22,882**	199,548
– Associates of Zhaojin Group	**11**	–
	24,455	199,603

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

10. TRADE AND NOTES PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**367,885**	426,637
Notes payable	**156,630**	18,946
	524,515	445,583

At 31 December 2018, 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:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**465,410**	407,673
Over one year but within two years	**43,961**	28,270
Over two years but within three years	**9,341**	1,858
Over three years	**5,803**	7,782
	524,515	445,583

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

	2018	2017
	RMB'000	*RMB'000*
Amounts due to related parties		
– Subsidiaries of Zhaojin Group	**19,883**	19,806

The amounts due to related parties are unsecured, interest-free and expected to be settled within 60 days, which represents credit terms similar to those offered from the related parties to their major suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Year

Gold output

For the Year, the Group's total output of gold amounted to 34,173.34 kg (approximately 1,098,697.59 ozs), representing an increase of approximately 1.28% as compared to the previous year. Among which, 20,834.99 kg (approximately 669,860.04 ozs) of gold was mine-produced gold, representing an increase of approximately 2.63% as compared to the previous year, and 13,338.35 kg (approximately 428,837.55 ozs) was smelted and processed gold, representing a decrease of approximately 0.76% as compared to the previous year.

Copper output

For the Year, the Group's total output of content copper amounted to 16,422.82 tons, representing a decrease of approximately 10.87% as compared to the previous year.

Revenue

For the Year, the Group's revenue was approximately RMB7,177,057,000 (2017: RMB6,673,999,000), representing an increase of approximately 7.54% as compared to the previous year.

Net profit

For the Year, the Group's net profit was approximately RMB576,303,000 (2017: RMB754,029,000), representing a decrease of approximately 23.57% as compared to the previous year. The decrease in net profit was primarily due to the decrease in gross profit and the increase in other expenses.

Earnings per share

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.15 and RMB0.15, respectively (2017: RMB0.2 and RMB0.2, respectively), representing a decrease of approximately 25% and 25% respectively as compared to the previous year.

Distribution Proposal

The Board proposed the payment of a cash dividend of RMB0.04 (tax included) per share (2017: RMB0.06 (tax included)) to shareholders of the Company (the "Shareholders").

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

The proposed distribution proposal for the Year is subject to the approval of the Shareholders at the annual general meeting of the Company for the Year (the "2018 AGM"), which will be held on Friday, 14 June 2019.

If the distribution proposal is approved at the 2018 AGM, it is expected that the final dividend for the Year will be paid on or before Friday, 28 June 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2019.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold and pay the corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company on Monday, 24 June 2019.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 24 June 2019. Individual H Shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between countries where the individual H Shareholders reside in and China and the bilateral tax treaties between mainland China and Hong Kong or Macau. The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries which have bilateral tax treaties with China for individual income tax rate in respect of dividend of 10%. For individual H Shareholders who are residents of those countries that entered into agreements with China for individual income tax rates in respect of dividend of lower than 10%, the Company will make applications on their behalf for entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發<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 individual income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H Shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for individual income tax in respect of dividend of 20% and for other situations, the Company would withhold and pay the individual income tax at a tax rate of 20%.

In accordance with the PRC Tax Law, the Company has an obligation to withhold and pay the corporate income tax and individual income tax for payment of the final dividend to non-resident enterprises and individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 24 June 2019. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 24 June 2019 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual Shareholders, on or before 4:30 p.m. on Thursday, 20 June 2019. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

Market Overview

In 2018, with strong US dollar, soaring stock market and economic recovery in the United States, the international gold price went down as compared to the price in 2017. The international gold price opened at US$1,302.61/oz with the highest price reaching US$1,366.06/oz and the lowest price reaching US$1,160/oz. The closing price for the Year was US$1,282.18/oz. The average price for the Year was US$1,265.75/oz. In January, the international gold price was all the way up to year high and fluctuated between US$1,300 and US$1,360/oz. Since mid to late April, the international gold price was all the way down to the lowest price in mid-August. After staggering for nearly two months, the international gold price edged upward in volatility since mid-October, showing a fall in the first half and then a resilience trend in the second half of 2018. The opening price of the "Au9995" on the Shanghai Gold Exchange ("SGE") was RMB274.8/g with the highest at RMB289.16/g and the lowest at RMB237.88/g. The closing price was RMB283.81/g and the annual average price was RMB271.54/g, representing a drop of 1.43% as compared with the same period of last year.

