LINGJIN
灵 金

Lingbao Gold Group Company Ltd.
靈寶黃金集團股份有限公司

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

(Stock Code: 3330)

2018
Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Jianzheng *(Chairman)*
Mr. Wang Leo
Ms. Zhou Xing
Mr. Zhao Kun
Mr. Xing Jiangze

Non-executive Director

Mr. Shi Yuchen

Independent Non-executive Directors

Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

SUPERVISORS

Mr. Jian Zhanxun
(Chairman of the Supervisory Committee)
Mr. Yang Shilei
Mr. Guo Xurang
Mr. Zhao Bingbing

AUDIT COMMITTEE

Mr. Yang Dongsheng *(Chairman of Audit Committee)*
Mr. Shi Yuchen
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

NOMINATION COMMITTEE

Mr. Wang Guanghua
(Chairman of Nomination Committee)
Mr. Xing Jiangze
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng

REMUNERATION AND REVIEW COMMITTEE

Mr. Wang Jiheng
(Chairman of the Remuneration and Review Committee)
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Guanghua

COMPANY SECRETARY

Mr. Poon, Lawrence Chi Leung

AUTHORISED REPRESENTATIVES

Mr. Chen Jianzheng
Mr. Poon, Lawrence Chi Leung

INTERNATIONAL AUDITOR

KPMG

PRC AUDITOR

KPMG Huazhen LLP

LEGAL ADVISER

Hong Kong law
Baker Mckenzie

PRC law
King & Wood Mallsons

PRINCIPAL BANKERS

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial and Commercial Bank of China, Lingbao City Branch
Industrial Bank of China, Zhengzhou Branch
Bank of Communications of China, Zhengzhou Branch
China Development Bank
Zhongyuan Bank, Sanmenxia Branch

SHARE REGISTRAR AND TRANSFER OFFICE FOR H SHARES

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE OF THE COMPANY

Hangu Road and Jingshan Road Intersection
Lingbao City
Henan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1902, 19th Floor
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

INVESTOR RELATIONS CONTACT

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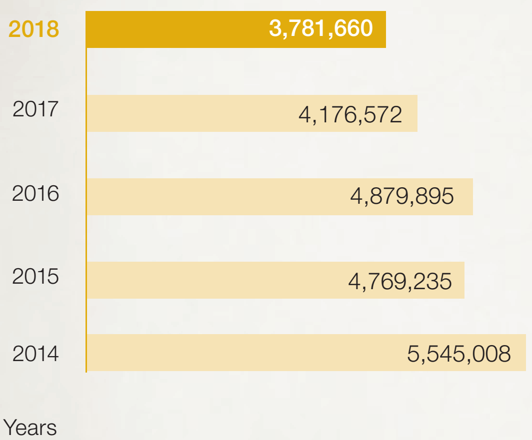
STOCK INFORMATION

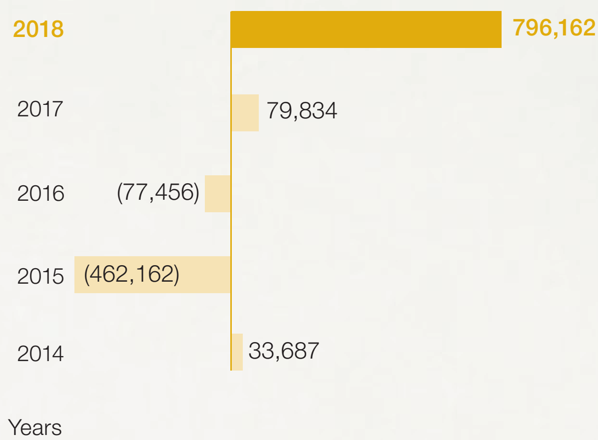
Stock Code	:	3330
Listing Date	:	12 January 2006
Issued Shares	:	297,274,000 shares (H Shares)
		566,975,091 shares (Domestic Shares)
Nominal Value	:	RMB0.20 per share
Stock Name	:	Lingbao Gold
Website of the Company	:	www.lbgold.com
Investors' website	:	www.irasia.com/listco/hk/lingbao

FINANCIAL HIGHLIGHTS

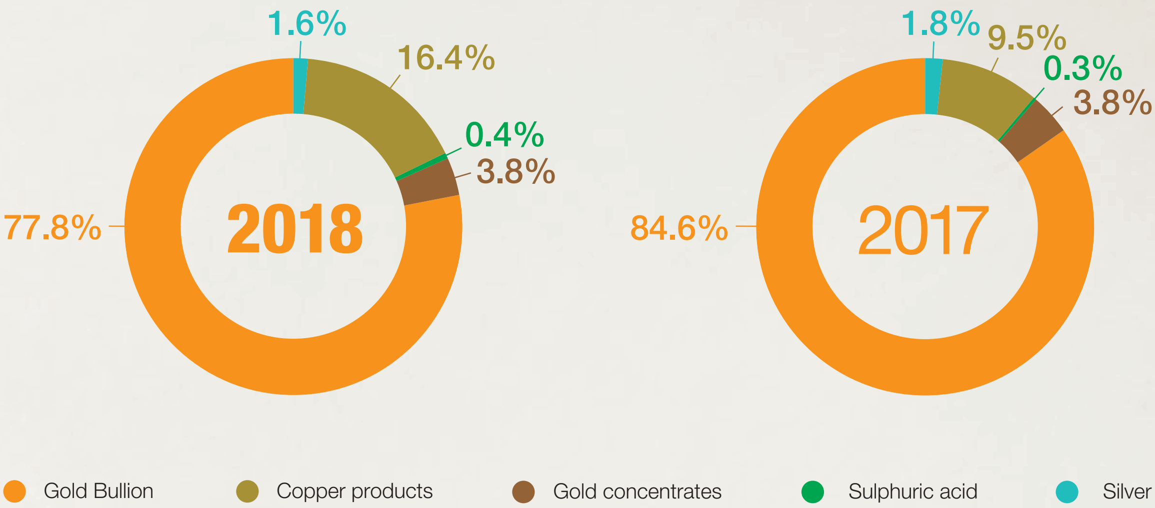
REVENUE — CONTINUING OPERATIONS
RMB'000



PROFIT FROM CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO EQUITY SHAREHOLDERS
RMB'000



SALES ANALYSIS BY PRODUCTS — CONTINUING OPERATIONS



CAPITAL RESOURCES

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**8,212,816**	7,946,667	7,489,783	7,508,139	7,139,623
Cash and cash equivalents	**811,237**	455,427	1,164,569	1,117,524	372,312
Bank and other borrowings	**4,569,951**	4,893,411	5,073,509	5,130,495	4,190,919
Total equity attributable to equity shareholders of the Company	**2,066,449**	1,223,931	1,119,144	1,219,448	1,696,307

CORPORATE PROFILE

Lingbao Gold Group Company Ltd. ("Lingbao Gold" or the "Company" and together with its subsidiaries, the "Group") is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 January 2006.

The Group is an integrated gold mining enterprise in the People's Republic of China ("PRC"), and is mainly engaged in gold mining, smelting and refining. The products of the Group are gold, silver, copper products and sulphuric acid. The Shanghai Gold Exchange certified the Group as a standard gold bullion production enterprise. The Group's mineral resources are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and Kyrgyz Republic ("KR") with 37 mining and exploration rights with a total area of 372.45 sq. km. The total gold reserve and resources as at 31 December 2018 were approximately 48.21 tonnes (approximately 1,549,987 ounce) and 98.82 tonnes (approximately 3,177,136 ounce) respectively. The gold reserve and resources report is prepared in accordance with PRC GB/T17766-1999, "Solid Mineral Resources/Reserves Classification", GB/T13908-2002 "General Requirements for Solid Mineral Geological Exploration" and DZ/T0205-2002 "Geological Exploration Requirements for Hard-Rock Gold". In 2018, approximately 10,736 kg (approximately 345,170 ounce) of gold was produced, and the profit for the year from continuing business operation and discontinued business operations attributable to the equity shareholders of the Company amounted to RMB796,162,000.

The objective of the Group's strategy in the future is continuous expansion, to become the leading integrated gold mining enterprise in the PRC and gradually promote our brand in the international market. The Group will focus on the exploration and expansion of production scale and continue to acquire gold resources with potential.

The following is a table of gold resources and reserves of the Group as at 31 December 2018:

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
1	Henan Lingjin No. 1 Mine	Gold	Ore (t)	815,223	130,451	945,674
			Grade (g/t)	5.27	6.09	5.38
			Gold Contained (kg)	4,295	794	5,089
2	Deep exploration area of Henan Lingjin No. 1 Mine	Gold	Ore (t)	2,772,542	3,435,474	6,208,016
			Grade (g/t)	4.09	5.10	4.65
			Gold Contained (kg)	11,348	17,525	28,873
3	Henan Hongtuling Gold Mine	Gold	Ore (t)	1,014,659	287,383	1,302,042
			Grade (g/t)	6.86	7.69	7.04
			Gold Contained (kg)	6,956	2,210	9,166
4	Henan Hongxin No. 1 Mine	Gold	Ore (t)	113,027	36,065	149,092
			Grade (g/t)	4.42	3.89	4.29
			Gold Contained (kg)	499	140	640
5	Henan Lingjin No. 2 Mine	Gold	Ore (t)	691,058	364,941	1,055,999
			Grade (g/t)	7.44	7.42	7.43
			Gold Contained (kg)	5,144	2,707	7,851
6	Henan Lingjin No. 3 Mine	Gold	Ore (t)	126,395	131,354	257,749
			Grade (g/t)	5.60	4.62	5.10
			Gold Contained (kg)	708	607	1,315

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
7	Henan Pengjialaozhuang Gold Mine	Gold	Ore (t)	85,237	593,783	679,020
			Grade (g/t)	4.50	4.57	4.56
			Gold Contained (kg)	383	2,715	3,098
8	Henan Shangshanghe Gold Mine	Gold	Ore (t)	517,308	330,728	848,036
			Grade (g/t)	4.66	4.69	4.67
			Gold Contained (kg)	2,410	1,552	3,962
9	Periphery of Henan Shangshanghe Gold Mine	Gold	Ore (t)	388,920	3,084,203	3,473,123
			Grade (g/t)	5.53	4.73	4.82
			Gold Contained (kg)	2,151	14,594	16,745
10	Henan Laowan Gold Mine	Gold	Ore (t)	138,124	135,467	273,591
			Grade (g/t)	4.32	3.26	3.80
			Gold Contained (kg)	597	442	1,039
11	Henan Eastern Laowan Gold Mine	Gold	Ore (t)	66,491	388,001	454,492
			Grade (g/t)	5.46	4.92	5.00
			Gold Contained (kg)	363	1,908	2,271
12	Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)	302,047	1,906,522	2,208,569
			Grade (g/t)	4.17	3.78	3.84
			Gold Contained (kg)	1,261	7,213	8,474
13	Deep part of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		854,443	854,443
			Grade (g/t)		4.71	4.71
			Gold Contained (kg)		4,021	4,021
14	Periphery of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		129,803	129,803
			Grade (g/t)		5.18	5.18
			Gold Contained (kg)		672	672
15	Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	69,527	456,584	526,111
			Grade (g/t)	5.02	3.11	3.37
			Gold Contained (kg)	349	1,422	1,771
16	Deep part of Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	21,828	470,695	492,523
			Grade (g/t)	4.77	3.98	4.01
			Gold Contained (kg)	104	1,872	1,976
17	Jinchanshan Gold Mine of Inner Mongolia	Gold	Ore (t)	658,372	325,120	983,492
			Grade (g/t)	4.76	4.89	4.80
			Gold Contained (kg)	3,134	1,590	4,724
18	Jinchanshan Changgao Gold Mine of Inner Mongolia	Gold	Ore (t)		746,112	746,112
			Grade (g/t)		10.13	10.13
			Gold Contained (kg)		7,560	7,560
	Total of gold contained — Domestic			39,702	69,546	109,248

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
19	Upper part of Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	907,096	1,753,200	2,660,296
			Grade (g/t)	8.42	6.46	7.13
			Gold Contained (kg)	7,636	11,329	18,965
20	Eastern Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	101,075	1,560,364	1,661,439
			Grade (g/t)	7.96	6.64	6.72
			Gold Contained (kg)	805	10,359	11,164
21	Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	6,228	756,333	762,561
			Grade (g/t)	10.92	10.03	10.03
			Gold Contained (kg)	68	7,583	7,651
	Total of gold contained — Oversea			8,509	29,271	37,780
	Total of gold contained			48,211	98,817	147,028

The total gold resources and reserves of the Group were made in according to the Geological Exploration Requirements for Hard-Rock Gold (DZ/T0205-2002) issued by the Ministry of Land and Resources of the PRC by adopting the following assumptions:

Henan Lingjin no. 1 Mine

1. Gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Lingjin No. 1 Mine was approximately 500kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration area of Henan Lingjin no. 1 Mine

No geological exploration and mining activities have been conducted since the record in the Ministry of Land and Resources of the PRC in 2011. The former resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Henan Hongtuling Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Hongtuling Gold Mine was approximately 376kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 6m
   Distance between levels: 50m

Henan Hongxin no. 1 Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Hongxin No. 1 Mine was 27kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Lingjin no. 2 Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Lingjin No. 2 Mine was 71kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Pengjialaozhuang Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves increment for Henan Pengjialaozhuang Gold Mine was 36kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.

Henan Shangshanghe Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves increment for Henan Shangshanghe Gold Mine was 199kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.3m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration of periphery of Henan Shangshanghe Gold Mine

No geological exploration and mining activities have been conducted since the record in the Ministry of Land and Resources of the PRC in 2011. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

Henan Laowan Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Laowan Gold Mine was 160kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.3m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Eastern Laowan Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves increment for Henan Eastern Laowan Gold Mine was 84kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.

Xinjiang Duolanasayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Xinjiang Duolanasayi Gold Mine was 51kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 2m
   Pillar between blocks: 5m
   Crown pillar: 8m
   Distance between levels: 50m

Deep Part of Xinjiang Duolanasayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Periphery of Xinjiang Duolanasayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Xinjiang Tuokuzibayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves increment for Xinjiang Tuokuzibayi Gold Mine was 67kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 50m

Deep Part of Xinjiang Tuokuzibayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Jinchanshan Gold Mine of Inner Mongolia

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves increment for Jinchanshan Gold Mine was 18kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Jinchanshan Changgao Gold Mine of Inner Mongolia

The mine is in the stage of applying mining permit procedure and no exploration and exploitation activities are carried out. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Upper Part of Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Upper Part of Istanbul Gold Mine was 331kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Eastern Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
3. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Istanbul Gold Mine of Kyrgyzstan

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

The mine is conducting geological exploration activities. And no mining activities were conducted The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

DEAR SHAREHOLDERS,

I hereby present you that for the year ended 31 December 2018, the profit from continuing operations and discontinued operations attributable to the equity shareholders of the Group amounted to RMB796,162,000 (2017: RMB79,834,000). Earnings per share of the Group's continuing operations and discontinued operations was RMB0.93. After a discussion of the Board (the "Board") of Directors (the "Directors") of the Company, the final dividend of RMB0.20 per share was recommended to be paid for the year ended 31 December 2018.

REVIEW FOR THE YEAR 2018

In 2018, the volume of gold, silver, electrolytic copper and sulphuric acid produced by the Group amounted to 10,736 kg, 19,543 kg, 9,302 tonnes and 86,947 tonnes, respectively. As of 31 December 2018, the total gold reserves and resources were 147.03 tonnes. The Group held 37 mining and exploration rights in aggregate covering 372.45 square kilometres, of which 11 were mining rights.

In 2018, the Group witnessed the greatest challenge amid a most drastically changing business operation environment. Instability of the political and economic conditions across the world, coupled with a narrowing interest hike on the US dollar and many other factors, had contributed to a constantly growing investor risk aversion in the market. However, the gold market was to some extent supported by a growing attention of investors due to gold being an excellent risk-averse asset. In view of the continuous low gold price, sustained pressure from the safety and environmental policies, a changing external development environment, and insufficiency of effective production time, the Group resolved to sell the entire issued share capital of Lingbao Wason Copper-Foil Company Ltd. ("Wason Copper-Foil") at a consideration of RMB2.558 billion. This transaction not merely significantly lowered the debt size and gearing ratio of the Group, but also further strengthened our focus to the mining and smelting business operations. In 2018, the Group underscored the cultivation and development of 5 regulated mine production systems, mapped out the construction plan for 5 production and exploration systems, and ensured five tailings ponds operated in good order. In addition, the Group continued to facilitate the compliance and safety development, thereby developing a sound and positive business landscape. In terms of environmental protection, the Group made significant investments in overhauling water, gas, and solid waste management. Currently, the Group recycles and reuses processing wastewater, and its sewage treatment facilities operate in good conditions to meet the environmental requirements for zero emissions. As for waste gas management, the Group installed the online monitoring system in strict compliance with national standards to meet the emission standards. As for the solid waste management, the Group built three 15,700-square-meter storage yards and one harmless treatment production line to handle red slags, so that the issues of red slags stalling the smelting facility development has been effectively resolved. In the meantime, the Group strengthens its daily management and takes the initiative to secure the success of the "blue sky" project. In doing so, the Group has significantly improved its overall environmental protection standard, further consolidating the ecological development.

In 2018, in order to solve the problem of air pollution, improve environmental quality and maintain environmental safety, relevant government departments strictly conduct safety and environmental inspections. In the context of stricter environmental protection policies, the company's suppliers and smelters have been relatively affected. Due to the safety rectification of the mines of the suppliers, the supply of raw materials to the company was reduced in 2018. Under the environmental protection policy, the smelter plant of the company was suspended for about one month due to the upgrade of environmental protection equipment. As a result of the lack of raw material for the production and the suspension production of smelter plant have led to a low capacity utilisation rate of the smelter plant.

BUSINESS OUTLOOK OF 2019

Looking into 2019, the Group's strategical focus will revert to its gold mining operation, further improve its performance amid business expansion, and specialize in building a strong smelting business, all of which continue to be our persevered strategic position so as to maintain our high-quality business development and improve the living standard of our employees. High-quality development requires the Group to persist in clean, low-carbon, safe, and efficient business development, as well as to pursue the green development. In successful pursuit of technological innovation, the Group will strengthen its development drivers, such as its high-tech innovation, management innovation, and ability to innovate technologies. To succeed in transformation and upgrades, the Group will implement the development approaches correctly, such as advancing and balancing the development of our business segments with a focus on the improvement of product quality and efficiency. To deliver high-quality living standards, amid the constant business development, the Group will establish and improve a normal salary review policy so that its employees continue to enjoy income growth. By introducing more projects to improve the living standard, the Group will safeguard better income and living conditions of its employees so that they take pride in working for the Group with a stronger sense of happiness and achievement and look forward to a brighter future. As for the mining business operation, the Group will continue to maintain effective mine exploration and reserve expansion, particularly focusing on the key project developments: No. 3 Vertical Shaft Project operated by Tongbai Xingyuan Mining at Shenglaozhuang, No.5 Vertical Shaft Expansion Project operated by Habahe Huatai Gold, In-depth Mine Exploration Project (comprising four horizontal and one vertical developments) operated by Nanshan branch, Extension Project for Two Internal Shafts operated by Chifeng Jinchan Mining, and Study on Mining Techniques by Full Gold Mining. In the meantime, the Group will ensure the quality of mine exploration, enhance its technological monitoring services, and strive for a new reserve that exceeds the consumption volume for the year. Furthermore, the Group will accelerate breakthroughs in acquiring new premium resources. Our mine exploration activities shall take place within our existing mines, while we will advance the expansion of mining concessions at full strength. Internally, we will increase the efforts to consolidate and acquire resources neighboring the old mines, strengthen the supplemental exploration of mining concessions with potential, and engage in key production and exploration projects to achieve major breakthroughs in our existing resources. Finally, the Group will continue to enhance its safety and environmental management standards to root out major safety and environmental accidents.

APPRECIATION

On behalf of the Board, I wish to express our sincere gratitude to all the shareholders for their support and trust, and to the management and all the staff for their dedication and hard work over the past year.

By order of the Board

Chen Jianzheng
Chairman

Lingbao, Henan, the PRC
29 March 2019

REVIEW OF BUSINESS

In 2018, the Group produced approximately 10,736 kg (equivalent to approximately 345,170 ounce) gold, representing a decrease of approximately 1,966 kg (equivalent to approximately 63,208 ounce) or 15.5% as compared with the previous year. The Group's revenue from continuing operations decreased by 9.5% to approximately RMB3,781,660,000. During the year, the Company recorded net profit of approximately RMB777,834,000, representing an increase of approximately 1,436.1% from the net profit of approximately RMB50,638,000 for the year ended 31 December 2017, which is mainly due to the net effect of (i) the profit of RMB1,667,901,000 generated from the disposal of the entire issued share capital of Lingbao Wason Copper-Foil Company Ltd. ("Wason Copper-Foil"); (ii) the impairment loss of property, plant and equipment and intangible assets of approximately RMB51,638,000; (iii) the impairment loss of tax prepayments related to resource tax, municipal maintenance tax, property tax and land use tax of approximately RMB174,580,000; (iv) the loss of approximately RMB89,718,000 resulting from the disposal of 70% equity interests in Palladex KR Limited Liability Company; and (v) the impairment loss of purchase deposits of approximately RMB656,758,000.

Given that raw materials accounted for over 82% of total production cost, the Group intends to increase its self-produced output of gold mine through expansion of mining operation scale, and uplift the overall production and operation targets, so as to minimise the risks associated with raw materials purchased from outsiders.

1. Mining Segment

Revenue and production

Our mining business mainly comprises the sales of gold concentrates and compound gold. Most of the gold concentrates and compound gold were sold to the Group's smelting plant as inter-segment sales within the Group.

The following table sets forth the analysis of the production and sales volume of the mining segment by product category:

		2018		2017	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	814	932	1,379	1,338
Compound gold	kg	932	852	1,185	1,229
Total	kg	1,746	1,784	2,564	2,567
Total	ounce	56,135	57,357	82,435	82,531

The total revenue of the mining segment of the Group for 2018 was approximately RMB528,963,000, representing a decrease of approximately 25.5% from approximately RMB709,820,000 in 2017. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and Kyrgyzstan represented approximately 39.9%, 36.5%, 8.4% and 15.2% of the total revenue of the mining segment, respectively. The production volume of compound gold of the Group decreased by approximately 253 kg to approximately 932 kg while the production volume of its gold concentrates decreased by approximately 565 kg to approximately 814kg.

The decrease in production volume of gold concentrates was mainly due to the suspended production of Tongbai Xingyuan Mining Company Limited in the first half of 2018 as a result of the expiration of its production and safety permits.

Segment results

The total profit of the Group's mining segment in the year of 2018 was approximately RMB2,442,000, and the total loss for 2017 was approximately RMB53,073,000. The segment results to segment revenue ratio of the Group's mining segment for 2018 was approximately 0.5%, as compared to approximately (7.5)% in 2017.

In 2018, Full Gold Mining Limited Liability Company continued to improve its production process to improve the surrounding environment, standardize its internal management, and strengthen cost control for the purpose of continuous and stable production from the commence of production in August 2018.

2. Smelting Segment

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. Its products include gold bullion, silver, copper products and sulphuric acid. The following table sets forth the analysis of the production and sales volume of the smelting segment by product category:

		2018		2017	
Products	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	10,736	10,790	12,702	12,864
	ounce	345,170	346,906	408,378	413,587
Silver	kg	19,543	19,494	21,838	22,698
	ounce	628,322	626,747	702,108	729,758
Copper products	tonne	9,302	19,702	10,542	10,504
Sulphuric acid	tonne	86,947	85,367	103,492	107,112

Sales and production

The Group's total revenue from the smelting segment for 2018 was approximately RMB3,875,208,000, representing a decrease of approximately 4.6% from approximately RMB4,062,843,000 in 2017.

The daily processing capacity of gold concentrates of the Group was approximately 735 tonnes, at a production utilisation rate of approximately 66.8%. The Group's production volume of gold, silver, copper and sulphuric acid decreased by approximately 15.5%, 10.5%, 11.8% and 16.0%, respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.7%, the silver recovery rate was approximately 72.6% and the copper recovery rate was approximately 96.2%. The recovery rates of the Group remained at a relatively high level.

Segment results

The total loss of the Group's smelting segment in the year of 2018 was approximately RMB705,578,000, and the total profit for 2017 was approximately RMB146,142,000. The segment results to segment revenue ratio of our smelting business in 2018 was approximately (18.2)%, as compared to approximately 3.6% in 2017.

The smelting segment recorded losses in 2018, which was mainly due to the net effect of (i) insufficient working capital for the purchase of gold concentrates to maintain a high utilization rate of smelting plant, as well as suspension of smelting production for approximately one month due to maintenance and environmental protection equipment upgrade; and (ii) due to safety and environmental inspection, some gold concentrate suppliers ceased production or reduced production during the year and facing financial difficulties. These suppliers are having difficulty in supplying raw materials to the Group and are unable to repay the Group's purchase deposits. Therefore, in 2018, the Group made a provision for bad debts of RMB656,758,000 and will use the best efforts to recover these purchase deposits.

3. Discontinued business operation – copper processing

Disposal of copper processing was completed on 31 December 2018. As a result, production and business of copper foils and flexible copper clad laminates was classified as a discontinued business operation.

OUTLOOK

In 2019, the Group's strategic direction is return to the principal business of gold, further improve the mining business, and expand the smelting business, which is a strategic position that must be adhered to for a long time. For the mining segment, we will focus on increasing the production volume of mine-produced gold and continually dedicate its exploration work to increase the reserve level, with a view to gaining new breakthrough from high-quality resources. Explore new resources based on its existing mines and promote the expansion of mining rights with full efforts. In this regard, we will, internally, increase efforts in the integration, mergers and acquisitions of resources at the surrounding of the old mines and strengthen the supplementary exploration of potential mining rights, as well as carry out major projects for production exploration, so as to achieve major breakthroughs in existing resources. Acquire a mine with high quality or a resource and reserve base every year. For the smelting business, by virtue of the well-established raw material market and stabilize the process technology to ensure that the production is running at full capacity.

FINANCIAL INFORMATION

1. Operating Results — Continuing operations

Revenue — Continuing operations

The Group's sales analysis by products is shown as follows:

	2018			2017		
	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	2,943,819	10,790kg	272,828	3,537,906	12,864kg	275,024
Silver	59,418	19,423kg	3,059	74,275	22,466kg	3,306
Copper cathode	620,857	14,167 tonnes	43,824	396,493	9,312 tonnes	42,579
Sulphuric acid	14,071	85,367 tonnes	165	10,947	107,112 tonnes	102
Gold concentrates	146,118	1,378kg	106,036	162,004	1,152kg	140,628
Revenue before tax	3,784,283			4,181,625		
Less: Sales tax	2,623			5,053		
	3,781,660			4,176,572		

The Group's revenue for 2018 was approximately RMB3,781,660,000, representing a decrease of approximately 9.5% as compared with the previous year, of which the revenue of gold bullion accounted for 77.8% of its total revenue. Such decrease was mainly attributable to the decrease in sales volume of gold bullion by approximately 16.1% during the year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2018 were RMB165,863,000 and 4.4%, respectively, while the gross profit and gross profit margin for 2017 were RMB315,578,000 and 7.6%, respectively. As the central and local governments continue to improve the administrative standards and requirements in safety and environment, inspection teams at all levels frequently pay a visit to the mines for inspection and urge prompt rectification, which has a significant impact on our normal production and operation, resulting in increased production costs.

Other revenue

The Group's other revenue for 2018 was approximately RMB23,143,000, representing a decrease of approximately 34.1% as compared with approximately RMB35,132,000 for 2017. Such decrease was mainly attributable to the decrease in interest income by RMB14,184,000.

Other net loss

The Group's other net loss for 2018 was approximately RMB334,011,000, representing an increase of approximately 828.5% as compared with other net loss of approximately RMB35,972,000 for 2017. The increase in other net loss was mainly due to (i) the impairment loss of property, plant and equipment and intangible assets of approximately RMB51,638,000; (ii) the impairment loss of tax prepayments related to resource tax, municipal maintenance tax, property tax and land use tax of approximately RMB174,580,000; and (iii) the loss of approximately RMB89,718,000 resulting from the disposal of 70% equity interests in Palladex KR Limited Liability Company.

Selling and distribution expenses

The Group's selling and distribution expenses for 2018 were approximately RMB6,125,000, representing a decrease of approximately 16.7% as compared with the previous year. The decrease in the selling and distribution expenses was consistent with the decrease in the Group's revenue.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2018 were approximately RMB940,754,000, representing an increase of approximately 218.7% as compared with approximately RMB295,170,000 for 2017. The increase in administrative expenses and other operating expenses was mainly due to the impairment loss of purchase deposits of approximately RMB656,758,000.

Finance costs

The Group's finance costs for 2018 were approximately RMB256,277,000, representing an increase of approximately 28.5% as compared with approximately RMB199,516,000 for 2017. Such increase was mainly attributable to the increase in interest expense of discounted bank bills.

Profit attributable to the Company's equity shareholders

The profit from continuing operations and discontinued operations attributable to equity shareholders of the Company for 2018 was RMB796,162,000 (2017: RMB79,834,000). The basic earnings per share from continuing operations and discontinued operations was RMB0.93. The Group recommended the payment of final dividend of RMB0.20 per share for the year ended 31 December 2018.

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2018 amounted to RMB1,361,078,000 (31 December 2017: RMB1,330,385,000).

The total equity of the Group as at 31 December 2018 amounted to RMB1,937,426,000 (31 December 2017: RMB1,383,362,000). As at 31 December 2018, the Group had current assets of RMB5,237,056,000 (31 December 2017: RMB3,922,443,000) and current liabilities of RMB5,338,201,000 (31 December 2017: RMB4,901,362,000). The current ratio was 0.98 (31 December 2017: 0.80).

As at 31 December 2018, the Group had total outstanding bank and other borrowings of approximately RMB4,569,951,000 with interest rates ranging from 2.2% to 6.38% per annum, of which approximately RMB3,804,767,000 was repayable within one year, approximately RMB369,793,000 was repayable after one year but within two years, and approximately RMB395,391,000 was repayable after two years. The gearing ratio as at 31 December 2018 was 55.6% (31 December 2017: 61.6%), which was calculated by total borrowings divided by total assets.

As at 31 December 2018, the Group had unutilised bank facilities of RMB1,262,000,000 which could be drawn down by the Group to finance its operation.

3. Security

At 31 December 2018, a loan from a leasing company amounting to RMB131,561,000 was secured by the mining shafts in subsidiaries and pledged deposits, and was also guaranteed by Wason Copper-Foil.

At 31 December 2018, bank loans of the Group amounting to RMB634,264,000 (2017: RMB999,763,000) were secured by pledged deposits with the carrying amount of RMB409,861,000 (2017: RMB578,345,000).

At 31 December 2018, bank loans of the Group amounting to RMB610,404,000 (2017: nil) and RMB105,546,000 were guaranteed by Lingbao State-owned Assets Operation Company Limited and by Wason Copper-Foil, respectively.

4. Material Acquisition or Disposal

Pursuant to an announcement dated 30 August 2018, the Company entered into an equity transfer agreement with Shenzhen Londian to dispose of its entire equity interests in Wason Copper-Foil and its subsidiaries (collectively, the "Disposal Group") for a cash consideration of RMB2,558,197,000. The Disposal Group comprises the Group's copper processing segment.

On 31 December 2018, the Company completed the disposal of the Disposal Group. After the completion of the transaction, the Company ceased to hold any equity interest in the disposal companies, and each of these companies ceased to be a subsidiary of the Group and their assets and liabilities and their profits were no longer incorporated into the consolidated financial statements of the Group.

For details, please refer to the announcements of the Company dated 30 August 2018 and 2 January 2019, respectively.

Save as disclosed above, there was no material acquisition or disposal during the year.

5. Market Risks

The Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, as well as changes in interest rates and exchange rates.

Gold price and other commodities price risk

The Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products were sold at the market prices, where such fluctuation was beyond our control. The Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for supporting capital expenditure and general working capital. The Group's bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. If the People's

Bank of China increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold price, and our operation results may be affected. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi.

In addition to the foregoing, the exchange rate risks to which the Group exposes are mainly from certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency giving rise to risk is primarily United States dollars.

Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

6. Contractual Obligations

As at 31 December 2018, the Group's total capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB73,933,000, representing a decrease of approximately RMB9,834,000 from approximately RMB83,767,000 as at 31 December 2017.

As at 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB18,643,000, of which approximately RMB3,697,000 was payable within one year, approximately RMB10,928,000 was payable after one year but within five years, and approximately RMB4,018,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

8. Capital Expenditure

In 2018, the Group's capital expenditure was approximately RMB375,021,000, representing an increase of approximately 11.7% from approximately RMB335,831,000 in 2017.

The Group's capital expenditure mainly relates to the construction of mining shafts, expansion of project equipment and upgrading of production equipment.

9. Employees

In 2018, the average number of employees of the Group was 5,394. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

DIRECTORS

Executive Directors

Mr. Chen Jianzheng (陳建正先生), aged 50, is the chairman of the Board and an executive Director. He graduated from Hunan Agricultural University (land management) in July 1990 and later obtained the bachelor degree in law from Hunan Administration Institute in December 2003. He has many years of experience related to the management and the operation of the mining industry. He also has worked in the underground mine and smelter for more than one year and is very familiar with the mining, mineral separation and smelting process. Prior to joining the Group, he was a member of the party leadership and deputy chief of Land and Resources Bureau of Yuanling County in Hunan Province. He was in charge of mine management and reserve management and possesses very good management experience in mining industry. Mr. Chen was appointed as the chairman of the Board and an executive Director on 23 January 2017.

Mr. Xing Jiangze (邢江澤先生), aged 52, holds a bachelor's degree and is a registered certified public accountant, certified tax agent, senior accountant, senior consultant and economist in the PRC, having over 25 years of work experience in finance, accounting and auditing. He has been working in the Group since April 2007 and had served as assistant financial controller, financial controller and chief investment officer. Mr. Xing has served as secretary of the Board since August 2013 and was appointed as an executive Director in June 2015.

Ms. Zhou Xing (周星女士), aged 49, studied in Hunan College of Finance and Economics majoring in international trade from 1988 to 1992 and obtained a bachelor degree. Later she obtained a master degree in finance from the same college in 1998. She continued her study in National University of Singapore School of Business from 2004 to 2006 and obtained a master degree in business administration. Ms. Zhou has over 20 years of experience in business management and corporate governance. Prior to joining the Group, she worked in Singapore Exchange as a vice president of the corporate and listing department from January 2008 to July 2011 and has been working in James & Hina Capital Management Company Limited as a chief executive officer since July 2011. Ms. Zhou was appointed as an executive Director on 23 December 2016.

Mr. Zhao Kun (趙昆先生), aged 57, obtained bachelor degree from Central South University of Mining and Metallurgy (Central South University) (中南礦冶學院(中南大學)) in relation to the geology of mineral prospecting and exploration in 1983. He is also a geological engineer, senior economist and senior gold investment analyst. He is also the managing director of China Gold Association (中國黃金協會) and the vice chairman of the National Precious Metals Industry Committee (國家貴金屬產業委員會). He has many years of work experience in geological prospecting, mine construction, production management and technical transformation. Prior to joining the Group, Mr. Zhao was the general manager of the Tianjin International Mining Rights Exchange (天津國際礦業權交易所) and was responsible for the day-to-day management. Mr. Zhao was appointed as an executive Director on 23 January 2017.

Mr. Wang Leo (王清貴先生), aged 54, graduated from Zhejiang Metallurgical Economics College (now renamed Jiaxing University) majoring in accounting in 1984. In 1991, he graduated from Tianjin Nankai University majoring in law under the self-taught examinations. He graduated from New Zealand University of Canterbury majoring in accounting and finance and obtained a bachelor's degree in commerce in 2001. He graduated from New Zealand University of Otago majoring in accounting and finance and obtained a postgraduate diploma in 2002. In 2003, he graduated from New Zealand University of Waikato majoring in accounting and obtained a master degree in business administration and later in 2005 he was a doctoral candidate of commerce in Australian National University majoring in corporation governance. Mr. Wang holds the Chinese lawyer qualification certificate, Chinese certified public accountant certificate (non-practising member), Chinese accountant qualification certificate and Shenzhen Stock Exchange qualification certificate of secretary to the board. Mr. Wang has over 30 years of experience in corporate finance management, corporate governance and accounting. Mr. Wang was appointed as an executive Director on 23 December 2016.

Non-executive Directors

Mr. Shi Yuchen (石玉臣先生), aged 58, holds a doctoral degree in geology and is a senior engineer and a national mineral reserves appraiser. He is also a part-time professor and supervisor of postgraduate of Shandong University of Science and Technology. He studied in Changchun College of Geology majoring in regional geological survey and mineral resources prospecting from October 1978 to July 1982 and obtained a bachelor's degree. He continued his study in Jilin University majoring in mineral resources prospecting and exploration from February 1999 to May 2005 and obtained a master and doctoral degree. He had worked in Zhongrun Resources Investment Corporation as an executive director from May 2012 to October 2012 and is currently working in Huibang Investment and Development Corporation as a director since November 2012. Mr. Shi was appointed as a non-executive Director in June 2014.

Independent Non-executive Directors

Mr. Yang Dongsheng (楊東升先生), aged 54, is a senior accountant, a member of the Chinese Institute of Certified Public Accountant, a member of China Certified Public Valuer and a member of China Certified Tax Agent. Mr. Yang graduated from Henan University of Traditional Chinese Medicine with a bachelor degree in medicine, graduated from Henan Finance and Economics School with a college degree in accounting and graduated from Hong Kong Chinese University with a master degree in accounting. He has over 32 years extensive experience in accounting and auditing. He worked in accounting firms for 17 years and has been in charge of listed companies audit work and initial public offering projects. He is currently a partner of BDO China Shu Lun Pan Certified Public Accountants and a chief of Henan branch. Mr. Yang was appointed as an independent non-executive Director in January 2014.

Mr. Han Qinchun (韓秦春先生), aged 61, is currently the Executive President of China International Capital Management and Research Company Limited (Hong Kong) and the director of Real Estate Research Centre of Peking University HSBC Business School. Mr. Han obtained a Doctorate Degree of Philosophy in Urban Economics and Management from The University of Hong Kong in 1998. He is a Registered Appraiser, Planner and Engineer in the PRC. He has a corporate finance advisory license, an asset management license, a securities dealing advisory license and a securities floor trading license issued by the Hong Kong Securities and Futures Commission. Mr. Han served as an official of the PRC government authorities, the Hong Kong Investment Manager and Senior Management Member of an investment bank in Hong Kong and the vice chairman and co-president of Hong Long Holdings Limited, a listed company in Hong Kong, from early 2006 to January 2010. He has rich experience in financial investment field, equity capital market and listed companies' management. Mr. Han was appointed as an independent non-executive Director in March 2012.

Mr. Wang Jiheng (王繼恒), aged 52, holds a master's degree in law of NorthWest University of Politics and Law and a doctoral degree in law of Wuhan University, and is an associate professor and an advisor of master degree students. He currently engages in the teaching and research of environment and resources law in the Economic Law College of NorthWest University of Politics and Law, and serves as a vice president of the Resources and Energy Law Research Institute of that College, and also the director of the Resources and Energy Law Teaching and Research Department. His part-time jobs include secretary-general of the environment and resources law research association of Xi'an Society of Law, member of the policy advisory committee of Lianhu District of Xi'an, senior trainer of EU — China Environmental Governance Program and trainer of the environmental law institute of the International Union for Conservation of Nature (IUCN). Mr. Wang was appointed as an independent non-executive Director in June 2015.

Mr. Wang Guanghua (汪光華先生), aged 67, graduated from Beijing Institute of Chemical Technology (renamed Beijing University of Chemical Technology in 1994) majoring in chemical engineering in July 1974. Mr. Wang has more than 30 years of experience in investment, government affairs and business operation and management. He worked in New Era New Materials Development Company of China New Era Group Corporation as general manager from January 2006 to February 2012. He served as partner of Elevation China Capital from March 2012 to August 2014 and served as chairman of Ningxia Jiecheng Investment and Management Company Limited and executive partner of Ningxia Jiecheng Venture Capital Fund, which was approved to establish and funded by National Development and Reform Commission and Ministry of Finance from March 2014 to November 2015. He has been serving as chairman of Nanjing Jingtaiheng Investment and Management Company Limited since July 2015 and in charge of Nanjing Jingyong Healthcare Venture Capital Fund, which was funded by Zijin Group, a financial platform of Nanjing Municipal People's Government. Mr. Wang has more than 30 years of working experience in investment, government affairs and business operation and management. Mr. Wang was appointed as an independent non-executive Director in March 2016.

SUPERVISORY COMMITTEE AND SUPERVISORS

Mr. Jian Zhanxun (建戰勳先生), aged 45, a metallurgical engineer, graduated from HeNan Radio & Television University majoring sales marketing. He obtained the Master degree in business management from Kyrgyz National University in July 2011. Currently, he is serving as an assistant to the chairman of the Company and the manager of the Company management department. Mr. Jian was appointed as a supervisor of the Group and the chairman of the supervisory committee in March 2019.

Mr. Yang Shilei (楊石磊先生), aged 35, an environmental engineer. He graduated from the Third Military Medical University in July 2007 and obtained the bachelor degree of clinical medicine. Currently, he is serving as the deputy manager of the securities legal department. Mr. Yang was appointed as a supervisor of the Group and the vice chairman of the supervisory committee in March 2019.

Mr. Guo Xurang (郭許讓先生), aged 48, obtained a master's degree in business administration from Hangzhou Dianzi University, Zhejiang Province, in July 2003. Since April 2007 Mr. Guo Xurang has been the chairman of Shannan Wanlaixin Investment Company Limited, which was named Beijing Wanlaixin Investment Company Limited from April 2007 to July 2013. Mr. Guo Xurang was a supervisor of the Group during the period from July 2010 to March 2012. Mr. Guo was appointed as a supervisor of the Group in June 2014.

Mr. Zhao Bingbing (趙兵兵先生) ("Mr. Zhao"), aged 41, obtained a bachelor's degree in economic management from Institute of the Chinese Communist Party in Henan Province in September 2010. He is currently the chairman of Lingbao Kaiyuen Mining Company Limited. Mr. Zhao was appointed as a supervisor of the Company in June 2018.

Being one of the integrated gold mining companies based in PRC, the Company is committed to continually achieving high standards of corporate governance practices and has put in place a set of well-defined corporate governance procedures to ensure the transparency of the Company and protect the overall interest and rights of shareholders as well as employees.

After our listing of H Shares on the Stock Exchange on 12 January 2006, the Company has complied with all Code Provisions under the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") save for the deviation from Code A2.1 stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual and Code A.2.7. The chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive director) without the executive director present.