According to the statistics from the China Gold Association, China's gold output amounted to 401.119 tons in 2018, representing a year-on-year decrease of 5.87%. However, China still managed to rank as the number one gold producer in the world for 12 consecutive years.

Business Review

Further enhancements in the overall production index driven by performance of key businesses

In 2018, in view of the challenging internal and external environments, the Company overcame challenges under unfavorable conditions and achieved success. As a result, the Company recorded total output of gold of 34,173.34 kg (approximately 1,098,697.59 ozs), which has increased by approximately 1.28% from last year. In particular, 20,834.99 kg (approximately 669,860.04 ozs) of gold was mine-produced gold, up by approximately 2.63% from last year. Driven by the key mining businesses of the Company, the output of Xiadian Gold Mine and the Zaozigou Gold Mine both exceeded 100,000 ozs. The Company put an emphasis on resources management with an aim to enhance the protection capabilities of mines. The Company has invested a total of RMB105 million in geological prospecting, resulting in an additional output of 52.12 tons of gold metal. According to the standards set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), the Company's gold resources amounted to 1,231.61 tons (approximately 39,597,200 ozs), and the mineable reserves amounted to 511.24 tons (approximately 16,436,700 ozs).

Key projects advanced steadily, provided constant momentum to support the sustainable development of the Company

With respect to the project construction, the Company planned to implement 56 projects with a total investment of RMB536 million in 2018. In particular, steady progress was achieved concerning the Ten Major Projects, the deep exploration of Xiadian Gold Mine, Dayingezhuang Gold Mine, the system optimization project of Yuantong Mining, the mining and ore processing of Ruihai Mining and other key projects progressed smoothly. The construction of an innovation center for the manufacturing sector at the provincial level was also approved. Regarding the external development, the construction of development bases in eastern Hebei and other areas saw good progress, which provided constant momentum to support the sustainable development of the Company.

Injecting energy into innovation and benefit creation, boosting the high quality development of the Company

In 2018, in order to overcome technical bottlenecks, the Company launched 43 technology innovation projects with a total investment of RMB118 million. Significant progress have been made in the renovation of tantalum coating system (浸銻系統), optimisation of sulfur separation indices and technique of breaking cyanogen by oxidation (氧化破氰工藝). The optimisation of the cemented filling of fine grained tailings has achieved good results, creating a new way for the industry to achieve zero discharge of tailings. 160 “four new” technologies including new energy-saving fans and permanent magnet driving motors have been applied throughout the Year, saving approximately RMB33 million during the Year for the Company. The Company enjoyed the tax concessions of RMB210 million and unrequited funds of approximately RMB20 million were granted for the year.

Striving for excellence in performance management, setting off a new wave of competition by “five-optimal competitions”

In 2018, the Company deepened POMS management to plug loopholes in system and process management and to promote overall improvement at the management level. Meawhile, the Company has launched a series of five-optimal competitions with the theme of “excellent performance, superior management, innovative advantages, team optimization, and beautiful environment” throughout the Company. Various activities such as Master Shifu (以師帶徒), Innovation Studio (創新工作室), Talent Cultivation (金種子培養), Zhaojin Elite Lecture Hall (招金精英大講台) and the Selection of Top 10 Teams (十大全優班組評選) have been held, which have created the momentum of the whole company to strive for excellence. The Company has also won management awards, including the Most Valuable Energy & Resources Company Golden Hong Kong Stocks, Most Social Responsible Listed Company Award and Award for Promoting the Standardisation of Equipment Management in China.

Constantly consolidating the foundation of sustainable development on the basis of safety and environmental protection

In 2018, facing increasingly severe safety and environmental protection situations, the Company, by way of zoning management and with the improvement of its staff's safety awareness and the construction and operation of "Dual Prevention Systems" as its main tasks, continued to increase its efforts on safety and environmental protection and management innovation, which have ensured the stability of the safety and environmental protection situation of the Company. During the Year, a total of RMB200 million has been invested in safety and environmental protection to actively promote mechanisation, automation, digitisation and intelligence and further achieve the targets of "substituting people by mechanisation and reducing people by automation". Additional 65 hectares were developed for the greening works of mines, and various supporting funds for environmental protection amounting to RMB3.9 million was granted.