THE BOARD

The Board is the executive organization of the Company and shall be responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction. Its duties include evaluating the performance of senior management and supervising the system of the Company. The Board has to act in the best interest of the Company and its shareholders.

The composition of the Board are set out in the following table:

Director	Position
Mr. Chen Jianzheng	Executive Director and Chairman
Mr. Xing Jiangze	Executive Director
Ms. Zhou Xing	Executive Director
Mr. Zhao Kun	Executive Director
Mr. Wang Leo	Executive Director
Mr. Shi Yuchen	Non-executive Director
Mr. Yang Dongsheng	Independent Non-executive Director
Mr. Han Qinchun	Independent Non-executive Director
Mr. Wang Jiheng	Independent Non-executive Director
Mr. Wang Guanghua	Independent Non-executive Director

Pursuant to the articles of association of the Company ("Articles of Association"), the term of appointment of the Directors (including the non-executive Directors and independent non-executive Directors) shall be three years and the Directors are eligible for re-election. The chairman of the Company, Mr. Chen Jianzheng, and the other four executive Directors are responsible for the business management of the Company, formulation and implementation of important strategies, making daily business decision, and coordination of overall business operation.

All of the Directors can give sufficient time and attention to the Company's affairs.

Non-executive Directors and independent non-executive Directors possess wide expertise and experience and are able to give professional advice in various aspects such as law, accounting, finance, tax, equity capital and industrial and commercial industries. The non-executive Directors would participate in Board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. In addition, they would take the lead in Board meetings where potential conflicts of interests arise. They also have to scrutinise the Company's performance in achieving agreed corporate goals and objectives.

Independent non-executive Directors are expressly identified in the corporate communications that disclose the names of the Directors by the Company.

The Company has received annual written confirmation from each of the independent non-executive Directors to ensure they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. Apart from employment relationships with the Company, there is no any financial, business, family or other material relationships amongst members of the Board. The Company considers that they are independent.

The Company has established various internal control systems which allow the Board to maintain high standard of corporate governance in the management of the Company. To ensure that the Board performs its duties effectively, the management is required to submit business and financial reports of the Company to the Board regularly. The Board is responsible for performing the corporate governance duties according to the code provision D.3.1 set out on the CG Code, which includes: (1) developing and reviewing the policies and practices on corporate governance of the Group; (2) reviewing and monitoring the training and continuous professional development of Directors and senior management; (3) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (4) developing, reviewing and monitoring the code of conduct applicable to Directors and employees; and (5) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

Directors would make further enquiries if they require further enquiries than is information volunteered by management. The Board has separate and independent access to the company secretary and other senior management at all times to conduct informal discussions. It is at the Company's expense for the Board to contact the auditors, lawyers or other professionals to obtain independent professional opinions when appropriate. Management are regularly reminded by the company secretary that they have an obligation to provide the Board and its committees with adequate, complete and reliable information in a timely manner. All Directors have access to Board papers and related materials which will enable the Board to make an informed decision on matters placed before it. Steps are taken to respond to enquiries raised by Directors as fully as possible.

For the year ended 31 December 2018, the Board of the Company held twenty one meetings to discuss and approve various important matters. All such meetings were convened in accordance with the Articles of Association. The table below lists out the attendance of each Director at the Board meetings held during the year up to the date of the report. The attendance illustrates the attention of the Board to the management of the Company's affairs. The matters processed by the Board in the meetings are all recorded, and the relevant records are kept pursuant to relevant laws and regulations.

Director	Number of Board meetings that the Director was entitled to attend	Number of Board meetings that the Director attended	Attendance (%)	Number of general meetings and class general meeting attended/held
Mr. Chen Jianzheng	21	21	100	2/2
Mr. Wang Leo	21	21	100	1/2
Ms. Zhou Xing	21	21	100	1/2
Mr. Zhao Kun	21	21	100	2/2
Mr. Xing Jiangze	21	21	100	2/2
Mr. Shi Yuchen	21	21	100	1/2
Mr. Yang Dongsheng	21	21	100	1/2
Mr. Han Qinchun	21	21	100	1/2
Mr. Wang Jiheng	21	21	100	1/2
Mr. Wang Guanghua	21	21	100	1/2

Prior to each regular Board meeting, the management of the Company shall submit materials relevant to the affairs to be discussed in the meeting to the Board. Notice convening the regular Board meeting shall be sent to all Directors at least ten days before the meeting so that arrangements can be made to attend the meeting. Documents required for the Board meeting shall be sent to the Directors at least three days before the meeting, to ensure that enough time is given to the Directors to review the documents and get prepared for the meeting.

The Board meeting is chaired by the chairman to ensure that sufficient time is allocated to the consideration and discussion of each matter in the agenda and each Director is given an equal opportunity to speak. In addition, the Board are given an opportunity to include matters in the agenda. Minutes of Board meetings and meetings of Board committees record detailed concerns raised by Directors and dissenting views expressed. Minutes of Board meetings and meetings of Board committees would be kept by secretary and such minutes are opened for inspection at any reasonable time on reasonable notice by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a Board meeting would be held. Independent non-executive Directors have no material interest in the transaction would be present at such Board meeting.

Code Provision A.2.7 provides that the chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year 2018, all meetings were held with the executive Directors' presence. However, the chairman has delegated the secretary to the Board to gather any concerns and/or questions that the non-executive Directors and the independent non-executive Directors might have and report to him and arrange a meeting with them.

Every newly-appointed Director would receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently continuous briefing and professional development would be arranged to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/ her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. All Directors are encouraged by the Group to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, all Directors attended training sessions and updates relating to the Company's business or directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc. by reading.

BOARD COMMITTEE

The Board has established four committees. Each committee has its terms of reference, including the review of matters of extraordinary nature, giving suggestions to the Board and making decisions on behalf of the Board relating to such matters when appropriate.

(1) Audit Committee

The audit committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for the communication, supervision and inspection of internal and external audit.

After our listing, the Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

In 2018, the audit committee comprises of five members, all of which are either non-executive Director or independent non-executive Director. Any former partner of KPMG should be prohibited from acting as a member of the audit committee. Pursuant to the Listing Rules, a member of independent director specializing in accounting will be the chairman of the audit committee who will be in charge of the work of the committee. The committee now comprises of the following members:

Mr. Yang Dongsheng *(Chairman)*
Mr. Shi Yuchen
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

The principal duties of the audit committee are: (a) to suggest recruiting or changing external audit organization; (b) to supervise the internal audit system of the Company and its implementation; (c) to facilitate the communication between internal audit and external audit; (d) to review the financial information of the Company and its disclosure; (e) to inspect the internal control system of the Company and to audit major connected transactions; (f) to develop and implement policy on the engagement of an external auditor to supply non-audit service; (g) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee would discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; (h) to monitor integrity of financial statements and the annual reports of the Company and accounts, half-year reports and to review significant financial reporting judgments contained in them. In this regard, in reviewing the relevant statements and reports before the submission of the Company's annual reports and accounts, half-year reports to the Board, the committee would focus particularly on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions and any qualifications; (v) compliance with accounting standards; (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting; (vii) members of the committee would liaise with the Board, senior management of the Company and the qualified accountant and the committee must meet, at least once a year, with the Company's auditors; and (viii) the committee would consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the qualified accountant, compliance adviser and auditors; (i) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system; (j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response; (k) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; (l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response; (m) to report to the Board on the matters set out in Code Provision C.3.3; and (n) to be responsible for other matters as authorized by the Board of the Company.

The terms of reference of audit committee are kept at the registered office of the Company and have been published on the Company's website for reference.

The audit committee has been provided with sufficient resources to discharge its duty.

Details of audit committee meetings held during the year are as follows:

Director	Number of audit committee meetings in 2018	Number of meetings that Director attended	Attendance (%)
Mr. Yang Dongsheng	2	2	100
Mr. Shi Yuchen	2	2	100
Mr. Han Qinchun	2	2	100
Mr. Wang Jiheng	2	2	100
Mr. Wang Guanghua	2	2	100

In 2018, two meetings of the audit committee were held. On 29 March 2018, the audit committee met with the international auditors to discuss the general scope of their audit work. On 31 August 2018, the audit committee reviewed the Company's interim report for the year 2018. In addition, the audit committee had reviewed the financial statements for the year ended 31 December 2018 before the announcement of the Company's annual results. During the discussion, the audit committee had reviewed key areas in which management's judgment applied for adequate provision and disclosure, and internal control policies.

(2) Strategic Committee

The strategic committee of the Board is a body specifically set up by the Board according to the resolution of the general meeting and shall mainly be responsible for conducting research and giving advice regarding the long-term development strategies and material investment decisions of the Company.

In 2018, the strategic committee comprises of six members, with at least one independent Director pursuant to the implementation measure. The committee now comprises of the following members:

Mr. Chen Jianzheng *(Chairman)*
Ms. Zhou Xing
Mr. Zhao Kun
Mr. Wang Leo
Mr. Yang Dongsheng
Mr. Han Qinchun

The principal duties of the strategic committee are: (a) to conduct research and make suggestions concerning the long-term development strategic plans of the Company; (b) to conduct research and make suggestions concerning the material investment and financial proposals which are subject to the approvals of the Board and the general meeting pursuant to the Articles of Association; (c) to conduct research and make suggestions concerning the material capital management and assets management projects which are subject to the approvals of the Board and the general meeting pursuant to the Articles of Association; (d) to conduct research and make suggestions concerning other significant events that influence the development of the Company; (e) to carry out inspection concerning the implementation of the above matters; and (f) to be responsible for other matters as delegated by the Board.

No strategic committee meeting was held in 2018.

(3) Nomination Committee

The nomination committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for making suggestions regarding the selection of the Directors and managers of the Company, choosing and making suggestions relating to the selection standards and procedures.

The nomination committee comprises of the following members, a majority of which are independent non-executive Directors:

Mr. Wang Guanghua *(Chairman)*
Mr. Xing Jiangze
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng

The main duties of the nomination committee include: (a) making recommendations to the Board on the Board's scale and composition in accordance with the operating activities, scale of assets and shareholding structure of the Company; (b) studying the criteria and procedures for the election of Directors and management personnel and making recommendations to the Board thereon; (c) seeking for the right candidates for the position of Directors and management personnel; (d) reviewing the candidates for the position of Directors and management personnel and making recommendations thereon; (e) reviewing other senior management proposed to be appointed by the Board and making recommendations thereon; and (f) undertaking other tasks as delegated by the Board.

The terms of reference of nomination committee have been published on the Company's website.

The nomination committee would hold a meeting to discuss the appropriateness of the candidates and consult the chairman about their proposals relating to the nomination of other executive Directors and have access to professional advice if considered necessary. The criteria for selection include professional qualification, industrial experience and academic background.

Written notice of the intention to nominate a candidate together with the respective resume would be delivered to the Board for its consideration and approval.

In 2018, one meeting of the nomination committee was held. Attendance of individual members of nomination committee to the committee meeting in 2018 are as follows:

Director	Number of Nomination committee meetings in 2018	Number of meetings that member of committee held	Attendance (%)
Mr. Wang Guanghua	1	1	100
Mr. Xing Jiangze	1	1	100
Mr. Yang Dongsheng	1	1	100
Mr. Han Qinchun	1	1	100
Mr. Wang Jiheng	1	1	100

As the term of the fifth session of the Board is about to expire, the meeting was held on 13 April 2018, the detail of the meeting was the nomination committee reviewed and nominated Mr. Chen Jianzheng, Mr. Wang Leo, Ms. Zhou Xing, Mr. Zhao Kun and Mr. Xing Jiangze as candidates for election as executive Directors, Mr. Shi Yuchen as candidate for election as non-executive Director and Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua as candidates for election as independent non-executive Directors for the sixth term of office and expire on 6 June 2021.

(4) Remuneration and Review Committee

The remuneration and review committee is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for formulating the review criteria of and conducting review for the Directors and senior management of the Company, as well as formulating and reviewing their remuneration packages and proposals. It is accountable to the Board. The committee would be provided with sufficient resources to discharge its duty.

In 2018, the remuneration and review committee comprises of four members, all of whom are independent non-executive Directors. The members of the committee are as follows:

Mr. Wang Jiheng *(Chairman)*
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Guanghua

The main duties of the remuneration and review committee include: (a) formulating and making recommendation to the Board on policy and structure for remuneration packages or proposals according to the major areas, duties and importance of the management position of Directors and senior management and the remuneration for relevant positions of other relevant enterprises; (b) establishing criteria, procedures and major assessment system for performance assessment and major proposals and systems for awards and punishments; (c) reviewing the performance of duties and conducting annual performance assessment of the Company's Directors and senior management; (d) monitoring the implementation of the Company's remuneration system; and (e) undertaking other tasks as delegated by the Board.

Moreover, the remuneration and review committee has to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

Besides, the remuneration committee would review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The remuneration and review committee will also ensure that none of the Directors or any of their associates is involved in deciding his own remuneration.

The remuneration committee makes available its terms of reference, explaining its role and the authority delegated to the Company by the Board, and copies of its terms of reference are kept at the registered office and has been published on the Company's website.

In 2018, one meeting of the remuneration and review committee was held. Attendance of individual members of remuneration and review committee to the committee meeting in 2018 are as follows:

Director	Number of Remuneration and review committee meetings in 2018	Number of meetings that member of committee held	Attendance (%)
Mr. Wang Jiheng	1	1	100
Mr. Yang Dongsheng	1	1	100
Mr. Wang Guanghua	1	1	100
Mr. Han Qinchun	1	1	100

The remuneration and review committee had considered the annual salary review as well as bonus plan of Directors and senior management for 2018.

Breakdown of the Directors' and the supervisors' remuneration for the year ended 31 December 2018 is set out in note 9 to the financial statements.

BOARD DIVERSITY POLICY

Purpose

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Directors of the Company will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender and age) will be disclosed in the annual report of the Company.

Monitoring and Reporting

The nomination committee of the Company will review annually the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors. The Company has made specific enquiry to all Directors and supervisors, who have confirmed that they have complied with the Model Code in 2018.

The Board has established written guidelines for employees who are likely to possess unpublished inside information in respect of their dealings in the securities of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chen Jianzheng is the chairman and the chief executive office of the Company. The Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation.

MANAGEMENT FUNCTIONS

The Board is responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction. When the Board delegates its management functions to the management, clear directions will be given and management will report to the Board on regularly basis. The Board reserves most of the powers and delegates routine duties to management including bank loan arrangement. There would be a periodic review of the arrangement. Management must obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

CHIEF FINANCIAL OFFICER

Chief financial officer is responsible for the preparation of the interim and annual financial statements in accordance with the Hong Kong Accounting Standards and to make sure that the results and financial position of the Company are disclosed in an accurate and fair manner. Chief financial officer shall also be responsible for contacting the auditors regularly. The duties of the chief financial officer also include reviewing the financial risk management of the Company and making suggestions to the Board. Moreover, chief financial officer shall be responsible for giving advice to the Board regarding the disclosure of notifiable transactions, connected transactions and inside information.

COMPANY SECRETARY

Mr. Poon, Lawrence Chi Leung who is the company secretary of the Company reports directly to the Board. The company secretary is responsible for ensuring that the proceedings of the Board are complied with, making appropriate disclosures regarding the interests of securities of the Directors and giving advice to the Board regarding the disclosure of notifiable transactions, connected transactions and inside information. The company secretary acts as the principal channel of communication between the Company and the Stock Exchange. The company secretary also assists the Board in realizing and strengthening corporate governance practices in order to enhance the best interest of the Company and the shareholders.

During the year under review, the company secretary has taken not less than 15 hours of relevant professional training.

FINANCIAL REPORTING

Management provides financial information with explanation to the Board to assist the Board in assessing the financial position of the Company. Financial statements are the responsibilities of Directors. The Board has to present a balanced, clear and understandable assessment which extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

The reporting responsibilities of KPMG, the international auditors, are stated in the Auditor's Report on pages 57 to 68 of the Annual Report.

There was no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Board has taken the same view as that of the audit committee in relation to the appointment of KPMG as international auditors of the Company.

AUDITORS' REMUNERATION

During the year, the fees charged for all audit services including review of interim financial statements amounted to approximately RMB5,392,000.

INTERNAL AUDIT

The Company has an internal audit function. The task of internal audit of the Company during the Year has been performed by the Internal auditor. The Internal auditor is neither affiliated with the employees nor external auditor of the Company in order to enhance objectivity, creditability and independence and it reports to the Audit Committee directly.

The Internal Auditor submitted an assessment report to the Audit Committee and the Board. During the year ended 31 December 2018, the Board was of the view that the key areas of the Company's internal control and risk management systems had been reasonably implemented and considered sound and effective.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring the risk management and internal control systems of the Group remain sound and effective. The Audit Committee assisted the Board in fulfilling its responsibility. The tasks of risk management and internal control of the Company during the Year has been performed by the internal auditor of the Company. The internal auditor is neither affiliated with the employees nor our external auditor of the Company in order to enhance objectivity, creditability and independence. The internal auditor provided a review report to the Board that the risk management and internal control systems of the Company remains sound and effective throughout the Year.

During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the internal audit department, the Group's external auditors, and regular reports from management. Such review covers all material controls, including financial, operational and compliance controls and risk management functions. During the year ended 31 December 2018, the Board considered the risk management and internal control systems of the Group effective and adequate and complied with the code provisions of the Corporate Governance Code, carry recommendation from the report will be follow up by the Group to ensure that they are implemented within a reasonable time.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company highly values its relationship with its investors and shareholders. It maintains amicable relationship with investors, fund managers and shareholders through one-on-one meetings, road shows, seminars and on-site inspection by investors, thereby allowing investors to have a better understanding of the Company's financial position, production operations, management decisions, overall strategic directions and latest development.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the Articles of Association of the Company for the year ended 31 December 2018.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on every substantial matters, including the election of individual directors, for shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting as an important event and Directors, chairman of each board committee, senior management and external auditors make an effort to attend the annual general meetings of the Company to address the shareholders' queries. All resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/lingbao) on the same day of the relevant general meetings.

Procedures for shareholders to propose a general meeting

1. Two or more shareholders holding a total of ten percent (inclusive) or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary shareholder's general meeting or a meeting of shareholders of different series and stating the subject of the meeting. The Board shall convene the shareholder's general meeting or the meeting of shareholders of different series as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made; and

2. If the Board fails to issue a notice of such a meeting within 30 days after receipt of the written notice aforesaid, then the shareholders who made such request may themselves convene such meeting 4 months since after the Board's receipt of the request. The procedures to convene shall, to the extent possible, be identical to the procedures the Board convenes the general meetings.

When shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors.

Procedures for Shareholders to make Proposals at the General Meeting

When the Company is to hold an annual general meeting, shareholders who individually or jointly hold five percent (inclusive) and more of the total number of the Company's voting shares shall be entitled to propose motions in writing to the Company. The Company shall include in such meeting's agenda the matters which fall within the functions and powers of general meetings.

Procedures and Contact Details for Making Enquiries

1. Deliver their verbal enquiries to the Board members, chairman of Board committees or their delegates, appropriate management executives or auditors who attend the Company's annual general meeting; or

2. Make enquiries to the Company through the following means:

By post:	The secretary office of the Board, Hangu Road and Jingshan Road intersection, Lingbao, Henan Province, the PRC
By tel:	+86 398 8862218
By fax:	+86 398 8860166

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules and compiled by the Company following such guide, and makes general disclosures based on the requirement of "comply or explain" in such guide. The Environmental, social and governance report is a yearly report.

This report, related to the Group's annual report, is available on the websites of the Company at www.irasia.com/listco/hk/lingbao and the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, respectively.

The Group ensures that the content of this report does not have any false information or misleading statement. If you have any advice or recommendation on this report, please email to lingbaogold@vip.sina.com for our continuous improvement.

The Group is an integrated gold mining enterprise in the People's Republic of China, and is mainly engaged in gold mining, smelting and refining. The products of the Group are gold, silver, copper products, copper foils and sulphuric acid. The Group's mines are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and KR. The Group aims to provide high-quality products to our customers and to manage the impact of our operations on the environment in a responsible manner. The Group also safeguards the safety and health of our employees and serves our surrounding communities, making contribution to the society surrounding our business. The report includes data and information of the Group's operating mines (excluding KR) and smelting plants, covering the financial year of the Company for the period from 1 January 2018 to 31 December 2018.

ENVIRONMENT PROTECTION

The Group strictly complies with environmental regulations, prevents environmental pollution, promotes energy conservation and waste reduction, utilizes resources reasonably, emphasizes on continuous improvement and develops green mines. The Group insists on complying with the law to manage enterprise, preventing and controlling pollution, leveraging technology to save energy and reduce waste, and maintaining stable development. The Group takes quality, environment and professional health management as the core, and energy saving and emission reduction as the main line, actively implements clean production, energy saving and emission reduction, and comprehensive utilization of resources. The Group also promotes the application of new technologies and new products in energy-saving to reduce energy consumption, recycle and reuse waste water, so that the sewage can be fully utilized, with less resource consumption and environmental impact to achieve greater economic benefits.