Financial Analysis

Revenue

For the Year, the Group's revenue was approximately RMB7,177,057,000 (2017: RMB6,673,999,000), representing an increase of approximately 7.54% (2017: an increase of approximately 0.14%) as compared to the previous year. The increase was mainly due to the increase in volumes of sales of gold by the Group during this year.

Cost of sales

For the Year, the Group's cost of sales was approximately RMB4,694,849,000 (2017: RMB4,039,470,000), representing an increase of approximately 16.22% (2017: an increase of approximately 2.64%) as compared to the previous year. The increase was primarily attributable to the following reasons: (1) the increase in the volumes of production and sales; (2) the influence of inflation, increase in labour costs and increase in construction costs due to the increased depth of mining.

Gross profit and gross profit margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB2,482,208,000 (2017: RMB2,634,529,000) and approximately 34.59% (2017: 39.47%), respectively, representing a decrease in gross profit of approximately 5.78% (2017: a decrease of approximately 3.47%) and a decrease in gross profit margin of approximately 4.89% (2017: a decrease of approximately 1.48%), respectively, as compared to the previous year. The decrease in gross profit was primarily due to the year-on-year decrease in unit sales revenue and the slight increase in unit production cost.

Other income and gains

During the Year, the Group's other income and gains were approximately RMB440,070,000 (2017: RMB254,560,000), representing an increase of approximately 72.87% (2017: a decrease of approximately 29.27%) as compared to the previous year. The increase in other income and gains was mainly due to the increase in the gains from investments of the Company.

Selling and distribution expenses

For the Year, the Group's selling and distribution expenses were approximately RMB55,584,000 (2017: RMB44,806,000), representing an increase of approximately 24.05% (2017: a decrease of approximately 37.53%) as compared to the previous year. The increase was mainly due to the increase in gold transaction fees as a result of the increase in sales volume during the Year.

Administrative and other expenses

The Group's administrative and other operating expenses were approximately RMB1,652,967,000 during the Year (2017: RMB1,537,149,000), representing an increase of approximately 7.53% (2017: a decrease of approximately 12.61%) as compared to 2017. The increase was primarily due to the significant increase in research and development costs which aimed to optimize the production processes and promote the production utilization.

Finance costs

For the Year, the Group's finance costs were approximately RMB480,525,000 (2017: RMB432,974,000), representing an increase of approximately 10.98% (2017: a decrease of approximately 6.9%) as compared to 2017. The increase was mainly due to the increase in interests resulted from optimizing the debt structure.

Income tax expenses

For the Year, the Group's income tax expenses increased by approximately RMB46,245,000 as compared to the previous year. The increase was primarily due to the effects of preferential tax for high and new technological enterprises which resulted in additional tax concessions enjoyed for 2017. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2017: 25%) on the taxable income (except for the five High and New Technology Enterprises and four western-region-development subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 23.84% during the Year (2017: 15.1%).

Profit attributable to owners of the parent

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB474,287,000, representing a decrease of approximately 26.35% (2017: an increase of approximately 82.26%) from approximately RMB643,951,000 in 2017.

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 RMB1,847,169,000 as at 31 December 2017 to approximately RMB1,143,299,000 as at 31 December 2018. The decrease was mainly because that the cash inflow from operating and financing activities of the Group was less than that the net cash outflow of investing activities of the Group.

As at 31 December 2018, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB95,549,000 (2017: RMB851,629,000), those denominated in US dollars amounted to approximately RMB27,023,000 (2017: RMB87,741,000), those denominated in Australian dollars amounted to approximately RMB0 (2017: RMB22,217,000), those denominated in Kazakhstani tenge amounted to approximately RMB8,000 (2017: RMB8,000), those denominated in Canadian dollars amounted to approximately RMB0 (2017: RMB1,092,000) and those denominated in British Pounds amounted to approximately RMB0 (2017: RMB4,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2018, the Group had outstanding bank loans, other borrowings and gold from gold leasing business (namely, the funds that were raised by the Group through leasing gold from bank and subsequently sold through SGE) of approximately RMB8,602,417,000 (2017: RMB11,399,261,000), of which approximately RMB8,365,787,000 (2017: RMB10,779,923,000) shall be repaid within one year, approximately RMB236,630,000 (2017: RMB619,338,000) shall be repaid within two to five years, and approximately RMB0 (2017: RMB0) shall be repaid after five years. As at 31 December 2018, the Group had outstanding corporate bonds of approximately RMB0, which will be repaid in one year (2017: RMB0) and approximately RMB6,098,697,000 (2017: RMB1,794,964,000), which shall be repaid within two to five years. The decrease in the Group's borrowings during the Year was mainly because the Company adjusted its debt structure proactively during the Year and settled part of its borrowings.