The main objectives for the Group to carry out environment operations are to strictly control the total amount of exhausting pollutants, such as waste water, waste residue and waste gas within target; implementing energy saving and consumption reduction, target the main product material and energy consumption at leading industry level; launching comprehensive utilization of resources and developing circular economy; putting an end to major pollution accidents and major environmental complaints. The Group is committed to resolutely complete the restrictive indicators of energy saving and emission reduction, strictly abiding by environmental laws and regulations, practically strengthening pollution prevention and control; strengthening the commitment of energy saving and consumption reduction and the level of technology transformation, ensuring the full realization to the goals of energy saving and consumption reduction; enhancing the operation management towards pollution management facilities, ensuring the exhaustion achieving the goal; eliminating the obsolete production equipment and skills, actively implementing the clean production in each step, such as procurement, production, transportation and sales, developing circular economy, raising the comprehensive utilization rate of resources, reducing the emission of pollutants, and ensuring zero existence of environment pollution incidents; firmly instilling the awareness of environment, resolutely realizing the indicators of environment protection, and accepting the supervision from the society. With the improvement of the industry standards, we promise further reducing the exhaustion of pollutants, increasing the investment in environmental protection, so that the enterprise environment protection level can keep up with the trend, and letting each pollutant exhausting indicators stay in the leading role in the industry, trying our best to formulate "resource-saving and environment-friendly" enterprise.

EMISSIONS

The Group strictly abides by the relevant pollutant discharge standards such as the "Integrated Wastewater Discharge Standard", the "Emission Standard of Pollutants into the Atmosphere" and the PRC laws and regulations, such as the "Environmental Protection Law", the "Atmospheric Pollution Prevention and Control Law" and the "Water Pollution Prevention and Control Law". We will never sacrifice our environment to exchange for the growth of our economic benefits, but insisting on the path of sustainable development, maintain the balance between production and operation and environment protection. The discharge of waste water and waste gas of the Group in 2018 is as follows:

			2018	2017
Smelting plants	waste water (ton)	COD	**0**	2.9
		NH_3-N	**0**	0.4
	waste gas (ton)	SO_2	**38.3**	45.7
		NO_x	**33.0**	38.7
Operating mines	waste water (ton)	COD	**6.3**	10.6
		NH_3-N	**0.7**	0.2
	waste gas (ton)	SO_2	**30.6**	31.3
		NO_x	**8.9**	2.1

UTILIZATION OF RESOURCES

The Group's energy saving and emission reduction measures: the implementation of clean production; recycling waste products and reusing packing and container products; strengthening maintenance and management of the atmospheric treatment equipment to achieve the emission reduction of pollutants, such as sulfur dioxide, nitrogen oxides, and dusts; implementing systematic water-replenishing technology, reusing the waste water after in-depth treatment, and increasing the recycling rate of water resource; improving the output rate of resources; establishing sound and modern enterprise environmental protection management system, and clearly requires the responsibilities of environmental protection at all levels, making each kind of work further standardized and institutionalized, promoting clean production and raising the enterprise economic benefits and social benefits.

During the reporting period, the Group's energy consumption is as follows:

	2018	2017
Raw coal (Tons)	**5,522**	6,834
Gasoline (Tons)	**57**	144
Coal oil (Tons)	**145**	152
Diesel (Tons)	**772**	903
Electricity (Million KWh)	**35,274**	39,785
Natural gas (Tons)	**1,051**	982
Water (Cubic Meter)	**1,182,117**	3,219,651

ENVIRONMENT AND NATURAL RESOURCES

The Group is a mining, smelting and processing enterprise. The wastes generated during the production process have a certain impact on the environment. The solid wastes generated from the mine are mainly waste rocks and tailings. By concentrating waste rocks from the mine in the dumping site, and covering those with the soil to plant trees and grass in a timely manner will help facilitate ecological restoration. Part of rock wastes are transported to the gravel plant for comprehensive utilization. The Group has continuously strengthened the discharge control of the waste during the production process, so as to minimize the waste discharge, and actively protect and beautify the environment.

EMPLOYMENT AND LABOUR PRACTICES

The Group emphasizes on talents. The reason is that talents are the most valuable asset of the Group and maintaining sustainable development. The Group commits to providing our employees with career development and a safe and appropriate platform for promotion. The Group strictly complies with the "Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》)" combining with local government regulations where each branch and subsidiary locates, participates in pension insurance, unemployment insurance, medical insurance, major disease insurance, work-related injury insurance, maternity insurance, and housing fund for all employees, and make full payments on timely basis. We give away holiday consolation goods and funds during traditional holidays of China, goods and supplements that keep cool in summer and stay warm in winter, yearly health check for female employees, etc. Through these ways, we create a good working and living surroundings, raising up employees' belongings, safeguarding their interests and relieving them from future worries.

Remuneration: The Company determine the remuneration for the senior management, middle management, professional technicians and general staff based on the Company production and operation development, combining macro factors such as China's labour safeguarding policy and CPI, and the industry and regional competition for. Each branch and subsidiary formulates the internal second level review mechanism according to the Company's remuneration managing approach, with the employees' actual salaries directly related to their capabilities, performances and the operating results of the enterprise for the period, stimulate their activeness at work.

Recruitment: We take into account of the actual needs and the vacancies at each unit of the Company to formulate the criteria for employment in terms of position, type of job, professional level, quantity, qualification, working period, and working experience for staff recruitment. The recruitment channels include: internal recruitment, social recruitment, current graduates, ex-military settlement and the recruitment through government poor aiding program.

Promotion: Recommendation, selection and mobilization based on the employees' and the cadre's working performance at the end of each year. The middle cadre of our branch and subsidiary is selected by competition, through speeches, working presentations, democratic voting. Outstanding management personnels are shortlisted to fill the positions suitable for one's capability and experiences, and provide them with a stage to shine, and refresh the Company's development and management.

Dismissal: The Group strictly in accordance with relevant requirements of the "Labour Law of the People's Republic of China (《中華人民共和國勞動法》)", the "Law of the People's Republic of China on Employment Contracts (《中華人民共和國勞動合同法》)". As for the situation of negotiable dismissal of labour relations between employees and the Company, the Company should report to the local social security situations for the record. We will handle unemployment procedures for those who are in line with relevant policies and guarantee unemployed staffs to receive unemployment benefits in a timely manner.

Working hours and holidays: We strictly complies with the "Labour Law of the People's Republic of China", the "Provisions of the State Council on Working Hours of Workers and Staff (《國務院關於職工工作時間的規定》)" and the "Notice of the Department of Human Resources and Social Security of Henan Province on Strengthening to Implement Flexible Working Hour System and the Approval and Administration Work of Comprehensive Calculation Working Time System by Employers (《河南省人力資源和社會保障廳關於進一步加強用人單位實行不定時工作制和綜合計算工時工作制審批管理工作的通知》)" such relevant regulations, formulating systems in respect of annual leave, family visit leave, marriage leave and funeral leave. The Company carries out 8 working hours each day, 40 hours a week, and for voluntary overtime work, corresponding overtime pay shall be given if no alternative leave could be arranged for compensation, and triple pay for overtime work on national legal holidays.

Statistical Table of Employees' Gender and Age

Area	Category	Male	Female	Under 25	25 to 35	36 to 40	41 to 45	46 to 50	51 to 54	55 and above	Sub-total
Henan region		2,684	1,158	149	1,487	496	659	642	242	167	3,842
Xinjiang region		412	115	48	168	49	94	114	35	19	527
Inner Mongolia region		227	75	12	55	40	43	83	33	36	302
Gansu region		14	2	0	8	1	3	3	0	1	16
Jiangxi region		4	0	0	0	1	2	1	0	0	4
Kyrgyzstan		696	7	19	242	123	118	88	46	67	703
Total		4,037	1,357	347	1,960	779	919	931	356	290	5,394

Statistical Table of the Employee's Employment Category

Area	Category	Management and administration	Technology research and development	Sales and marketing	Quality control	Safety	Environmental Protection	Production	Sub-total
Henan region		613	221	204	246	144	49	2,365	3,842
Xinjiang region		62	15	0	16	44	5	385	527
Inner Mongolia region		71	11	6	14	20	7	173	302
Gansu region		4	0	0	0	4	4	4	16
Jiangxi region		4	0	0	0	0	0	0	4
Kyrgyzstan region		8	2	5	3	2	0	683	703
Total		762	249	193	279	214	65	3,610	5,394

HEALTH AND SAFETY

The Group strictly complies with the "Labour Law (《勞動法》)", the "Production Safety Law (《安全生產法》)", the "Mine Safety Law (《礦山安全法》)", the "Law on Prevention and Control of Occupational Disease (《業病防治法》)" and other laws of the PRC and local policies and regulations, and dispatches down the "Occupational Disease Prevention Plan (《職業病防治實施方案》)", which includes mental instructions, basic principles, organization founding, work requirements, as well as the relevant files such as the occupational hazards informing system, occupational safety promotion education training system, occupational hazards protection facilities maintenance and inspection system, employee protective gear management system, daily surveillance on occupational hazards management system, occupational hazards reporting system, employee's occupational health files monitoring and management system, occupational health files management system, performance appraisal measures of management on occupational diseases protection, 10 types and 132 different types of occupational diseases health and other relevant documents.

At the smelting branch, there are 282 employees who are exposed to occupational hazards, 5 in respect of occupational hygienic management. At Lingbao Wason Copper Foil Company Limited, there are 32 employees who are exposed to occupational hazard, 2 in respect of occupational hygienic management; at Nanshan branch, there are 65 who are exposed to occupational hazards, 11 in respect of occupational hygienic management; at Hongxin, there are 55 employees who are exposed to occupational hazards, 5 in respect of occupational hygienic management. All personnel exposed to occupational hazards had undergone proper trainings.

DEVELOPMENT AND TRAINING

The Group provides training programmes such as safety knowledge and corporate culture skill to the new recruited employees, which allow them to understand the Company overview, rules and regulations, organization structure, and make them familiarize with job duties, work flow and job-related business knowledge, so that they can adapt to the environment more quickly. The training methods include off-work centralized training and post on-duty training. The offwork training adopted centralized lecturing; on-duty training adopted daily work guidance and one-to-one consulting. After passing the training, trainees are qualified to work.

The Company organizes relevant staff from corporate financial, production technology, entry level skill staff, securities law together to participate business training held by certain professional sociality training institute to improve professional staffs business skill.

The Group organizes safety knowledge education training, safety emergency drills for production accidents and conducting safety environmental protection knowledge learning and examination for cadre to keep the awareness of safety education at a high level and to protect and secure workers lives and safety.

To improve overall quality of the Company's employees team and to seek qualified talent for the Company to develop more, the Company has conduct mentoring instructor activities to further accelerate the development of the Company's talents backup. Actively carry out open competition for the selection of young managers, create an open, fair, competitive, and excellent employment environment, and accelerate the process of young management team.

Labour Standard

The Groups strictly complies with relevant laws and regulations of the "Labour Law of the People's Republic of China", the "Law of the People's Republic of China on Employment Contracts" and the "Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》)", and never engage with juveniles under 16 years-old. The Company has entered into Labor Contract with employees in timely manner and has entered Collective Contract (《集體合同》), and the "Collective Contract On the Protection Of Female Employees (《女職工權益保護專項集體合同》)" with the labor union to safeguard the labors rights, enhance the management of Labor and standardize the Labor behaviors.

SUPPLY CHAIN MANAGEMENT

The Groups has established a comprehensive procurement system to manage and monitor the procedures of supply chain management of the Group to conduct consolidated and comprehensive assessing to supplier's quality, credit, supply capacity and every aspect. Under the same conditions, the Group will consider the reputation of suppliers in environmental management and social responsibility as the priority to ensure that the levels of employed suppliers have meeting the requirements of the Group.

For the procurement of raw materials, the smelting branch has formulated the "Procurement of Raw Materials Management System (《原料採購管理制度》)", the "Gold Concentrates On-side Biding Management Regulations (《金精礦現場競買管理辦法》)", the "Standards of Raw Materials Procurement Market Environment and Compliance Standards (《原料採購市場環境及達標標準》)", the "Regulations for Raw Materials Procurement Pricing (《原料採購計價辦法》)", the "Procedures of Unqualified Gold Concentrates (《不合格金精礦處理辦法》)", the "Management Regulations of Gold Concentrates Prepayments (《金精粉預付款管理辦法》)" and so on. In respect of material supply, we strictly complies with the "Material Management Approach (《物資管理辦法》)" of the Group and the "Material Management Approach" of the branch.

During the year, the numbers of smelting branch's major suppliers (over 500 tonnes) as follow:

Suppliers' area	**Numbers of Suppliers in the region**
Henan Province	45
Anhui Province	1
Hebei Province	1
Hubei Province	3
Hunan Province	1
Inner Mongolia	1
Shandong Province	2
Fujian Province	1
Shaanxi Province	3
Xinjiang Autonomous Region	2
Overseas	4

PRODUCT RESPONSIBILITY

Smelting branch has formulated a "Record Control Program (《記錄控制程式》)" to ensure the efficient delivery of the information about the quality, environment, occupational health and safety management system, accurately and timely reflect each techno-economic indicators of the branch and provided the basis for the correct decision from the management to ensure that the statistics, accounting and review works were conducted smoothly. It also formulated "Substandard Product Control Program (《不合格產品控制程式》)", which applied to the quality control identification process of raw materials, semi-finished products and finished-substandard products.

Smelting branch commissioned the National Center of Quality Supervision & Inspection On Gold-Silver Products each year for the quality testing of the gold product (3kg of gold bullion) and issued a test report. No gold product that has been sold or shipped out needed to be recalled because of safety and health reasons and no complaint was received in relation to the products and services.

ANTI-CORRUPTION

The Group highly emphasizes on anti-corruption, strictly complies with the "Certain Guidelines on Honest Governance of Leaders of the Communist Party of China (《中國共產黨黨員領導幹部廉潔從政若干準則》)", the "Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》)" and other relevant laws and policies, implement the "Interim Provisions on Integrity Warning of Major Projects in Sanmenxia City (《三門峽市重大項目廉政預警工作暫行規定》)", the "Notice of Reaffirming Relevant Requirements on Incorruptibility and Self-discipline of Leaders by Discipline Commission in Lingbao City (《靈寶市紀委關於重申領導幹部廉潔自律有關規定的通知》)" and other requirements, and have a strict monitoring system in place, which is applicable to all of its departments, subsidiaries and branches of the Group. The Group has set up a monitoring room at all of its branches and subsidiaries in Lingbao City, serving as the institution management operation under the Group's monitoring department to ensure its independence. For enhancing the professional competency of the inspectors, the Group arranged the inspectors to participate the training course on discipline inspection.

The Group has issued a strict internal management system for supervision, which involved business entertainment, the use of Group's vehicles, integrity and discipline by leaders, the policy of "Three Importance and One Significance (三重一大)" as well as tendering and bidding. The Group documents have been issued to explain the "non-compliance" of holding wedding and funeral matters. The Group strictly implemented the "Eight Point Guide for Official Conduct" (八項規定) to stop the loophole and protect the integrity and justice culture for the Group companies.

In addition, the responsible person of the subsidiaries of the Group is required to enter into a liability statement regarding the goal of construction of the Party's honesty and integrity. Every unit under the Group has to bear the responsibility of the implementation of the construction of honesty and integrity within the Party and closely apply it to production and management, forming the layout of "one post, two duties" (一崗雙責). The Group has also set up the a box and a hotline for whistle-blowing from the public, accepting supervision by, and visiting from, the public.

The Group set up a comprehensive filing system for the management of the cadre on integrity records. It records the status of their family and part-time jobs for the immediate information for disciplinary inspection and monitoring department, in order to minimize the risk of corruption. The Group carry out the mindful conversation with those employees with potential corruption risks on a timely basis. We initiate it as soon as possible no matter the scale of risk to avoid anything getting worse as time goes by.

Apart from enhancing the monitoring system, the Group also actively set the integrity culture of corporates, and build up the atmosphere of "would not, could not, and dare not corrupt (不想腐、不能腐、不敢腐)" at the workplace.

The branches and subsidiaries of the Group also set up a integrity cultural wall in the obvious spots such as the plants and open pit. They have a wide range of contents and diversified models, with a strong sense of integrity. To keep itself up-to-date, the Group capitalizes the promotion base of its own WeChat public platform of "Lingbao Gold" to release the educational information of integrity, which has a wide coverage and strong interaction, having significant contribution to enhancing integrity culture of an enterprise.

In June 2018, the Group organized more than 30 management staffs to visit and learn the "1 July" Integrity Painting and Calligraphy Photography Exhibition organized by the Propaganda Department of the Municipal Committee of Lingbao City Commission and the Municipal Federation of Literature and Art. During the reporting period, the Group did not have any litigations or corresponding penalties arising from corruption or bribery.

COMMUNITY INVESTMENT

The Group endeavored to meet the community's needs through participating community activities with our expertise and resources, striving to improve the quality of people's lives. The Group have contributed a total of RMB361,000 to the society.

— In 2018, the senior management of the Group visited the Yaozitou Village, Yuling Town, Lingbao City for many times to carry out poverty alleviation accuracy work.

— On 12 January 2018, the Group went to Kawaguchi High School in Lingbao City, Sihe Town Experimental School, and primary school in Hakoguan Town Central to donate books, computers, televisions and other items to participate in social responsibilities and conduct charity donation activities.

— On 3 April 2018, the Group organized 70 management staffs to hold the Qingming Festival's theme education activities in the Lingbao Martyrs Cemetery, and visited the Zhenyu Red Culture Exhibition Hall in Henan Province to jointly remember the revolutionary martyrs and inherit the red culture.

— 5 June 2018 is the 47th World Environment Day and the 4th China Environment Day. During the day, the Group organized environmental volunteers to participate in the "6 • 5" World Environment Day publicity campaign in Lingbao City. The theme of the event was "Beautiful China, I am an actors".

— On 15 June 2018, the Group participated in the 17th National "Safe Production Month" Publicity and Consultation Day organized by the Lingbao Municipal Security Committee.

— On 25 June 2018, the Group responded positively to the Lingbao Municipal Committee and the municipal government's "Social Poverty Alleviation Donation • We Are in Action"call to hold a social poverty alleviation donation ceremony.

— From 5 July to 6 July 2018, sponsored by the Propaganda Department of Lingbao Municipal Committee and the Wenguang New Bureau of Lingbao City, the 17th "Civil Lingbao • Happy Gold City" hosted by the Group "Don't forget your heart and mind", "The Square Art evening party was staged at the Sports Plaza and Theatre Square in Lingbao City.

The Group will continue to enhance the corporate governance, the quality of the products and the level of safety. We will also continue to improve the environmental protection measures, energy saving and emission reduction, the technical skills of staff and remuneration treatment to provide appropriate assistance and support for the near community.

1. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2018, three supervisory committee meetings were held by the supervisory committee.

2. INDEPENDENT WORK REPORT OF THE SUPERVISORY COMMITTEE

In 2018, aiming at protecting the interest of the Company and the shareholders, the supervisory committee of the Company seriously performed the duties in accordance with the Company Law of the PRC ("Company Law"), Securities Law, Listing Rules and other relevant rules and regulations and the Articles of Association, comprehensively monitored aspects such as the Company's capital operation, operating management, financial position and the fulfillment of obligations by senior management. After a serious review, members of the committee unanimously agreed to the following:

i. Legal Compliance of the Company's Operations

The supervisory committee of the Company conscientiously carried out various resolutions according to the relevant resolutions in general meetings, during which its decision-making procedures were in compliance with the relevant requirements of the Company Law, Listing Rules and the Articles and Association. It also set up rules and systems for internal control, project investment management approach, connected transactions, resources purchase and project tendering management. None of the officers, including directors and managers, were aware of any violations of the laws, regulations and articles of association or any act which would prejudice the Company's interests.

ii. Inspection of the Financial Status of the Company

In 2018, the supervisory committee reviewed the financial system and position of the Company and considered that the financial report of the Company for 2018 truly reflected its financial position and operating results.

iii. External Guarantees

On 31 December 2018, the Company completed the disposal of the entire share capital of Wason Copper Foil and its subsidiaries. Prior to the completion of the transaction, the Company has provided certain guarantees for Wason Copper Foil loan. After the completion of the disposal, due to internal reasons of the relevant bank, the company is unable to cancel in advance, so the guarantee arrangement must be continued after the transfer is completed. For details, please refer to the announcement of the Company dated 2 January 2019.

Save as disclosed above, the Company did not have any external guarantees for the year ended 31 December 2018.

DIRECTORS' REPORT

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL PLACE OF BUSINESS

Lingbao Gold Group Company Ltd. is a company incorporated and domiciled in the PRC and has its registered office at Hangu Road and Jingshan Road intersection, Lingbao, Henan Province, the PRC and its principal place of business in Hong Kong at Room 1902, 19th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the mining, processing, smelting and sales of gold and other metallic products in the PRC. Further details regarding the Group's principal activities are disclosed in note 36 to these financial statements.

BUSINESS REVIEW

A review of the Group's business during the year is provided in the "Chairman's Statement" on pages 13 to 14 and the "Management Discussion & Analysis" on pages 15 to 21 of this annual report. Description of the risks and uncertainties that the Group may face can be found in the "Management Discussion & Analysis" on pages 15 to 21 in this annual report. The financial risk management of the Group are also set out in the note 35 to the financial statements and the financial highlights of the Group are set out on page 4 to 5 in this annual report.

EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Board proposed a final dividend. Further details are disclosed in note 11(i) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's continuing operations sales and purchases attributable to the major customers and suppliers respectively during the current financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	71.28	
Five largest customers in aggregate	85.93	
The largest supplier		14.0
Five largest suppliers in aggregate		44.2

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The financial results of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out in the financial statements on pages 69 to 183 of the Annual Report.

DIVIDEND

Relevant resolution was passed at the Board meeting held on 29 March 2019 to propose to distribute a final dividend of RMB0.20 per share (tax inclusive) for the year ended 31 December 2018 (2017: nil). Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable before or after 31 July 2019.

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees or other groups and organisations will be treated as being held by non-resident enterprise shareholders and therefore the dividend payable therein will be subject to the withholding of the corporate income tax.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Tax Notice (《稅收通知》), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares:

- for the H share individual shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend, while such shareholders may apply for rebate of the additional payment to the tax authorities in accordance with the actual tax rate under such tax treaties;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has not entered into any tax treaties with the PRC, or a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such shareholders in the distribution of final dividend.

If a H share individual shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated by the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should file a timely authorisation letter together with the reporting materials relating to him/her being a resident of the related country or region, to Computershare Hong Kong Investor Services Limited, the Company's H Share Registrar in Hong Kong by no later than 4:30 p.m. on Wednesday, 27 June 2018. The materials will be submitted to the competent tax authority by the Company, for subsequent taxation handling.

Non-resident enterprise shareholders or overseas resident individual shareholders of the Company may seek advice from their tax advisor in relation to the tax impact of the mainland China, Hong Kong and other countries (regions) involved in owning and disposing of H shares of the Company if they have any doubts on the above arrangements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in note 33(a) to the financial Statements. The Company's reserves available for distribution to shareholders as at 31 December 2018 is RMB1,291,960,000 (2017: RMB81,276,000).

SHARE CAPITAL

As at the date of this report, there was a total of share capital of 864,249,091 shares of the Company which includes:

	Number of shares	Approximate percentage of total share capital
Domestic shares	566,975,091	65.60%
H Shares	297,274,000	34.40%
Total	864,249,091	100.00%

Details of the movements in share capital of the Company during the year are set out in note 33(b) to the financial statements.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Company during the reporting period.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

MANAGEMENT CONTRACTS

Other than the directors' service contracts, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company for the year ended 31 December 2018 and up to the date of this report are as follows:

Directors

Executive Directors
Mr. Chen Jianzheng, *(Chairman)*
Mr. Xing Jiangze
Ms. Zhou Xing
Mr. Zhao Kun
Mr. Wang Leo

Non-executive Director
Mr. Shi Yuchen

Independent Non-executive Directors
Mr. Yang Dongsheng
Mr. Xu Qiangsheng
Mr. Han Qinchun
Mr. Wang Jiheng

Supervisors
Mr. Jian Zhanxun
Mr. Yang Shilei
Mr. Guo Xurang
Mr. Zhao Bingbing

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, supervisors and senior management of the Company are set out on pages 22 to 24 of the annual report.

HIGHEST PAID INDIVIDUALS

During the year, the relevant information of the five individuals with the highest remuneration in the Group is disclosed in note 10 to the financial statements.

The remuneration paid to members of senior management who are not Directors by bands for the year is set out below:

Remuneration band	Number of individual
Nil to HK$1,000,000	—
HK$1,000,001 to HK$2,000,000	1

REMUNERATION

The Company has a remuneration committee to formulate compensation policies and determine and manage the compensation of the Company's Directors and senior management with reference to their duties, responsibilities, performance and results of the Group.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of Directors and supervisors has a service contract with the Company until the expiry of the term of 6th Session of the Board on 6 June 2021.

Under these deeds, no remuneration is payable to the supervisors.

No Director or supervisor has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

PERMITTED INDEMNITY PROVISION

The Company has arranged for an appropriate insurance cover for Directors' and senior management's liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Directors' report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

The Directors, supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance ("SFO") as at 31 December 2018 that are required to be recorded in the register required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) kept under section 352 of the SFO; or (iii) required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS INTEREST IN SHARES OF THE COMPANY

As at 31 December 2018, so far as was known to the Directors, the following person, other than the Directors, supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of Domestic Shares	Capacity	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total share capital
D&R Asset Management Group Company Limited	185,339,000	Beneficial owner	32.69%	21.45%
Lingbao State-owned Assets Operation Company Limited (靈寶市國有資產經營有限責任公司)	73,540,620	Beneficial owner	12.97%	8.50%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	57,000,000	Beneficial owner	10.05%	6.60%

Save as disclosed above, as at 31 December 2018, so far as the Directors are aware, there are no other persons, other than the Directors, supervisors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which the Directors or the supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (excluding the Directors' and supervisors' service contracts).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from disclosed under the paragraph headed "Directors, supervisors and chief executive's interest in shares of the Company" above, at no time during the year was the Company, its subsidiaries or its jointly controlled entity, a party to any arrangement to enable to the Directors, the supervisors and their respective spouses or children under 18 years of age of acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

CONNECTED TRANSACTIONS

Details on related party transactions for the year are set out in note 39 to the financial statements. Details of any related party transaction which constitute connected transaction under Rule 14A of the Listing Rules are disclosed below.

On 12 August 2018, the Company and Shenzhen Londian entered into the equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which the Company agreed to sell, and the Shenzhen Londian agreed to acquire, 100% of the equity interest in Lingbao Wason at a Consideration of RMB2,558,196,780. Upon Completion, Lingbao Wason will cease to be a subsidiary of the Company.

The particulars of the Equity Transfer Agreement were disclosed in the announcement of the Company dated 12 August 2018. Shenzhen Londian is controlled by D&R Asset Management Group Company Limited, who is a connected person of the Company under the Listing Rules. The transaction contemplated under the Equity Transfer Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules which was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at 31 December 2018 and after completion of the transfer of management and control rights in Lingbao Wason by the Company to Shenzhen Londian (the "Share Transfer Completion"), Lingbao Wason became a connected person of the Company. Before Lingbao Wason became a connected person of the Company, the Company provided several guarantees to Lingbao Wason's loans (the "Guarantee Arrangements"). Due to internal reasons of the relevant banks, the Company cannot early-terminate the Guarantee Arrangements and therefore, the Guarantee Arrangements shall continue after the Share Transfer Completion. Accordingly, the Guarantee Arrangements provided by the Company to Lingbao Wason after Lingbao Wason became a connected person of the Company constitute continuing connected transactions of the Company under the Listing Rules on 1 January 2019.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is subject to the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules in relation to the Guarantee Arrangements. Where there is an extension of the term of or amendment of the terms of guarantees under the Guarantee Arrangements, the Company shall fully comply with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with all the reporting, announcement and other requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions and connected transaction disclosed herein.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2018 are mainly set out in notes 29 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB361,000 (2017: RMB553,000).

PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the Articles of Association of the Company and related laws of Hong Kong and the PRC, which would oblige the Company to issue new shares on pro-rata basis to the existing shareholders of the Company.

POLICY ON INCOME TAX

The Company and its subsidiaries basically paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC. Details of the Group's income tax information are disclosed in note 8 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 May 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents of shares accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Friday, 10 May 2019.

The register of members of the Company will be closed from Tuesday, 18 June 2019 to Saturday, 22 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents of shares accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Monday, 17 June 2019.

LITIGATION AND ARBITRATION

As at the date of this report, there was no material litigation and arbitration for the Group.

PUBLIC FLOAT

Based on the publicly available information and the best of knowledge of the Directors, the Company has maintained sufficient public float at the latest practicable date prior to the issue of this report.

COMPLIANCE OF CODE OF CONDUCT

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provision set out in the code on Corporate Government Practices for any period from 1 January 2018 to 31 December 2018.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 184 of the annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Chen Jianzheng
Chairman

Lingbao, Henan, the PRC
29 March 2019

Independent auditor's report to the shareholders of
Lingbao Gold Group Company Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Lingbao Gold Group Company Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 69 to 183, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the Group's ability to continue as a going concern

Refer to note 1(b) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2018, the Group had net current liabilities of RMB101 million, total borrowings of RMB4,570 million and capital commitments of RMB567 million. The Group finances its operating and exploration and development activities using a combination of cash on hand, operating cash flows, which are generated mainly from the sales of gold and borrowings. Based on the cash flow forecasts of the Group, the Directors have concluded that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date of the financial statements.	Our procedures to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern included the following: • walking through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of the Group's ability to continue as a going concern, including the preparation of cash flow forecasts; • comparing the future expected cash flows in management's cash flow forecast with the Group's business plan approved by the Board of Directors; • evaluating the key assumptions adopted by management in the preparation of the cash flow forecast including, o comparing future gold prices with gold futures contracts in the market; o comparing forecast production quantities and future cost projections with historical information for the past two years;

KEY AUDIT MATTERS (continued)

Assessment of the Group's ability to continue as a going concern (continued)

Refer to note 1(b) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the Group has recorded net current liabilities since 2015 which has increased the risk that the Group may not be able to continue to operate as a going concern and because the assessment of the Group's ability to continue as a going concern is dependent upon certain management assumptions and judgements, in particular in relation to future revenue from sales of gold and the ability of the Group to renew or obtain new bank facilities upon expiry of the existing bank facilities.	• comparing future expected cash flows with historical data and assessing whether any variations were consistent with our expectations based on our understanding of the Group's business; • considering the accuracy and reliability of past cash flow forecasts made by management by comparing them with the current year's results; • comparing the available bank facilities and arrangements to underlying documentation and assessing the impact of any covenants and other restrictive terms attached thereto; and • assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering whether management had incorporated any bias in the selection of such assumptions.

KEY AUDIT MATTERS (continued)

Potential impairment of exploration and evaluation ("E&E") assets

Refer to note 16 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter

The carrying value of E&E assets of the Group was RMB390 million as at 31 December 2018.

Annually, management assesses whether there are any indicators of impairment of the Group's E&E assets. Such indicators may include:

- expiry or relinquishment of exploration and evaluation licences;
- no expenditure for further exploration and evaluation in the specific area is planned or budgeted for;
- exploration and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and management has decided to discontinue activities in the area; and
- data exists to suggest that the carrying amount of the E&E assets is unlikely to be recovered in full from successful development of the resource or by sale of the related assets.

Where indicators of impairment are identified, the recoverable amounts of E&E assets are determined by management as the greater of the value in use and the fair value less cost of disposal of these E&E assets. Where projects are under development or in operation but the carrying value may not be fully recoverable, discounted cash flow forecasts were prepared by the management.

How the matter was addressed in our audit

Our procedures to assess potential impairment of E&E assets included the following:

- establishing that the Group had the right to explore and had the relevant exploration licenses by inspecting underlying documentation including license agreements or correspondence with relevant government agencies;
- assessing the Group's intention to carry out exploration and evaluation activities in the relevant exploration area by inspecting the budgets and discussing the latest status and budgets in respect of each exploration license with senior management and the executive directors;
- considering whether the Group has the ability to finance its planned future exploration and evaluation activities by comparing budgets with the available financing facilities;
- identifying any fields where the Group's right to explore is either at or close to expiry and assessing the appropriateness of retaining the associated E&E costs as assets;
- where mineral reserve information was available, assessing the commercial viability of the related E&E assets by comparing the mineral reserve information for the relevant area and the market price of the mineral products (primarily gold) with management's expectations as determined in their latest forecasts.

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of exploration and evaluation ("E&E") assets (continued)

Refer to note 16 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter	How the matter was addressed in our audit
We identified the potential impairment of E&E assets as a key audit matter because the review of impairment indicators requires management to exercise judgement and because the impairment assessments prepared by management are complex and contain certain judgements and assumptions, particularly in respect of future product prices, the long term growth rates and the discount rates applied, which are inherently uncertain and could be subject to management bias.	Where indicators of impairment were identified, we assessed whether management had made provisions for impairment for the projects that were not expected to proceed or had prepared discounted cash flow forecasts where the projects are under development or in operation but the carrying value may not be fully recoverable. Where discounted cash flow forecasts were prepared by management, our procedures to assess the potential impairment of E&E assets included the following: • comparing data in the discounted cash flow forecasts to relevant data, including future revenue, future cost of sales and other operating expenses, with the budgets which were approved by the Board of Directors; • engaging our internal valuation specialists to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry; • comparing the long term growth rates adopted in the discounted cash flow forecasts with those of comparable companies and external market data;

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of exploration and evaluation ("E&E") assets (continued)

Refer to note 16 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter	How the matter was addressed in our audit
	• comparing the future price of products as adopted in the discounted cash flow forecasts with the market prices for the relevant commodity futures contracts; and • obtaining from management sensitivity analyses of the key assumptions, including future gold prices, future production quantities and future gross profit margins, adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of intangible assets, construction in progress ("CIP") and property, plant and equipment ("PP&E") of Full Gold

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter

Due to the increasing uncertainty about the operational environment of a cash-generating unit ("CGU"), Full Gold Mining Limited Liability Company ("Full Gold"), a subsidiary of the Group, which incorporated in and has operations in the Kyrgyz Republic, there is a risk that the value of the intangible assets, CIP and PP&E of Full Gold may not be recoverable in full through the future cash flows to be generated from its mining operations or from disposal of these assets.

Full Gold held intangible assets (excluding exploration and evaluation assets) totalling RMB99 million, CIP totalling RMB9 million and PP&E totalling RMB318 million as at 31 December 2018.

The recoverable amount of the cash generating unit which included Full Gold was determined by management as the greater of the value in use and the fair value less cost of disposal of the assets of Full Gold. A discounted cash flow forecast was prepared by management to determine the value in use.

We identified the impairment assessment of the intangible assets, CIP and PP&E of Full Gold as a key audit matter because the impairment assessment prepared by management is complex and contains certain judgements and assumptions, particularly in relation to future gold prices, the long term growth rate and the discount rate applied, which are inherently uncertain and may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of the intangible assets, CIP and PP&E of Full Gold included the following:

- engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards;
- comparing the future gold prices used in the discounted cashflow forecast with gold futures contract prices in the market;
- comparing data in the discounted cashflow forecast with the relevant data, including future revenue, future cost of sales and future other operating expenses, in the budget which was approved by the Board of Directors;
- comparing the revenue and operating costs included in discounted cashflow forecast prepared in the prior year with the current year's performance of Full Gold to assess how accurate the prior year's discounted cashflow forecast was and making enquiries of management as to the reasons for any significant variations identified;
- engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cashflow forecast was within the range adopted by other companies in the same industry;

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of intangible assets, construction in progress ("CIP") and property, plant and equipment ("PP&E") of Full Gold (continued)

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter	How the matter was addressed in our audit
	• comparing the long term growth rate adopted in the discounted cashflow forecast with those of comparable companies and external market data; and • obtaining from management sensitivity analyses of the key assumptions, including future gold prices, future production quantities and future gross profit margins, adopted in the discounted cashflow forecast prepared by management and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

KEY AUDIT MATTERS (CONTINUED)

Recoverability of purchase deposits

Refer to note 25(b) to the consolidated financial statements and the accounting policies on page 85.

The Key Audit Matter

The Group has made significant purchase deposits to suppliers in order to secure the supply of gold concentrate.

The outstanding balance of purchase deposits to suppliers was RMB1,024 million as at 31 December 2018, against which an impairment provision of RMB788 million was recorded.

Management assesses the recoverability of purchase deposits to suppliers with reference to any credit standing deterioration of individual suppliers and their ability to supply the gold concentrate, past default history on goods delivery of individual suppliers, and current market and supplier-specific conditions, all of which involve a significant degree of management judgement.

The Group's accounting policy is that purchase deposits are assessed individually for impairment.

We identified recoverability of purchase deposits as a key audit matter because purchase deposits are significant to the Group as at 31 December 2018, and the recoverability of purchase deposits is dependent on the credit worthiness of the suppliers and their ability to supply the gold concentrate. It requires the exercise of significant management judgement to assess the recoverability of purchase deposits which can be inherently uncertain.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of purchase deposits included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the monitoring and utilisation of purchase deposits and making impairment provisions for purchase deposits;
- assessing whether items were correctly categorised in the purchase deposits ageing report by comparing individual items with relevant underlying documents, which included contracts, bank remittance slips, and delivery records on a sample basis;
- assessing the reasonableness of management's estimation of the recoverability of purchase deposits by examining the information used by management to form such judgements, including the ageing analysis of the balances, the past history of each supplier, including previous defaults or delays in the delivery of gold concentrate, delivery records, committed delivery schedules from suppliers and post year end deliveries;
- conducting, on a sample basis, site visits to suppliers to assess the existence of the suppliers and whether their operations appeared to be commensurate with the level of the Group's business volume with those suppliers; and
- inspecting, on a sample basis, material goods or cash receipts from suppliers subsequent to the financial year end related to purchase deposits balances at 31 December 2018.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018 (Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Continuing operations:			
Revenue	3	**3,781,660**	4,176,572
Cost of sales		**(3,615,797)**	(3,860,994)
Gross profit		**165,863**	315,578
Other revenue	4	**23,143**	35,132
Other net loss	5	**(334,011)**	(35,972)
Selling and distribution expenses		**(6,125)**	(7,349)
Administrative expenses and other operating expenses		**(940,754)**	(295,170)
(Loss)/profit from operations		**(1,091,884)**	12,219
Finance costs	7(a)	**(256,277)**	(199,516)
Loss before taxation	7	**(1,348,161)**	(187,297)
Income tax	8(a)	**169,236**	(17,885)
Loss for the year from continuing operations		**(1,178,925)**	(205,182)
Discontinued operations:			
Profit for the year from discontinued operations	37	**1,956,759**	255,820
Profit for the year		**777,834**	50,638

The notes on pages 77 to 183 form part of these financial statements.

	Note	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Attributable to:			
Equity shareholders of the Company			
— continuing operations		**(1,160,046)**	(178,336)
— discontinued operations		**1,956,208**	258,170
		796,162	79,834
Non-controlling interests			
— continuing operations		**(18,879)**	(26,846)
— discontinued operations		**551**	(2,350)
		(18,328)	(29,196)
Profit for the year		**777,834**	50,638
Basic and diluted (loss)/earnings per share (RMB cents)	13		
— continuing operations		**(135.7)**	(23.1)
— discontinued operations		**228.8**	33.5
		93.1	10.4

The notes on pages 77 to 183 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Profit for the year		**777,834**	50,638
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries			
— continuing operations		**(31,228)**	31,120
— discontinued operations		**—**	—
Total comprehensive income for the year		**746,606**	81,758
Attributable to:			
Equity shareholders of the Company			
— continuing operations		**(1,185,215)**	(153,383)
— discontinued operations		**1,956,208**	258,170
		770,993	104,787
Non-controlling interests			
— continuing operations		**(24,938)**	(20,679)
— discontinued operations		**551**	(2,350)
		(24,387)	(23,029)
Total comprehensive income for the year		**746,606**	81,758

The notes on pages 77 to 183 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,325,917**	2,111,998
Construction in progress	15	**395,590**	526,191
Intangible assets	16	**630,205**	730,398
Goodwill	17	**4,717**	7,302
Lease prepayments	18	**122,737**	209,660
Interest in associates		**22,531**	21,531
Other financial assets	20	**4,520**	10,504
Investment deposits	21	**84,600**	—
Non-current prepayments	22	**10,571**	185,980
Deferred tax assets	23(b)	**347,025**	187,299
Other non-current assets		**27,347**	33,361
		2,975,760	4,024,224
Current assets			
Inventories	24(a)	**1,029,544**	1,375,052
Trade and other receivables, deposits and prepayments	25	**2,833,085**	1,204,982
Assets classified as held for sale	26	**—**	5,423
Current tax recoverable	23(a)	**13,349**	6,601
Pledged deposits	27	**549,841**	874,958
Cash and cash equivalents	28	**811,237**	455,427
		5,237,056	3,922,443
Current liabilities			
Bank and other borrowings	29	**3,804,767**	3,380,986
Trade and other payables	30	**1,369,338**	1,499,349
Contract liabilities	31	**32,621**	—
Loan from shareholders	32	**—**	13,800
Current tax payable	23(a)	**131,475**	7,227
		5,338,201	4,901,362
Net current liabilities		**(101,145)**	(978,919)
Total assets less current liabilities		**2,874,615**	3,045,305

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Bank and other borrowings	29	**765,184**	1,512,425
Other payables	30	**166,169**	144,860
Deferred tax liabilities	23(b)	**5,836**	4,658
		937,189	1,661,943
NET ASSETS		**1,937,426**	1,383,362
CAPITAL AND RESERVES	33		
Share capital		**172,850**	154,050
Reserves		**1,893,599**	1,069,881
Total equity attributable to equity shareholders of the Company		**2,066,449**	1,223,931
Non-controlling interests		**(129,023)**	159,431
TOTAL EQUITY		**1,937,426**	1,383,362

Approved and authorised for issue by the Board of Directors on 29 March 2019.