As at 31 December 2018, except for bank loans of RMB0 and RMB0 (2017: RM647,830,000 and RMB588,000) denominated in Hong Kong dollars and US dollars respectively, all borrowings are denominated in RMB. As at 31 December 2018, approximately 82% 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 2018, the gearing ratio of the Group was 44.65% (31 December 2017: 40.37%). As the Group's financing needs have increased this year, the gearing ratio has therefore increased.

Market risks

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

Gold prices and other commodities prices risks

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

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

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

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

Interest rate risk

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

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

Foreign exchange risk

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

Risk of change in industry policies

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

Pledge

As at 31 December 2018, except for the following assets pledged for the bank borrowings and notes payable of the Group, the Group has not pledged any assets: (1) property, plant and equipment, prepaid land lease payments with net carrying amount of approximately RMB0 (31 December 2017: RMB0); (2) pledged deposits of RMB0 (31 December 2017: RMB17,710,000).

Business Outlook

With the cyclical adjustment of the mining industry, the tightening of domestic mining policies and the promotion of the "One Belt One Road" strategy, a landscape in which the development is dominated by large mining groups is developing. Facing various challenges, in 2019, the Company will follow the general principle of "reform, development, and stability", adopt "production + operation, management + technology, resources + capital" as the general measure, and value "clear objective, definite responsibilities, quantified assessment, distinct rewards and punishments, innovative mechanisms and the right talent for the right job" as the core of management. In the new round of national reform and opening up as well as the replacement of old growth drivers with new ones, the Company will strive to implement the "double H" strategy driven by high-quality development, and develop itself as a world-class gold mining company with international competitiveness.

Adhering to the "production + operation" coordinated development and creating new high-quality development advantages

In 2019, the Company will strengthen production scheduling and improve the deep exploration and production of key mines, such as Xiadian Gold Mine, Dayingezhuang Gold Mine and Tonghui Mining, to prepare for the subsequent development; led by production competitions, the Company will stimulate the enthusiasm of all employees to increase production and create efficiency through initiating various competitions, aiming to achieve a total gold production volume of 32,853.13 kg (approximately 1.0563 million ozs) for the year. At the same time, the Company will change its philosophy from a "production-oriented" one to one focused on quality and efficiency, deliver a new spirit of "performance-oriented" spirit and promote six major reforms in terms of appraisal mechanism, compensation mechanism, incentive mechanism, budget performance, scientific research mechanism and operation model, creating an atmosphere of "tension, vitality and action" in the whole Company under which all staff will be motivated to compete with others and strive for excellence.

Adhering to the double drivers of "management + technology" to gain new growth drivers of high-quality development

In 2019, the Company will focus on management and accelerate the transition from extensive management to refined management. It will continue to promote POMS management and excellence in performance management to achieve "systematic management, standardized work, refined process and data-based results". In terms of engineering management, the Company intends to invest in 78 construction projects with a total investment of RMB7.914 billion. During this year, with the "Ten Major Projects" as the general focus, the Company plans to invest RMB948 million to accelerate the promotion of mining and ore processing project at Ruihai Mining as well as the production projects at Xiadian Gold Mine, Dayingezhuang Gold Mine and Zaozigou Gold Mine. The Company will focus on technology and accelerate the transition of development model from factor-driven to technology-driven. In 2019, it is planned that the Company will implement a total of 84 scientific research projects with a total investment of RMB267 million, of which RMB177 million will be invested in 2019. Focusing on promoting the "Top Ten Scientific Research Projects", the Company's efforts will be exerted on the optimization and upgrading of the transportation system at Xiadian Gold Mine, improvement of ore processing technology and recovery rate research at Zaozigou Gold Mine, the experimental study of ore processing of polymetallic ore at Yuantong Mining as well as chlorination and recovery rate research at Gansu Zhaoye Mining and Xingta Mining. With the implementation of such key innovative projects, the Company aims to address bottleneck problems in production, thus enhancing its competitiveness.

Adhering to the positive interaction of "resources + capital" to create a new model for the Company's high-quality development

In 2019, the Company will regard human resources as capital for investment and management, and realize the value addition of human capital appreciation by strengthening education and training, strengthening rational allocation and strengthening management assessment. Adhering to the development of mineral resources as its first priority, the Company will promote the "two cores" of external development and geological prospecting works. Capitalizing on the platforms of Fengning Zhaojin (豐寧招金), Inner Mongolia Zhaojin (內

蒙招金) and Huabei Zhaojin (華北招金), the Company will proactively and steadily promote external development. It plans to invest RMB86.98 million to obtain 20.7 additional tons of gold resources reserves and 1,430 additional tons of copper resources reserves. At the same time, the Company will adhere to a path of capital operation and realize its transformation from resources-based operations to capital-based operations. Through capital operation, the Company aims to expand capital financing channels, activate the capital market, optimize asset structure.

Maintaining the support from stability, establishing and improving the "four major guarantees" system and creating a new landscape of high-quality development

In 2019, the Company will ensure stability and advance reform and development with the support of stability. Firstly, the Company will establish a safety and environmental protection management system. During the Year, it will commit funds in the amount of RMB 209 million for safety and environmental protection in order to promote the zoning management and the construction of dual prevention system, strengthen safety education and training and comprehensively renovate the ecological environment in the mining area. Secondly, the Company will establish an internal control and supervision system. It will build an internal control and supervision system of "Four in One" integrating audit, finance, legal affairs and discipline inspection to eliminate legal risks and build a solid defense line for anti-bribery and anti-corruption. Thirdly, the Company will establish a corporate culture system. Guided by the spirit of cultivating the enterprise and staff with cultural knowledge, it will strive to convey cultural symbols such as fairness, competition, loyalty and integrity, and create a clean, fair and impartial environment which is suitable for entrepreneurship. Fourthly, the Company will establish a system of maintaining stability. It will proactively carry out construction of community, government and enterprise as well as business environment, maintain friendly relationship with local governments, communities and other parties in the society to establish a good social image of the Company.

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

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

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

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

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

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

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

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

CONNECTED TRANSACTIONS

For details of other connected transactions of the Company, please refer to the annual report for the year ended 31 December 2018 to be published by the Company.

SIGNIFICANT EVENTS

1. On 8 June 2018, the following resolutions, among other things, were passed at the 2017 annual general meeting of the Company:

    (1) the Company's profit distribution proposal for the year ended 31 December 2017 to distribute a cash dividend of RMB0.06 (tax included) per share to all Shareholders. On 29 June 2018, the Company distributed the cash dividend of RMB0.06 (tax included) per share for 2017 to all Shareholders;

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

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

    (4) appointment of executive Directors and non-executive Directors; and

    (5) appointment of Shareholders' representative supervisors of the Company.

    Relevant details of 2017 annual general meeting were set out in the circular and notice both dated 24 April 2018 and voting results announcement dated 8 June 2018, published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. On 8 June 2018, the following proposals (among other things) were reviewed at the domestic shares class meeting and H shares class meeting (collectively "Class Meetings") respectively:

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

The proposal was approved at the Class Meetings.

Relevant details of the Class Meetings were set out in the circular and notices dated 24 April 2018 and voting results announcement dated 8 June 2018 published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Termination of the acquisition by the Joint Venture Company

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

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

4. Issuance of Super Short-term Bonds

On 10 December 2018, the Company issued the first tranche of super short-term bonds for 2018 with a par value of RMB0.7 billion for a term of 270 days and bearing interest rate of 3.85% per annum. The proceeds are used as general working capital of the Company.

Relevant details were set out in the announcements of the Company dated 7 December 2018 and 13 December 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Issuance of Medium-term Notes

On 18 October 2018, the Company issued the first tranche of Medium-term Notes for 2018 with a par value of RMB0.5 billion for a term of 3 years and bearing interest rate of 4.27% per annum. The proceeds is to repay bank loans and replenish liquidity funds of the Company.