Chen Jianzheng
Executive director and chairman

Xing Jiangze
Executive director

The notes on pages 77 to 183 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 (Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(note 33(b))*	Share premium RMB'000 *(note 33(a)(i))*	PRC statutory reserves RMB'000 *(note 33(c)*	Exchange reserve RMB'000 *(note 33(a)(iii))*	Other reserve RMB'000 *(note 33(a)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	154,050	827,931	160,878	(30,063)	(858)	7,206	1,119,144	(67,540)	1,051,604
Changes in equity for 2017:									
Profit/(loss) for the year	–	–	–	–	–	79,834	79,834	(29,196)	50,638
Other comprehensive income	–	–	–	24,953	–	–	24,953	6,167	31,120
Total comprehensive income for the year	–	–	–	24,953	–	79,834	104,787	(23,029)	81,758
Turning other investment into a subsidiary	–	–	–	–	–	–	–	215,000	215,000
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	35,000	35,000
Appropriation of safety production fund *(note 33(c))*	–	–	32,150	–	–	(32,150)	–	–	–
Utilisation of safety production fund *(note 33(c))*	–	–	(32,150)	–	–	32,150	–	–	–
Balance at 31 December 2017	154,050	827,931	160,878	(5,110)	(858)	87,040	1,223,931	159,431	1,383,362
Balance at 31 December 2017	154,050	827,931	160,878	(5,110)	(858)	87,040	1,223,931	159,431	1,383,362
Impact on initial application of HKFRS 9 *(note 2)*	–	–	–	–	–	2,341	2,341	–	2,341
Adjusted balance at 1 January 2018	154,050	827,931	160,878	(5,110)	(858)	89,381	1,226,272	159,431	1,385,703
Changes in equity for 2018:									
Profit/(loss) for the year	–	–	–	–	–	796,162	796,162	(18,328)	777,834
Other comprehensive income	–	–	–	(25,169)	–	–	(25,169)	(6,059)	(31,228)
Total comprehensive income for the year	–	–	–	(25,169)	–	796,162	770,993	(24,387)	746,606
Issue of new domestic shares *(note 33(b))*	18,800	63,995	–	–	–	–	82,795	–	82,795
Acquisition of non-controlling interests *(note 19(v))*	–	–	–	–	–	(13,014)	(13,014)	(198,036)	(211,050)
Disposal of discontinued operations *(note 37)*	–	–	–	–	–	–	–	(50,164)	(50,164)
Disposal of a subsidiary *(note 38)*	–	–	–	(597)	–	–	(597)	(15,867)	(16,464)
Appropriation of safety production funds *(note 33(c))*	–	–	42,624	–	–	(42,624)	–	–	–
Utilisation of safety production funds *(note 33(c))*	–	–	(42,624)	–	–	42,624	–	–	–
Balance at 31 December 2018	172,850	891,926	160,878	(30,876)	(858)	872,529	2,066,449	(129,023)	1,937,426

The notes on pages 77 to 183 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018 (Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
(Loss)/profit before taxation			
Continuing operations		**(1,348,161)**	(187,297)
Discontinued operations		**2,130,990**	298,603
Adjustments for:			
— Interest income	4	**(16,793)**	(28,238)
— Net unrealised loss on unlisted equities at fair value	5	**9,125**	—
— Net realised and unrealised (gain)/loss on other financial instruments at fair value	5	**(173)**	22,243
— Net gain on disposal of discontinued operations	37(c)	**(1,799,376)**	—
— Net loss on disposal of a subsidiary	38	**89,718**	—
— Net (income)/loss on disposal of property, plant and equipment and intangible assets	5	**(211)**	2,866
— Depreciation	7(b)	**196,584**	234,244
— Finance costs	7(a)	**299,593**	246,648
— Provision/(reversal) of impairment losses on:			
— trade and other receivables	7(b)	**(904)**	(422)
— investment deposits	7(b)	**9,400**	—
— purchase deposits	7(b)	**656,758**	(7,212)
— property, plant and equipment	7(b)	**30,087**	—
— intangible assets	7(b)	**21,551**	—
— non-current prepayments	7(b)	**174,580**	—
— Amortisation of lease prepayments	7(b)	**6,947**	7,198
— Amortisation of intangible assets	7(b)	**7,462**	12,859
— Write down of inventories	24(b)	**13,281**	9,332
— Foreign exchange differences		**15,059**	(15,233)
Operating profit before changes in working capital		**495,517**	595,591
Decrease/(increase) in inventories		**71,416**	(245,819)
Increase in pledged deposits		**(435,662)**	(204,421)
Increase in trade and other receivables, deposits and prepayments		**(382,952)**	(197,009)
Increase in trade and other payables		**281,704**	325,965
Cash generated from operations		**30,023**	274,307
PRC income tax paid	23(a)	**(55,256)**	(62,831)
Net cash (used in)/generated from operating activities		**(25,233)**	211,476

	Note	2018 RMB'000	2017 RMB'000
Investing activities			
Interest received		16,793	28,238
Proceeds from/(payment for) settlement of financial instruments		9,630	(14,962)
Payment for purchase of property, plant and equipment		(33,058)	(68,086)
Proceeds from disposal of property, plant and equipment		1,020	1,639
Payment for construction in progress		(367,885)	(23,924)
Payment for purchase of intangible assets		(43,012)	(49,299)
Net cash inflow from turning other investment into a subsidiary		–	9,657
Payment for investments in associates		(1,020)	(12,931)
Payment for investment deposits	21	(94,000)	–
Proceeds from disposal of discontinued operations	37(c)	1,474,361	–
Payment for disposal of a subsidiary	38	(17)	–
Proceeds from disposal of other investments		–	15,000
Advance to related parties	39(a)	(257,000)	–
Proceeds from repayment of advance to related parties	39(a)	37,000	–
Net cash generated from/(used in) investing activities		742,812	(114,668)
Financing activities			
Proceeds from new bank loans	28(b)	4,195,868	3,006,987
Repayment of bank loans	28(b)	(4,299,723)	(3,131,300)
Repayment of loans from shareholders	28(b)	(13,800)	(10,000)
Proceeds from cash-settled written put option		–	50,000
Capital contribution from non-controlling interests		–	35,000
Proceeds from gold lease contracts	28(b)	27,545	–
Interest paid	28(b)	(323,635)	(237,640)
Pledged deposits collected/(placed) for borrowings	28(b)	178,484	(514,715)
Acquisition of non-controlling interests		(211,050)	–
Net proceeds from the issuance of new domestic shares		82,795	–
Net cash used in financing activities		(363,516)	(801,668)
Net increase/(decrease) in cash and cash equivalents		354,063	(704,860)
Cash and cash equivalents at 1 January	28	455,427	1,164,569
Effect of foreign exchange rate changes		1,747	(4,282)
Cash and cash equivalents at 31 December	28	811,237	455,427

The notes on pages 77 to 183 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

As at 31 December 2018, the Group had net current liabilities of RMB101 million, total borrowings of RMB4,570 million and capital commitments of RMB567 million. 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 of RMB1,262 million, ability to renew or refinance the banking facilities upon maturity, 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 there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at fair value as explained in the accounting policies set out below:

— Investments in equity securities (see note 1(f))

— Derivative financial instruments (see note 1(g))

Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(z)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(q).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(z)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(z)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(e) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(z)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(iii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments

The Group's and the Company's policies for investments in equity securities other than investments in subsidiaries and associates are as follows:

Investments in equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 35(g). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other net (loss)/income in accordance with the policy set out in note 1(v)(ii).

(B) Policy applicable prior to 1 January 2018

Investments in equity securities were initially stated at fair value, which was their transaction price unless it was determined that the fair value at initial recognition differed from the transaction price and that fair value was evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that used only data from observable markets. Cost included attributable transaction costs, except where indicated otherwise below. These investments were subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

Investments in securities which do not fall into the categories held for trading and held-to maturity securities were classified as available-for-sale securities. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). As an exception to this, investments in equity securities that did not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured were recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities was recognised in profit or loss in accordance with the policies set out in note 1(v)(ii). When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment and construction in progress

(i) Property, plant and equipment

Property, plant and equipment are initially stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 1(k)(iii)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

When proved and probable gold reserves have been determined, costs incurred to develop gold mines are capitalised as part of the cost of mining structures. All other expenditures, including the cost of repairs and maintenance and major overhaul, are expensed as they are incurred. Mining exploration costs, such as expenditures related to locating gold reserves and determining the economic feasibility and the costs of removing waste materials or “stripping costs” are expensed as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment and construction in progress (continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment other than mining shafts, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	5–35 years
Machinery	4–30 years
Transportation equipment	4–8 years
Office and electronic equipment	4–12 years

Included in property, plant and equipment are mining shafts located at the mining sites. Depreciation is provided to write off the cost of mining shafts using the units of production method based on the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Construction in progress

Construction in progress represents buildings, various infrastructure projects under construction and equipment pending installation, and is recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(k)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the relevant authorities in the People's Republic of China (the "PRC").

No depreciation is provided in respect of the construction in progress.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(iii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out below.

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(iii)). The mining rights are amortised to profit or loss using the units of production method based on the proved and probable mineral reserves.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(iii)). The exploration rights are amortised to exploration and evaluation assets (see note 1(i)(iii)) on a straight-line basis over the estimated useful lives of one to three years.

(iii) Exploration and evaluation assets and mining development assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 1(k)(iii)). Exploration and evaluation assets include exploration and development costs.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining development assets and amortised to profit or loss using the units of production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC governmental authorities for acquiring land held under operating leases. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(k)(iii)). Amortisation is charged to the profit or loss on a straight-line basis over the respective periods of the rights.

(k) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables).

Financial assets measured at fair value, including equity securities measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)
ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments，the group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk
In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)
In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

(A) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income
Interest income recognised in accordance with note 1(v)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. investments in equity securities, other current and non-current receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss was determined and recognised as follows:

- For investments in an associate accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss was measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(iii). The impairment loss was reversed if there had been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(iii).
- For unquoted equity securities carried at cost, the impairment loss was measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting was material. Impairment losses for equity securities carried at cost were not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting was material. This assessment was made collectively where these financial assets share similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

— If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(A) Policy applicable from 1 January 2018

The group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(k)(i) apply.

As the group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the group under the guarantee and (ii) the amount of the claim on the group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- intangible assets;
- lease prepayments;
- goodwill; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

— *Recognition of impairment losses*
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use (if determinable).

— *Reversals of impairment losses*
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Operating lease charges

Leases of assets under which do not transfer substantially all the risks and rewards of ownership of the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(k)(i).

(p) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(v)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Policy prior to 1 January 2018

In the comparative period, amounts received before the related work was performed were presented as "advances received" under "trade and other payables". These balances have been reclassified on 1 January 2018 as shown in note 31 (see note 2(ii)).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method. Interest expense is recognised in accordance with the group's accounting policy for borrowing costs (see note 1(x)).

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the goods.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership. There is no impact to opening balance as at 1 January 2018 as a result of adoption of HKFRS 15.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently are recognised in profit or loss on a systematic basis over the useful life of the asset.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rate approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss (with the comparative figures restated), which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, Financial instruments

(ii) HKFRS 15, Revenue from contracts with customers

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group has been impacted by HKFRS 9 in relation to classification and measurement of financial assets, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Other developments has not had a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in the financial report.

(i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Fair value adjustment for other financial assets	3,121
Related tax	(780)
Net increase in retained earnings at 1 January 2018	2,341

2 CHANGES IN ACCOUNTING POLICIES (continued)

(i) HKFRS 9, Financial instruments (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	HKFRS 9 carrying amount at 1 January 2018 RMB'000
Financial assets carried at costs				
Other financial assets *(note (i))*	10,504	(10,504)	–	–
Financial assets carried at FVPL				
Other financial assets *(note (i))*	–	10,504	3,121	13,625

Note:

(i) Under HKAS 39, equity securities not held for trading were classified as other financial assets. These equity securities are classified as at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(f), (g), (k)(i), (n) and (q).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(i) HKFRS 9, Financial instruments (continued)

(b) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except that, information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018. Under the transition method chosen, there is no significant cumulative effect of the initial application of HKFRS 15 recognised by the Group as an adjustment to the opening balance of equity at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Presentation of contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustment at 1 January 2018, as a result of the adoption of HKFRS 15:

"Advances received" amounting to RMB32,669,000 as at 1 January 2018, which were mainly related to sales of goods and previously included in "trade and other payables" (note 30) are now included under "contract liabilities" (note 31).

3 REVENUE

The principal activities of the Group are mining, processing, smelting and sales of gold and other metallic products in the PRC.

Revenue represents the sales value of goods sold to customers, net of sales tax and value added tax.

(i) Disaggregation of Revenue

Disaggregation of revenue from contracts with customers by major products lines is as follow:

	2018 RMB'000	2017 *(Note)* (Restated) *(note 37)* RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
Continuing operations:		
— Sales of gold	**2,985,892**	3,584,325
— Sales of other metals	**680,275**	470,768
— Others	**118,116**	126,532
Less: Sales taxes and levies	**(2,623)**	(5,053)
	3,781,660	4,176,572
Discontinued operations:		
— Sales of copper foil	**1,593,083**	1,726,660
— Others	**17,343**	15,903
Less: Sales taxes and levies	**(8,059)**	(8,039)
	1,602,367	1,734,524
	5,384,027	5,911,096

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information was prepared in accordance with HKAS 18.

All revenue was recognised at a point in time under HKFRS 15.

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2017: one). In 2018, revenues from sales of gold products to this customer amounted to approximately RMB2,695,472,000 (2017: RMB3,537,906,000) arose in the Henan Province, the PRC. Details of concentrations of credit risk arising from this customer are set out in note 35(a).

Further details regarding the Group's principal activities are disclosed in note 36 to these financial statements.

3 REVENUE (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for other metals such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of other metals that had an original expected duration of one year or less.

4 OTHER REVENUE

	2018 **RMB'000**	2017 (Restated) *(note 37)* RMB'000
Continuing operations:		
Interest income on financial assets measured at amortised cost	**11,410**	25,594
Government grants	**5,529**	5,318
Scrap sales	**4,946**	4,138
Others	**1,258**	82
	23,143	35,132
Discontinued operations:		
Interest income on financial assets measured at amortised cost	**5,383**	2,644
Government grants	**2,971**	2,226
Scrap sales	**—**	675
Others	**483**	—
	8,837	5,545
	31,980	40,677

5 OTHER NET (LOSS)/INCOME

	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Continuing operations:		
Net unrealised loss on unlisted equities at fair value	(9,125)	—
Net realised and unrealised loss on other financial instruments at fair value	(426)	(20,275)
Net income/(loss) on disposal of property, plant and equipment and intangible assets	146	(708)
Net foreign exchange loss	(4,155)	(13,373)
Impairment losses of:		
— property, plant and equipment *(note 14)*	(30,087)	—
— intangible assets *(note 16)*	(21,551)	—
— non-current prepayments *(note 22)*	(174,580)	—
Net loss on disposal of a subsidiary *(note 38)*	(89,718)	—
Others	(4,515)	(1,616)
	(334,011)	(35,972)
Discontinued operations:		
Net realised and unrealised gain/(loss) on financial instruments at fair value	599	(1,968)
Net income/(loss) on disposal of property, plant and equipment and intangible assets	65	(2,158)
Net foreign exchange gain/(loss)	17,727	(2,402)
Others	842	544
	19,233	(5,984)
	(314,778)	(41,956)

6 STAFF COSTS

	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Continuing operations:		
Salaries, wages and other benefits	**216,490**	228,283
Contributions to defined contribution retirement plan	**16,465**	17,980
	232,955	246,263
Less: Staff costs capitalised into construction in progress	**(3,261)**	(7,785)
	229,694	238,478
Discontinued operations:		
Salaries, wages and other benefits	**74,941**	79,148
Contributions to defined contribution retirement plan	**3,923**	3,818
	78,864	82,966
	308,558	321,444

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18%–20% (2017: 18%–20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

The Group also participates in a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2017: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2017: HK$30,000). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

7 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after (crediting)/charging:

	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
(a) Finance costs		
Continuing operations:		
Interest expenses on bank loans	200,162	168,466
Other borrowing costs	56,115	31,050
	256,277	199,516
Discontinued operations:		
Interest expenses on bank loans	34,870	40,737
Other borrowing costs	8,446	6,395
	43,316	47,132
	299,593	246,648

7 (LOSS)/PROFIT BEFORE TAXATION (continued)

	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
(b) Other items:		
Continuing operations:		
Amortisation of lease prepayments	**4,874**	4,762
Amortisation of intangible assets# *(note 16)*	**7,462**	12,859
Depreciation#	**131,706**	170,415
Less: Depreciation capitalised into construction in progress	**(909)**	(277)
	130,797	170,138
Provision/(reversal) of impairment losses on:		
— trade and other receivables	**7,172**	2,212
— investment deposits *(note 21)*	**9,400**	—
— purchase deposits *(note 25(b))*	**656,758**	(7,212)
— property, plant and equipment *(note 14)*	**30,087**	—
— intangible assets *(note 16)*	**21,551**	—
— non-current prepayments *(note 22)*	**174,580**	—
Operating lease charges in respect of properties	**694**	1,453
Auditors' remuneration — audit services	**5,392**	5,081
Research and development expenses	**3,378**	2,603
Pollution discharge fees	**158**	1,772
Environmental rehabilitation fees	**9,848**	36,484
Cost of inventories# *(note 24(b))*	**3,615,797**	3,860,994
Discontinued operations:		
Amortisation of lease prepayments	**2,073**	2,436
Depreciation#	**65,787**	64,106
Reversal of impairment losses on:		
— trade and other receivables	**(8,076)**	(2,634)
Auditors' remuneration-audit services	**302**	223
Research and development expenses	**54,122**	54,244
Pollution discharge fees	**326**	63
Cost of inventories# *(note 24(b))*	**1,160,997**	1,264,125

Cost of inventories in continuing operations and discontinued operations include RMB219,244,000 (2017 (restated): RMB280,436,000) and RMB83,910,000 (2017 (restated): RMB91,841,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately in note 6 and above for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Continuing operations

(i) Taxation in the consolidated statement of profit or loss represents:

	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Current tax — PRC income tax		
Provision for the year	2,044	16,994
Under-provision in respect of prior years	1,028	358
	3,072	17,352
Deferred tax		
Origination and reversal of temporary differences	(172,308)	533
	(169,236)	17,885

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(a) Continuing operations (continued)

(ii) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	Note	**2018** **RMB'000**	2017 (Restated) *(note 37)* RMB'000
Loss before taxation		**(1,348,161)**	(187,297)
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	(i) (ii) (iii)	**(313,514)**	(16,246)
Effect of non-deductible expenses		**4,981**	3,964
Utilisation of temporary differences not recognised in previous years		**(3,454)**	(5,385)
Tax losses and temporary differences not recognised	(iv)	**24,109**	35,785
Current year's tax losses of continuing operations utilised in discontinued operations		**117,058**	—
Under-provision in prior years		**1,028**	358
Others		**556**	(591)
Actual tax expense		**(169,236)**	17,885

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(a) Continuing operations (continued)

(ii) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates: (continued)

Notes:

(i) Under the Corporate Income Tax Law of the PRC (the "CIT Law"), which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the continuing operations and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

(ii) Hong Kong profits tax rate for 2018 is 16.5% (2017: 16.5%). No provision for Hong Kong profits tax is made as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong profits tax.

(iii) Kyrgyzstan corporate income tax rate ("KR CIT") in 2018 is 0% (2017: 0%).

On 9 August 2012, the Parliament of Kyrgyz Republic passed the law on amendments and additions to the Tax Code of the Kyrgyz Republic ("Amended Tax Code") which became effective from 1 January 2013. In accordance with the Amended Tax Code, starting from 1 January 2013 the KR CIT rate for gold mining companies is set at 0% and a revenue-based tax is introduced. Such revenue-based tax is recognised in "sales taxes and levies".

(iv) Considering the uncertainty of the future available taxable profits against which certain tax benefits can be utilised in the relevant tax jurisdiction and entity, the continuing operations of the Group has not recognised deferred tax assets of RMB24,109,000 (2017: RMB35,785,000) in respect of unused tax losses of RMB75,216,000 and temporary differences of RMB21,218,000 as at 31 December 2018.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Discontinued operations

(i) Taxation in the consolidated statement of profit or loss represents:

	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Current tax — PRC income tax		
Provision for the year	172,144	45,823
Over-provision in respect of prior years	(1,226)	—
	170,918	45,823
Deferred tax		
Origination and reversal of temporary differences	3,313	(3,040)
	174,231	42,783

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Profit before taxation		2,130,990	298,603
Notional tax on profit before taxation		532,747	74,651
Effect of tax concessions	(i)	(28,905)	(28,088)
Additional deduction for qualified research and development expenses	(i)	(9,610)	(6,560)
Effect of non-deductible expenses		604	856
Utilisation of tax losses and temporary differences not recognised in previous years		(202,590)	(170)
Current year's tax losses of continuing operations utilised in discontinued operations		(117,058)	—
Tax losses and temporary differences not recognised		269	2,094
Over-provision in prior years		(1,226)	—
Actual tax expense	(ii)	174,231	42,783

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Discontinued operations (continued)

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

Notes:

(i) Under the Corporate Income Tax Law of the PRC (the "CIT Law"), which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the discontinued operations and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

Lingbao Wason Copper-Foil Company Ltd. ("Wason Copper-Foil") was accredited as a "High and New Technology Enterprise" ("HNTE") in 2009 and was entitled to a preferential income tax rate of 15% for a period of three years from 2009 to 2011. Wason Copper-Foil renewed its HNTE qualification in 2012 and 2015, and therefore has been entitled to the preferential tax rate of 15% till 2017.

A subsidiary of Wason Copper-Foil, Lingbao Hongyu Electronics Company Limited ("Hongyu Electronics"), was accredited as a "High and New Technology Enterprise" ("HNTE") in 2015 and was entitled to a preferential income tax rate of 15% for a period of three years from 2015 to 2017.

Wason Copper-Foil and Hongyu Electronics are currently applying for an extension of such preferential income tax treatment for another three years from 2018 to 2020. The Directors of the Company believe that Wason Copper-Foil and Hongyu Electronics will continue to enjoy such preferential tax rate of 15% pursuant to current applicable PRC tax laws and regulation.

Under the CIT Law and its relevant regulation, additional tax deduction is allowed for qualified research and development expenses.

(ii) The amount includes the tax expense on the operation results from the discontinued operations of RMB42,756,000 and the tax expense on the gain on disposal of the discontinued operations of RMB131,475,000.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2018

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr Chen Jianzheng	–	549	30	–	579
Mr Zhao Kun	–	569	14	–	583
Mr Xing Jiangze	–	596	26	–	622
Ms Zhou Xing	–	–	–	–	–
Mr Wang Leo	–	100	–	–	100
Non-executive director					
Mr Shi Yuchen	100	–	–	–	100
Independent non-executive directors					
Mr Han Qinchun	120	–	–	–	120
Mr Yang Dongsheng	100	–	–	–	100
Mr Wang Jiheng	100	–	–	–	100
Mr Wang Guanghua	100	–	–	–	100
Supervisors					
Mr Wang Guodong (resigned in March 2019)	–	403	25	–	428
Mr Guo Xurang	–	21	–	–	21
Mr Zhao Bingbing (appointed in June 2018)	–	21	–	–	21
Mr Yao Shun (resigned in June 2018)	–	–	–	–	–
Mr Meng Shouji (resigned in June 2018)	–	–	–	–	–
Mr Jiao Xiaoxiao (resigned in March 2019)	–	97	17	–	114
Total	520	2,356	112	–	2,988

9 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2017

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr Chen Jianzheng (appointed in January 2017)	–	240	9	–	249
Mr Zhao Kun (appointed in January 2017)	–	151	–	–	151
Mr Xing Jiangze	–	151	19	–	170
Ms Zhou Xing	–	–	–	–	–
Mr Wang Leo	–	151	–	–	151
Non-executive director					
Mr Shi Yuchen	100	–	–	–	100
Independent non-executive directors					
Mr Han Qinchun	120	–	–	–	120
Mr Yang Dongsheng	100	–	–	–	100
Mr Wang Jiheng	100	–	–	–	100
Mr Wang Guanghua	100	–	–	–	100
Supervisors					
Mr Wang Guodong	–	149	19	–	168
Mr Guo Xurang	–	–	–	–	–
Mr Yao Shun	–	–	–	–	–
Mr Meng Shouji	–	–	–	–	–
Mr Jiao Xiaoxiao	–	62	12	–	74
Total	520	904	59	–	1,483

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2017: three) are directors and supervisors of the Company whose emoluments are disclosed in note 9. The emolument in respect of one individual (2017: two) is as follows:

	2018 RMB'000	2017 RMB'000
Salaries and wages	960	1,176
Contributions to retirement benefit scheme	30	54
	990	1,230

The emolument of the above one individual (2017: two) is within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil–HK$1,000,000	–	1
HK$1,000,001–HK$2,000,000	1	1

11 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018 RMB'000	2017 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.20 per ordinary share (2017: Nil)	172,850	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

No final dividend in respect of the previous financial year has been approved during the year (2017: Nil).

12 OTHER COMPREHENSIVE INCOME

The component of other comprehensive income does not have any significant tax effect for each of the years ended 31 December 2018 and 2017.

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic earnings per share is based on the earnings attributable to equity shareholders of the Company of RMB796,162,000 (2017: earnings of RMB79,834,000) and the weighted average of 854,720,324 ordinary shares (2017: 770,249,091 ordinary shares) in issue during the year ended 31 December 2018, calculated as follows:

(i) Weighted average number of ordinary shares

	2018 RMB'000	2017 RMB'000
Issued ordinary shares at 1 January	770,249,091	770,249,091
Effect of new domestic shares issued on 7 February 2018	84,471,233	—
Weighted average number of ordinary shares	854,720,324	770,249,091

(ii) Consolidated (loss)/profit attributable to ordinary equity shareholders of the Company

	2018 RMB'000	2017 RMB'000
(Loss)/profit attributable to equity shareholders		
— continuing operations	(1,160,046)	(178,336)
— discontinued operations	1,956,208	258,170
	796,162	79,834

(iii) (Loss)/earnings per share (RMB cents)

	2018 RMB cents	2017 RMB cents
Basic (loss)/earnings per share		
— continuing operations	(135.7)	(23.1)
— discontinued operations	228.8	33.5
	93.1	10.4

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for the current and the prior year is the same as the basic (loss)/earnings per share as there are no dilutive ordinary shares during the years.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2017	1,289,767	1,208,461	1,617,004	78,133	117,325	4,310,690
Exchange adjustments	(20,396)	(13,561)	(8,842)	(1,772)	(35)	(44,606)
Additions	4,114	1,283	19,005	8,277	2,191	34,870
Transfer from construction in progress *(note 15)*	13,806	8,421	18,728	122	548	41,625
Disposals	(4,297)	—	(6,616)	(5,781)	(187)	(16,881)
At 31 December 2017	1,282,994	1,204,604	1,639,279	78,979	119,842	4,325,698
Depreciation and impairment:						
At 1 January 2017	384,196	657,039	813,278	61,893	94,768	2,011,174
Exchange adjustments	(7,387)	(5,991)	(4,455)	(1,502)	(5)	(19,340)
Charge for the year	63,963	47,412	110,141	5,690	7,315	234,521
Written back on disposals	(1,003)	—	(6,436)	(5,049)	(167)	(12,655)
At 31 December 2017	439,769	698,460	912,528	61,032	101,911	2,213,700
Net book value:						
At 31 December 2017	843,225	506,144	726,751	17,947	17,931	2,111,998

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2018	1,282,994	1,204,604	1,639,279	78,979	119,842	4,325,698
Exchange adjustments	16,931	11,026	7,539	1,456	29	36,981
Additions	4,639	1,466	48,602	6,202	1,668	62,577
Transfer from construction in progress *(note 15)*	2,816	29,479	83,154	–	635	116,084
Disposals	–	–	(2,195)	(2,029)	(532)	(4,756)
Disposal of discontinued operations *(note 37)*	(227,831)	–	(924,575)	(7,892)	(47,841)	(1,208,139)
Adjustment *(note (a))*	(5,911)	–	(1,662)	–	–	(7,573)
At 31 December 2018	1,073,638	1,246,575	850,142	76,716	73,801	3,320,872
Depreciation and impairment:						
At 1 January 2018	439,769	698,460	912,528	61,032	101,911	2,213,700
Exchange adjustments	7,437	6,314	4,354	1,345	5	19,455
Charge for the year	65,682	23,677	98,633	5,465	4,036	197,493
Impairment loss *(note (b))*	–	30,087	–	–	–	30,087
Written back on disposals	–	–	(2,081)	(1,909)	(482)	(4,472)
Disposal of discontinued operations *(note 37)*	(65,020)	–	(352,611)	(2,348)	(41,329)	(461,308)
At 31 December 2018	447,868	758,538	660,823	63,585	64,141	1,994,955
Net book value:						
At 31 December 2018	625,770	488,037	189,319	13,131	9,660	1,325,917

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The Group adjusted the original cost of buildings, machinery and transportation equipment capitalised in prior years of RMB7,573,000 based on the final amount confirmed with the suppliers.

(b) Impairment loss of RMB30,087,000 was recognised in respect of a CGU, Full Gold Mining Limited Liability Company ("Full Gold"), which is under the mining — KR reportable segment, during the year ended 31 December 2018. Owing to the increasing uncertainty in the operational environment of Full Gold, the Group identified an impairment indicator of its property, plant and equipment, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

The recoverable amounts of the CGU are estimated using the present value of future cash flows based on the financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using several key assumptions, including the expected gross margin, weighted average growth rate, useful life of the assets and pre-tax discount rate. The forecasted gross margin is based on past business performance and market participants' expectations for market development. The weighted average growth rate used is 3% and consistent with the forecasts included in industry reports. The discount rate used is pre-tax of 16% and reflect specific risks relating to the mining segment and country.

As a result of the assessment, the Group recognised an impairment loss of RMB30,087,000 on the property, plant and equipment to reduce the carrying amount of this CGU to its recoverable amount of RMB426,198,000. The impairment loss was recorded in "other net loss" (note 5) in the consolidated statement of profit or loss for the year ended 31 December 2018.

15 CONSTRUCTION IN PROGRESS

	2018 **RMB'000**	2017 RMB'000
At 1 January	**526,191**	309,125
Exchange adjustments	**436**	(901)
Additions	**264,581**	259,592
Transfer to property, plant and equipment *(note 14)*	**(116,084)**	(41,625)
Disposal of discontinued operations *(note 37)*	**(279,534)**	—
At 31 December	**395,590**	526,191

16 INTANGIBLE ASSETS

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (b))* RMB'000	Exploration rights *(note (c))* RMB'000	Total RMB'000
Cost:						
At 1 January 2017	820	549,461	105,583	293,874	212,464	1,162,202
Exchange adjustments	—	(1,757)	(3,194)	(7,336)	—	(12,287)
Additions	—	21,369	—	20,000	—	41,369
Reclassification	—	(36,669)	36,669	—	—	—
Disposals	—	—	—	—	(7,580)	(7,580)
At 31 December 2017	820	532,404	139,058	306,538	204,884	1,183,704
Amortisation and impairment:						
At 1 January 2017	—	28,781	16,566	193,033	212,464	450,844
Exchange adjustments	—	—	(13)	(2,804)	—	(2,817)
Charge for the year	—	—	2,271	10,588	—	12,859
Written back on disposals	—	—	—	—	(7,580)	(7,580)
At 31 December 2017	—	28,781	18,824	200,817	204,884	453,306
Net book value:						
At 31 December 2017	820	503,623	120,234	105,721	—	730,398

16 INTANGIBLE ASSETS (continued)

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (b))* RMB'000	Exploration rights *(note (c))* RMB'000	Total RMB'000
Cost:						
At 1 January 2018	820	532,404	139,058	306,538	204,884	1,183,704
Exchange adjustments	–	1,435	2,608	6,011	–	10,054
Additions	–	7,323	–	40,540	–	47,863
Disposal of a subsidiary	–	(101,105)	(24,074)	(1,301)	–	(126,480)
At 31 December 2018	820	440,057	117,592	351,788	204,884	1,115,141
Amortisation and impairment:						
At 1 January 2018	–	28,781	18,824	200,817	204,884	453,306
Exchange adjustments	–	–	10	2,607	–	2,617
Charge for the year	–	–	2,647	4,815	–	7,462
Impairment loss *(note (a))*	–	21,551	–	–	–	21,551
At 31 December 2018	–	50,332	21,481	208,239	204,884	484,936
Net book value:						
At 31 December 2018	820	389,725	96,111	143,549	–	630,205

Notes:

(a) Included in the Group's exploration and evaluation assets are assets related to mines, which are under the exploration and evaluation stage as at 31 December 2018, with a carrying value of RMB389,725,000 (2017: RMB503,623,000). These assets are not subject to amortisation until they are placed in use.

An impairment loss of RMB21,551,000 were recognised on certain exploration and evaluation assets of the Group, which are under the mining — PRC reportable segment, during the year ended 31 December 2018.

The Group's management concluded that the possibility of extending the related exploration rights is low. As a result, a full impairment loss of RMB21,551,000 (2017: Nil) in respect of the related assets was recognised in "other net loss" (note 5) during the year ended 31 December 2018.

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INTANGIBLE ASSETS (continued)

Notes: (continued)

(b) The Group's mining rights as at 31 December 2018 are as follows:

Mine	Location	Expiry date
Lingjin One Mine	Lingbao, Henan	December 2021
Lingjin Two Mine	Lingbao, Henan	April 2019
Lingjin Three Mine	Lingbao, Henan	March 2023
Hongxin Gold Mine	Lingbao, Henan	May 2019
Hongtuling Gold Mine	Lingbao, Henan	November 2020
Duolanasayi Gold Mine	Habahe, Xinjiang	November 2019
Tuokuzibayi Gold Mine	Habahe, Xinjiang	May 2020
Chifeng Jinchan Mining Company Limited Gold Mine	Chifeng, Inner Mongolia	January 2021
Laowan Gold Mine	Nanyang, Henan	July 2020
Istanbul Gold Mine	KR	February 2026
Istanbul Gold Eastern Mine	KR	December 2022

Note:

(i) The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss of the Group.

(c) The exploration rights are amortised to exploration and evaluation assets on a straight-line basis over the estimated useful lives of one to three years.

17 GOODWILL

	RMB'000
Cost:	
At 31 December 2017 and 1 January 2018	41,360
Disposal of a subsidiary *(note 38)*	(2,585)
At 31 December 2018	38,775
Accumulated impairment losses:	
At 31 December 2017, 1 January 2018 and 31 December 2018	(34,058)
Carrying amount:	
At 31 December 2017	7,302
At 31 December 2018	4,717

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified as follows:

	2018 RMB'000	2017 RMB'000
Habahe Huatai Gold Company Limited	**2,262**	2,262
Tongbai Xingyuan Mining Company Limited	**2,455**	2,455
Palladex KR Limited Liability Company ("Palladex") *(note 19 and 38)*	**–**	2,585
Total	**4,717**	7,302

The recoverable amounts of the CGUs are determined based on value-in-use calculations with certain key assumptions. Value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rates of 12% (2017: 11% to 20%). Cash flow projections during the forecast period for the CGUs are based on the expected growth rates of 1.6% and gross margins of 30% to 50% during the forecast period. Forecasted gross margin is based on the expected growth rate for the industry. Forecasted gross margin has been determined based on past business performance and market participants' expectations for market development.

The Group's management determined that no additional impairment provision was required based on the impairment assessment performed as at 31 December 2018 (2017: Nil).

18 LEASE PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**260,449**	205,584
Additions	**–**	54,865
Disposal of discontinued operations *(note 37)*	**(94,552)**	–
At 31 December	**165,897**	260,449
Accumulated amortisation:		
At 1 January	**(43,990)**	(36,792)
Charge for the year	**(6,947)**	(7,198)
Disposal of discontinued operations *(note 37)*	**12,384**	–
At 31 December	**(38,553)**	(43,990)
Carrying amount:		
At 1 January	**216,459**	168,792
At 31 December	**127,344**	216,459

	2018 RMB'000	2017 RMB'000
Lease prepayments	**127,344**	216,459
Less: Current portion of lease prepayments included in other receivables, deposits and prepayments	**(4,607)**	(6,799)
	122,737	209,660

The Group's leasehold lands are located in the PRC. The Group was formally granted by the relevant PRC authorities certain rights to use the lands on which the Group's factories and infrastructures are erected for a period of 50 years.

19 INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 December 2018 are as follows:

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Xinjiang Baoxin Mining Company Limited	Limited liability company	The PRC	80	20	RMB10,000/ RMB10,000	Sales of mineral products
Lingbao Hongxin Mining Company Limited	Limited liability company	The PRC	80	—	RMB3,000/ RMB3,000	Exploration and processing of gold; sales of mineral products
Jiangxi Mingxin Mining Company Limited	Limited liability company	The PRC	80	—	RMB5,000/ RMB5,000	Production and sales of precious metal products
Habahe Huatai Gold Company Limited	Limited liability company	The PRC	83.3	16.7	RMB9,800/ RMB9,800	Mining, processing and smelting of gold, production of gold products, sales of gold bullion products, machinery,equipment and components for gold processing
Tongbai Xingyuan Mining Company Limited	Limited liability company	The PRC	100	—	RMB17,000/ RMB17,000	Geological exploration of mineral reserves
Chi Feng City Zheng Ji Mining Company Limited	Limited liability company	The PRC	80	—	RMB15,131/ RMB15,131	Processing of metallurgy products, sales of mineral products
Lingbao Xinhe Mining Company Limited ("Xinhe Mining")	Limited liability company	The PRC	100 *(note (iv))*	—	RMB Nil/ RMB300,000	Mining, processing and sales of mineral reserves
Lingbao Gold International Company Limited	Limited liability company	Hong Kong	100	—	HKD50,000/ HKD50,000	Investment holding

19 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Chifeng Jinchan Mining Company Limited	Limited liability company	The PRC	100	—	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves
Chifeng Lingjin Mining Company Limited	Limited liability company	The PRC	80	—	RMB40,000/ RMB40,000	Mining and exploration of mineral reserves
Lingbao Yixin Mining Company Limited ("Lingbao Yixin")	Limited liability company	The PRC	80 *(note (i))*	—	RMB3,670/ RMB3,670	Mining and exploration of mineral reserves
Full Gold Mining Limited Liability Company	Limited liability company	Kyrgyz Republic	82	—	SOM33,300/ SOM33,300	Mining and exploration of mineral reserves
Tianshui Hongwu Mining Development Company Limited ("Tianshui Hongwu")	Limited liability company	The PRC	74 *(note (ii))*	—	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Lanzhou Lingjin Mining Company Limited	Limited liability company	The PRC	100	—	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Beijing Fushengda Investment Company Limited	Limited liability company	The PRC	100	—	RMB10,000/ RMB10,000	Investment holding
Ha Mi Jiachang Mining Investment and Development Company Limited	Limited liability company	The PRC	—	100	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves

19 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Lingbao Gold Yili Metallurgical Company Limited	Limited liability company	The PRC	100	—	RMB25,000/ RMB25,000	Processing and smelting of gold, further processing and sales of gold products
Habahe Huayuan Mining Company Limited	Limited liability company	The PRC	—	60	RMB5,000/ RMB5,000	Mining and exploration of mineral reserves
Lingbao Lingjin Technology Company Limited ("Lingjin Technology")	Limited liability company	The PRC	100	—	RMB1,000/ RMB1,000	Development of mining and exploration of mineral reserves technology; design of mineral engineering
Lingbao Lingxin Gold Metallurgical Company Limited ("Lingxin Gold Metallurgical")	Limited liability company	The PRC	100	—	RMB500,000/ RMB550,000	Processing and smelting of gold, further processing and sales of gold products
Lingbao Dexin Mining Company Limited ("Dexin Mining")	Limited liability company	The PRC	51 *(note (iii))*	—	RMB Nil/ RMB300,000	Mining, processing and sales of mineral reserves
Lingbao Lingjin Property Company Limited ("Lingjin Property")	Limited liability company	The PRC	100	—	RMB Nil/ RMB100,000	Property Development
Shenzhen Jinda Gold Company Limited ("Jinda Gold")	Limited liability company	The PRC	100	—	RMB Nil/ RMB200,000	Sales of metallurgy products and technical service

Notes:

(i) Lingbao Yixin was acquired by the Group in June 2007. Pursuant to the sale and purchase agreement, the Group is entitled to an amount of initial profit which is equivalent to the Group's investment cost in Lingbao Yixin. Profit generated thereafter is shared between the Group and the non-controlling interests on a 55%:45% basis.

(ii) Tianshui Hongwu was acquired by the Group in November 2007. Pursuant to the sale and purchase agreement, the Group is entitled to an amount of initial profit which is equivalent to the Group's investment cost in Tianshui Hongwu. Profit generated thereafter is shared between the Group and the non-controlling interests on a 74%:26% basis.

(iii) Dexin Mining was established by the Group in December 2018 with a registered capital of RMB300,000,000. Dexin Mining is mainly engaged in mining, processing and sales of mineral reserves.

19 INTERESTS IN SUBSIDIARIES (continued)

Notes: (continued)

(iv) Xinhe Mining (original named "Lingbao Qiangma Xinjin Mining Company Limited") was established by the Group in September 2017, with a registered capital of RMB300,000,000. It changed its name to Xinhe Mining on 13 November 2018. Xinhe Mining is mainly engaged in mining, processing and sales of mineral reserves.

(v) On 14 December 2018, Wason Copper-Foil completed the acquisition of equity interests from the non-controlling interests of National Development Fund Co., Ltd. (國開發展基金有限公司) with a cash consideration of RMB211,050,000. The difference of RMB13,104,000 between the carrying amount of non-controlling interests and the cash consideration was recorded in equity.

(vi) During the year ended 31 December 2018, the Company disposed of 100% equity interests in Wason Copper-Foil and Palladex, as set out in note 37 and 38, respectively.

The following table lists out the information relating to Full Gold, a subsidiary of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Full Gold

	2018 RMB'000	2017 RMB'000
NCI percentage	**18%**	18%
Current assets	**241,143**	300,805
Non-current assets	**445,218**	505,747
Current liabilities	**(953,293)**	(1,081,871)
Non-current liabilities	**(433,658)**	(299,828)
Net liabilities	**(700,590)**	(575,147)
Carrying amount of NCI	**(114,551)**	(91,971)
Revenue	**80,319**	71,759
Loss for the year	**(94,116)**	(106,110)
Loss attributable to NCI	**(16,941)**	(19,100)
Total comprehensive income	**(125,444)**	(73,926)
Total comprehensive income attributable to NCI	**(22,580)**	(13,307)
Cash flows generated from/(used in) operating activities	**98,460**	(22,039)
Cash flows used in investing activities	**(2,770)**	(25,622)
Cash flows (used in)/generated from financing activities	**(101,797)**	52,318

20 OTHER FINANCIAL ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Financial assets measured at FVPL			
— Unlisted, at fair value			
— Henan Jinqu Gold Co., Ltd. *(note (a))*	**4,500**	13,625	—
— Others	**20**	—	—
	4,520	13,625	—
Available-for-sale financial assets			
— Unlisted, at cost			
— Henan Jinqu Gold Co., Ltd. *(note (a))*	**—**	—	10,504
	—	—	10,504

Notes:

(a) It represents the Group's 5% equity interests in a PRC domiciled enterprise which is mainly engaged in geological exploration, mining, processing, sales of gold, as well as research, development, production and sale of artificial industrial diamonds.