Relevant details were set out in the announcements of the Company dated 16 October 2018 and 23 October 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 19 November 2018, the Company issued the second tranche of Medium-term Notes for 2018 with a par value of RMB0.5 billion for a term of 3 years and bearing interest rate of 4.03% per annum. The proceeds is to repay bank loans and replenish liquidity funds of the Company.

Relevant details were set out in the announcements of the Company dated 15 November 2018 and 22 November 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Issuance of Corporate Bonds

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

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

On 9 August 2018, the Company issued the second tranche of Corporate Bonds for 2018 with a par value of RMB1.3 billion for a term of 5 years and bearing interest rate of 4.19% per annum. The proceeds is to repay bank loans and replenish liquidity funds of the Company.

Relevant details were set out in the announcements of the Company dated 7 August 2018, 10 August 2018 and 13 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 24 August 2018, the Company issued the third tranche of Corporate Bonds for 2018 with a par value of RMB0.7 billion for a term of 3 years and bearing interest rate of 4.47% per annum. The proceeds is to repay bank loans and replenish liquidity funds of the Company.

Relevant details were set out in the announcements of the Company dated 23 August 2018, 24 August 2018 and 29 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Changes in Composition of the Board

The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of an executive Director, the chairman of Safety and Environmental Protection Committee, the president and the authorized representative of the Company, Mr. Cong Jianmao resigned from the position of an executive Director, a member of Nomination and Remuneration Committee and Safety and Environment Protection Committee, and Mr. Li Shousheng resigned from the position of a non-executive Director, a member of Strategic Committee and Geological and Resources Management Committee due to re-allocation of their work arrangement; Mr. Liang Xinjun resigned from being the vice chairman of the fifth session of the Board, a non-executive Director and a member of Nomination and Remuneration Committee due to health reason. Their resignations are all with effect from 6 March 2018. Mr. Li Xiuchen, Mr. Cong Jianmao, Mr. Liang Xinjun and Mr. Li Shousheng confirmed that they had no disagreement with the Board and there was no matter relating to their resignation that needs to be brought to the attention of the Shareholders. In accordance with the article of association of the Company, the Board appointed Mr. Xu Xiaoliang as the vice chairman of the fifth session of the Board of the Company, Mr. Dong Xin as an executive Director, the chairman of the Safety and Environment Protection Committee, an executive president and the authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Wang Ligang as an executive Director, a member of Nomination and Remuneration Committee and Safety and Environment Protection Committee of the Company, Mr. Liu Yongsheng as a non-executive Director, a member of Strategic Committee and Geological and Resources Management Committee of the Company, Mr. Yao Ziping as a non-executive Director and a member of Nomination and Remuneration Committee of the Company. Their appointments are all with effect from 6 March 2018.

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

8. Changes in Composition of the Supervisory Committee

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

Due to the re-allocation of work arrangement, Mr. Xie Xueming resigned from his position as a Shareholders' representative supervisor of the Company on 24 August 2018. His resignation took effect from 24 August 2018. Mr. Zou Chao was appointed as a Shareholders' representative supervisor of the Company with effect from 24 August 2018.

Relevant details of changes in members of the Supervisory Committee were set out in the announcements of the Company dated 6 March 2018 and 24 August 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. Changes in Senior Management

The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of the president of the Company with effect from 6 March 2018. The Board agreed to appoint Mr. Dong Xin as the executive president of the Company, for a term commencing from 6 March 2018 to the end of the term for the fifth session of the Board.

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

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

10. Change of Company Secretary

The Company held the eighteenth meeting of the fifth session of the Board on 24 August 2018. The Board approved the resignation of Ms. Mok Ming Wai ("Ms. Mok") as company secretary and agent for acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Cap 622 of the Laws of Hong Kong) ("Process Agent") with effect from 24 August 2018. Ms. Mok has confirmed that she has no disagreement with the Board and that there are no other matters that need to be brought to the attention of the Stock Exchange and the Shareholders. The Board approved the appointment of Ms. Ng Ka Man as company secretary and Process Agent of the Company as required pursuant to Companies Ordinance with effect from 24 August 2018.

Relevant details were set out in the announcement of the Company dated 24 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

11. Partial redemption of corporate bonds

The Company issued a total board lot size of 950,000 corporate bonds to the public on the Shanghai Stock Exchange on 29 July 2015 for a term of five years with an annual interest rate of 3.8%. The Company redeemed 443,008 board lot on 30 July 2018 and the annual interest rate was raised from 3.8% to 4.8%.

Relevant details of the partial redemption of corporate bonds were set out in the announcements of the Company dated 3 July 2018 and 11 July 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

12. Absorption-and-merger of a wholly-owned subsidiary

In order to further integrate internal resources, reduce management costs, improve operational efficiency and further enhance the modernization level of corporate governance capability of the Company, the Company has restructured Yantai Jin Shi Mining Investment Company Limited* (煙台金時礦業投資有限公司), a wholly-owned subsidiary of the Company, through absorption-and-merger.

Relevant details were set out in the announcement of the Company dated 13 September 2018, the circular and notice of the Company both dated 14 September 2018 and the voting results announcement of the Company dated 29 October 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

13. Entering into the Supplemental Digital Mine Construction Technology Services Agreement

On 24 August 2018, the Company entered into the Supplemental Digital Mine Construction Technology Services Agreement with Shandong Goldsoft Technology Company Limited* ("Goldsoft Technology", a 67.37% owned subsidiary of Shandong Zhaojin Group Company Limited ("Zhaojin Group")). Pursuant to the Supplemental Digital Mine Construction Technology Services Agreement, the revised maximum aggregated value of materials procurement transactions for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 are approximately RMB90 million, RMB95 million and RMB95 million, respectively ("Revised Digital Mine Construction Technology Services Annual Caps").

Zhaojin Group is the controlling Shareholder of the Company. Goldsoft Technology is a subsidiary of Zhaojin Group, and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Supplemental Digital Mine Construction Technology Services Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company. As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Revised Digital Mine Construction Technology Services Annual Caps in respect of the transactions contemplated under the Supplemental Digital Mine Construction Technology Services Agreement is more than 0.1% but less than 5%, the Supplemental Digital Mine Construction Technology Services Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 24 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

14. Cornerstone Investment Agreement

On 13 September 2018, Sparky International Company Limited (斯派柯國際有限公司) ("Sparky International") (a wholly-owned subsidiary of the Company) as an investor entered into the Cornerstone Investment Agreement with, amongst other parties, Shandong Gold Mining Co., Ltd (山東黃金礦業股份有限公司) ("Shandong Gold Mining") as the issuer, pursuant to which Sparky International has agreed to subscribe for the number of H Share of Shandong Gold Mining to be offered by Shandong Gold Mining to Sparky International in the international offering at the offer price. Sparky International was required to pay no more than US$50 million (exclusive of the brokerage and the levies).

As the highest of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the transaction contemplated under the Cornerstone Investment Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Cornerstone Investment Agreement constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 13 September 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

DETAILS OF SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END

1. Changes in Composition of the Board

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

The Company held the first meeting of the sixth session of the Board on 26 February 2019 at which, the Board agreed to appoint Mr. Yao Ziping as a member of Audit Committee of the Company, and Mr. Gao Min as a member of Nomination and Remuneration Committee of the Company. Their appointments are all with effect from 26 February 2019.

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

2. Change in Composition of the Supervisory Committee

The Company held the first 2019 extraordinary general meeting on 26 February 2019, at which the Shareholders re-elected Mr. Zou Chao as a Shareholders' representative supervisor of the Company; and appointed Mr. Wang Xiaojie as a Shareholders' representative supervisor of the Company.

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

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

3. Changes in Senior Management

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

4. Issuance of Super Short-term Bonds

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

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

5. Issuance of USD Guaranteed Notes

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

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

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 2018. No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Code by the Company at any time during the Year.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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

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

AUDIT COMMITTEE

The Audit Committee of the sixth session of the Board of the Company comprises one non-executive Director and two independent non-executive Directors, namely Mr. Yao Ziping, 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 22 March 2019. 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 2018 AGM, the register of members will be closed from 15 May 2019 to 14 June 2019, 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 2018 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 20 June 2019 and 24 June 2019, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2018 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, 14 May 2019.

To be qualified for receiving the final dividend for 2018, 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, 19 June 2019.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2018 AGM will be held on Friday, 14 June 2019. The notice of 2018 AGM will be dispatched to the Shareholders as soon as possible. The Group's annual report for the Year will be dispatched to the Shareholders in due course.

Notes:

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

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

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

Zhaoyuan, the PRC, 22 March 2019

* *For identification purpose only*