(b) Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the initial application of HKFRS 9 at 1 January 2018 (see note 2(i)).

21 INVESTMENT DEPOSITS

	2018 RMB'000	2017 RMB'000
Investment deposits		
— Beijing Jiuyi *(note (a))*	**80,000**	80,000
— Henan Asset Management *(note (b))*	**94,000**	—
Less: Impairment losses	**(89,400)**	(80,000)
	84,600	—

21 INVESTMENT DEPOSITS (continued)

Notes:

(a) During the year ended 31 December 2007, an investment deposit of RMB80,000,000 was paid to an independent third party, Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi"), for acquiring certain company with mining assets situated in Gansu Province, the PRC. The relevant agreements in connection with this acquisition expired on 31 October 2009 and the acquisition was not completed as at 31 December 2009. An impairment loss of RMB80,000,000 was made in the consolidated financial statements for the year ended 31 December 2009.

(b) During the year ended 31 December 2018, a refundable investment deposit of RMB94,000,000 was placed to an independent third party, Henan Assets Management Company (河南資產管理公司) ("Henan Assets Management"), for acquiring certain mining assets which are offered for sale through an open tender. After the Group has performed relevant due diligence work on the target mining assets, the Group decided to withdraw its investment intention and requested for a refund of the deposit. At 31 December 2018, Henan Assets Management had not returned the deposit back to the Group and the Group has engaged a lawyer to lodge a claim against Henan Assets Management for full refund of the deposit.

Based on the Group's assessment about the claim, the Directors considered the above investment deposit is recoverable. At 31 December 2018, the Group has classified the investment deposit as non-current and has made an impairment loss of RMB9,400,000, which is mainly the impact arising from the discounting of the expected cash flow by effective interest rate.

22 NON-CURRENT PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Prepayments for purchase of property, plant and equipment and construction of mining shafts	**11,571**	20,282
Prepayments for taxes *(note (a))*	**174,580**	166,698
	186,151	186,980
Less: Loss allowance	**(175,580)**	(1,000)
	10,571	185,980

Note:

(a) The prepayments for taxes were mainly related to resource tax, urban maintenance and construction tax, property tax and land use tax paid to tax authorities in the PRC, which were used to offset future tax liabilities of the same nature in the same tax authorities.

Pursuant to the discussion between the Group and the tax authorities in December 2018, the Group's management concluded that the possibility of utilising the above prepayments for taxes in the future is low. As a result, a full impairment loss of RMB174,580,000 has been recognised in "other net loss" (note 5) for the year ended 31 December 2018.

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
At beginning of the year	626	282
Provision for PRC income tax *(note 8)*	173,990	63,175
PRC income tax paid	(55,256)	(62,831)
Disposal of discontinued operations *(note 37(c))*	(1,234)	—
At end of the year	118,126	626
Representing:		
PRC income tax		
— Recoverable	(13,349)	(6,601)
— Payable	131,475	7,227
At end of the year	118,126	626

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation of property, plant and equipment RMB'000	Amortisation of intangible assets RMB'000	Allowance for bad debt RMB'000	Inventories RMB'000	Other accruals and payables RMB'000	Financial Instruments RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax arising from:								
At 1 January 2017	20,698	6,445	75,579	3,174	40,678	(1,207)	34,767	180,134
(Charged)/credited to profit or loss	(3,395)	(2,238)	(1,746)	(307)	3,600	1,207	5,386	2,507
At 31 December 2017	17,303	4,207	73,833	2,867	44,278	—	40,153	182,641
Impact on initial application of HKFRS 9 *(note 2(i))*	—	—	—	—	—	(780)	—	(780)
At 1 January 2018	17,303	4,207	73,833	2,867	44,278	(780)	40,153	181,861
(Charged)/credited to profit or loss	(8,071)	(74)	201,899	3,441	(3,842)	2,307	(26,666)	168,994
Disposal of discontinued operations *(note 37)*	641	892	(8,266)	—	(2,933)	—	—	(9,666)
At 31 December 2018	9,873	5,025	267,466	6,308	37,503	1,527	13,487	341,189

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Net deferred tax asset recognised on the consolidated statement of financial position	**347,025**	187,299
Net deferred tax liability recognised on the consolidated statement of financial position	**(5,836)**	(4,658)
	341,189	182,641

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative unused tax losses of RMB220,635,000 (2017: RMB1,078,227,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses of RMB29,404,000, RMB34,788,000, RMB35,901,000, RMB45,326,000 and RMB75,216,000, if unused, will expire in 2019, 2020, 2021, 2022 and 2023, respectively.

24 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 RMB'000	2017 RMB'000
Raw materials	**738,182**	1,025,264
Work in progress	**56,363**	109,671
Finished goods	**169,161**	150,093
Spare parts and materials	**65,838**	90,024
	1,029,544	1,375,052

24 INVENTORIES (continued)

(b) The analysis of the amount of inventories recognised as an expense and included in profit and loss is as follows:

	2018 RMB'000	2017 (Restated) *(note 37)* RMB'000
Continuing operations:		
Carrying amount of inventories sold	**3,603,623**	3,852,674
Write down of inventories	**12,174**	8,320
	3,615,797	3,860,994
Discontinued operations:		
Carrying amount of inventories sold	**1,159,890**	1,263,113
Write down of inventories	**1,107**	1,012
	1,160,997	1,264,125
	4,776,794	5,125,119

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Trade receivables, net of loss allowance	**10,376**	313,493
Bills receivable	**569,889**	268,209
	580,265	581,702
Other receivables, net of loss allowance	**63,739**	80,397
Amounts due from related parties *(note 39)*	**1,896,965**	—
	1,960,704	80,397
Financial assets measured at amortised cost	**2,540,969**	662,099
Deposits and prepayments	**56,606**	65,869
Purchase deposits *(note (b))*	**1,023,844**	608,590
Less: Allowance for non-delivery	**(788,334)**	(131,576)
	235,510	477,014
Amounts due from Beijing Jiuyi *(note (c))*	**—**	—
	2,833,085	1,204,982

All of the trade and other receivables, deposits and prepayments are expected to be recovered within one year.

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Transfers of financial assets

(i) Transferred financial assets that are not derecognised in their entirety

As at 31 December 2018, the Group endorsed certain bank acceptance bills with a carrying amount of RMB67,988,000 (2017: RMB93,380,000) to suppliers for settling trade payables of the same amount on a full recourse basis. As the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, the Group's management determined not to derecognise the carrying amounts of these bills receivable and the associated trade payables settled.

As at 31 December 2018, the Group discounted certain bank acceptance bills with a carrying amount of RMB500,000,000 (2017: Nil) to banks for cash proceeds on a full recourse basis. As the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, the Group's management determined not to derecognise the carrying amounts of these bills receivable and recognised the cash proceeds from banks as short-term loans.

(ii) Transferred financial assets that are derecognised in their entirety

As at 31 December 2018, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date less than twelve months from the end of the reporting period. The Group's management determined that the Group has transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2018, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB380,000,000 and RMB44,065,000 (2017: RMB202,112,000 and RMB481,543,000) respectively.

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows.

	2018 RMB'000	2017 RMB'000
Within three months	122,515	460,783
Over three months but less than six months	156,650	109,487
Over six months but less than one year	300,000	9,374
Over one year	1,100	2,058
At 31 December	580,265	581,702

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within 30 days to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 35(a).

(b) Purchase deposits

Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods.

Impairment loss in respect of purchase deposits is recorded in accordance with the accounting policy set out in note 1(k)(i).

The movement in the allowance for non-delivery of purchase deposits during the year is as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	131,576	138,788
Impairment loss recognised/(reversed)	656,758	(7,212)
At 31 December	788,334	131,576

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(b) Purchase deposits (continued)

During the second half of 2018, certain suppliers of mineral sand has ceased production, and were in financial difficulty, as a result, they ceased the supply of mineral sand to the Group. The Group reassessed the recoverability of purchase deposits as at 31 December 2018 and concluded that purchase deposits of RMB858,334,000 (31 December 2017: RMB131,576,000) were individually determined to be impaired and therefore relevant provision of RMB788,334,000 (31 December 2017: RMB131,576,000) was made. The management considered that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the remaining purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

(c) Amounts due from Beijing Jiuyi

	2018 **RMB'000**	2017 RMB'000
Amounts due from Beijing Jiuyi	**30,800**	30,800
Less: Impairment losses	**(30,800)**	(30,800)
	–	–

The balance due from Beijing Jiuyi was relating to a compensation payment for a proposed acquisition in previous years. The Group concluded that the balance of RMB30,800,000 would not be recoverable and accordingly, an impairment loss was provided.

26 ASSETS CLASSIFIED AS HELD FOR SALE

	2018 **RMB'000**	2017 RMB'000
Intangible assets	**–**	5,423

The Group entered into an agreement with a third party in previous year to dispose of certain exploration and evaluation assets at a consideration of RMB7,200,000. During the year ended 31 December 2018, the disposal was completed. As a result, these exploration and evaluation assets were transferred and derecognised.

27 PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	2018 RMB'000	2017 RMB'000
Guarantee deposits for issuance of letter of credit	**21,470**	37,260
Guarantee deposits for bank and other borrowings	**409,861**	588,345
Guarantee deposits for issuance of bank acceptance bills	**115,000**	240,002
Others	**3,510**	9,351
	549,841	874,958

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	**811,237**	455,427

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings RMB'000 *(note 29)*	Loan from shareholders RMB'000 *(note 32)*	Guarantee deposits for bank and other borrowings RMB'000 *(note 27)*	Interest payable RMB'000 *(note 30)*	Financial liabilities at fair value through profit or loss RMB'000 *(note 30)*	Total RMB'000
At 1 January 2018	4,893,411	13,800	(588,345)	35,203	–	4,354,069
Changes from financing cash flows:						
Proceeds from new bank loans	4,195,868	–	–	–	–	4,195,868
Repayment of bank loans	(4,299,723)	–	–	–	–	(4,299,723)
Repayment of loan from shareholders	–	(13,800)	–	–	–	(13,800)
Pledged deposits collected for borrowings	–	–	178,484	–	–	178,484
Interest paid	–	–	–	(323,635)	–	(323,635)
Proceeds from gold lease contracts	–	–	–	–	27,545	27,545
Total changes from financing cash flows	(103,855)	(13,800)	178,484	(323,635)	27,545	(235,261)
Exchange adjustments	48,790	–	–	580	–	49,370
Other changes:						
Interest expenses *(note 7(a))*	–	–	–	299,593	–	299,593
Disposal of discontinued operations *(note 37)*	(268,395)	–	–	(215)	–	(268,610)
Unrealised loss on financial instruments at fair value	–	–	–	–	105	105
At 31 December 2018	4,569,951	–	(409,861)	11,526	27,650	4,199,266

29 BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	Note	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Short-term bank and other borrowings:			
— Bank loans		**2,754,646**	3,027,296
— Loans from leasing companies	(a)	**66,590**	102,690
— Add: Current portion of long-term bank and other borrowings		**983,531**	251,000
		3,804,767	3,380,986
Long-term bank and other borrowings:			
— Bank loans		**1,683,744**	1,319,865
— Loans from leasing companies	(a)	**64,971**	443,560
— Less: Current portion of long-term bank and other borrowings		**(983,531)**	(251,000)
		765,184	1,512,425
		4,569,951	4,893,411

Note:

(a) During the year ended 31 December 2016, Wason Copper-Foil entered into a sales and leaseback agreement with a leasing company for machinery and equipment ("Secured Assets I") amounting to RMB400,000,000 for a period of 7 years. Upon maturity, Wason Copper-Foil will be entitled to purchase the Secured Assets I with no consideration. The Group considered that it was almost certain that Wason Copper-Foil would exercise this repurchase option. As substantial risk and rewards of the Secured Assets I were retained by Wason Copper-Foil before and after these arrangements, the transaction was regarded as secured borrowings, rather than finance lease arrangement. Till the end of 31 December 2018, Wason Copper-Foil had repaid the total outstanding loan from that leasing company.

During the year ended 31 December 2017, the Company entered into a sales and leaseback agreement with a leasing company for machinery and equipment ("Secured Assets II") amounting to RMB191,250,000 for a period of 3 years. Upon maturity, the Company will be entitled to purchase the Secured Assets II with consideration of RMB100. The Group considered that it was almost certain to exercise this repurchase option. As substantial risk and rewards of the Secured Assets II were retained by the Company before and after these arrangements, the transaction was regarded as secured borrowings, rather than finance lease arrangement. Till the end of 31 December 2018, the Company had repaid RMB59,689,000 in accordance with the instalment payment schedule pursuant to the sales and leaseback agreement.

29 BANK AND OTHER BORROWINGS (continued)

As at 31 December 2018, the outstanding loan from that leasing company amounting to RMB131,561,000 was secured by the mining shafts of Nanshan with carrying amount of RMB76,207,000 and pledged deposits with carrying amount of RMB10,000,000, and was guaranteed by Wason Copper-Foil.

At 31 December 2018, the bank and other borrowings were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year or on demand	**3,804,767**	3,380,986
Over one year but within two years	**369,793**	1,099,228
Over two years but within five years	**395,391**	354,901
Over five years	**—**	58,296
	765,184	1,512,425
	4,569,951	4,893,411

At 31 December 2018, the bank and other borrowings were secured as follows:

	2018 RMB'000	2017 RMB'000
Bank and other borrowings		
— Secured	**765,825**	1,610,048
— Guaranteed	**715,950**	—
— Unsecured	**3,088,176**	3,283,363
	4,569,951	4,893,411

At 31 December 2018, a loan from a leasing company amounting to RMB131,561,000 was secured by the mining shafts in a subsidiary and pledged deposits, details of which are set out in note (a) above.

At 31 December 2018, bank loans of the Group amounting to RMB634,264,000 (2017: RMB999,763,000) were secured by pledged deposits with the carrying amount of RMB409,861,000 (2017: RMB578,345,000).

At 31 December 2018, bank loans of the Group amounting to RMB610,404,000 (31 December 2017: nil) and RMB105,546,000 were guaranteed by Lingbao State-owned Assets Operation Company Limited ("Lingbao State-owned Assets") and by Wason Copper-Foil, respectively.

29 BANK AND OTHER BORROWINGS (continued)

Certain of the Group's bank loan facilities are subject to the fulfilment of covenants imposing certain specific performance requirements on the Group. If the Group were to breach the covenants, bank loans drawn down under such facilities would become payable on demand. As at 31 December 2018, certain covenants of two banks were breached by the Group. The Group obtained waiver letters in 2018 from the two banks, confirming that they do not treat the Company has breached the relevant covenants under the existing loan agreements.

30 TRADE AND OTHER PAYABLES

Current trade and other payables

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Bills payable	190,000	160,000	160,000
Trade payables	291,635	620,752	620,752
Other payables and accruals	317,814	416,186	416,186
Advances received *(note (a))*	—	—	32,669
Interest payables *(note 28(b))*	11,526	35,203	35,203
Payable for mining rights	83,559	79,554	79,554
Deferred income *(note (b))*	80,406	80,390	80,390
Payable to non-controlling interests *(note (c))*	22,623	23,335	23,335
Payable to D&R Fund *(note (e))*	15,000	50,000	50,000
Dividend payable	1,260	1,260	1,260
Amounts due to related parties *(note 39)*	327,865	—	—
Financial liabilities at fair value through profit or loss	27,650	—	—
	1,369,338	1,466,680	1,499,349
Non-current other payables			
Decommissioning costs *(note (d))*	52,625	50,147	50,147
Deferred income *(note (b))*	78,544	94,713	94,713
Payable to D&R Fund *(note (e))*	35,000	—	—
	166,169	144,860	144,860

30 TRADE AND OTHER PAYABLES (continued)

Notes:

(a) As a result of the adoption of HKFRS 15, "advances received" is included in "contract liabilities" and disclosed in note 31 (see note 2(ii)).

(b) Deferred income represents grants received from the government for the exploration of mines, construction of mining related assets and machinery of copper products. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.

(c) Payable to non-controlling interests is unsecured, interest free and repayable on demand.

(d) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB52,625,000 (2017: RMB50,147,000) in total as at 31 December 2018.

(e) On 14 December 2017, an investment agreement was entered into between the Company, D&R Xinwei Advanced Manufacturing Fund (LP) ("D&R Fund") and Lingxin Gold Metallurgical in respect of increasing the registered capital of RMB50,000,000 in Lingxin Gold Metallurgical invested by D&R Fund. Pursuant to the investment agreement, the Group also granted a written put option to D&R Fund, giving it the right to sell its entire interest in Lingxin Gold Metallurgical at a consideration which comprises the capital injection of RMB50,000,000 and related interests with an annual interest rate of 9%.

On 29 December 2018, an agreement was entered into between the Company, D&R Fund and Lingxin Gold Metallurgical in respect of repurchasing the investment in Lingxin Gold Metallurgical from D&R Fund at a consideration of RMB50,000,000. The consideration carries an interest rate at 9% per annum and is payable by instalments within two years.

At 31 December 2018, RMB15,000,000 was presented as current payables and the remaining consideration of RMB35,000,000 was included in non-current payables.

30 TRADE AND OTHER PAYABLES (continued)

The ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within three months	**243,378**	498,912
Over three months but less than six months	**7,481**	30,515
Over six months but less than one year	**18,512**	62,753
Over one year but less than two years	**15,774**	19,684
Over two years	**6,490**	8,888
	291,635	620,752

31 CONTRACT LIABILITIES

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Made-to-order manufacturing arrangements — Billings in advance of performance (i)	**32,621**	32,669	—

(i) Upon the adoption of HKFRS 15, these amounts were reclassified from "trade and other payables" (note 30) to contract liabilities (see note 2(ii)).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Made-to-order manufacturing arrangements

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised when control over a product transferred to the customers. The Group typically receives a deposit on acceptance of orders from new customers, the amount of the deposit, if any, was negotiated on a case by case basis with customers.

31 CONTRACT LIABILITIES (continued)

Movements in contract liabilities

	2018 RMB'000
Balance at 1 January	32,669
Increase in contract liabilities as a result of billing in advance of manufacturing activities	694,346
Decrease in contract liabilities as a result of recognising revenue during the year	(643,759)
Disposal of discontinued operations *(note 37)*	(50,635)
Balance at 31 December	32,621

32 LOAN FROM SHAREHOLDERS

The loan was provided by Lingbao State-owned Assets and assumed by the Group upon the acquisition of Wason Copper-Foil during the year ended 31 December 2008. The loan was repaid by the Group during the year ended 31 December 2018.

33 CAPITAL AND RESERVE

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital (note 33(b)) RMB'000	Share premium (note (i)) RMB'000	PRC statutory reserves (note (ii)) RMB'000	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
At 1 January 2017		154,050	827,931	160,070	(471,274)	670,777
Changes in equity for 2017						
Total comprehensive income for the year		–	–	–	552,550	552,550
Appropriation of safety production fund		–	–	20,979	(20,979)	–
Utilisation of safety production fund		–	–	(20,979)	20,979	–
At 31 December 2017	41	154,050	827,931	160,070	81,276	1,223,327
Impact on initial application of HKFRS 9 *(note 2(i))*		–	–	–	2,341	2,341
Adjusted balance on 1 January 2018		**154,050**	**827,931**	**160,070**	**83,617**	**1,225,668**
Changes in equity for 2018						
Issue of new domestic shares *(note 33(b))*		**18,800**	**63,995**	**–**	**–**	**82,795**
Total comprehensive income for the year		**–**	**–**	**–**	**1,208,343**	**1,208,343**
Appropriation of safety production fund		**–**	**–**	**31,644**	**(31,644)**	**–**
Utilisation of safety production fund		**–**	**–**	**(31,644)**	**31,644**	**–**
At 31 December 2018	41	**172,850**	**891,926**	**160,070**	**1,291,960**	**2,516,806**

33 CAPITAL AND RESERVE (continued)

(a) Movements in components of equity (continued)

Notes:

(i) Share premium

The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering. The application of the share premium account is governed by sections 167 and 168 of the PRC Company Law.

(ii) PRC statutory reserves

Transfers from retained earnings to the PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and articles of association of the Company and its subsidiaries incorporated in the PRC.

The Company and the subsidiaries incorporated in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve (the "SSR") until the reserve balance reaches 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered share capital.

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the year ended 31 December 2018, the Company transferred RMB31,644,000 (2017: RMB20,979,000) from retained earnings to specific reserve for the provision for the safety production fund, and transferred RMB31,644,000 (2017: RMB20,979,000) from reserves to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(x).

(iv) Other reserve

The excess of purchase consideration on acquisition of non-controlling interests over the carrying value of the share of net assets acquired are charged to other reserve.

33 CAPITAL AND RESERVE (continued)

(b) Share capital

	Number of shares	Amount RMB'000
As at 31 December 2017 and 1 January 2018		
Registered, issued and fully paid:		
Domestic shares of RMB0.20 each	472,975,091	94,595
H shares of RMB0.20 each	297,274,000	59,455
Subtotal	770,249,091	154,050
Issuance of new domestic shares	94,000,000	18,800
As at 31 December 2018		
Registered, issued and fully paid:		
Domestic shares of RMB0.20 each	566,975,091	113,395
H shares of RMB0.20 each	297,274,000	59,455
Total	864,249,091	172,850

On 7 February 2018, the Group issued an aggregate of 94,000,000 domestic shares with a par value of RMB0.20, at a price of RMB0.912 per share. Net proceeds from the issuance amounted to RMB82,795,000 after deducting issuance costs from gross proceeds of RMB85,728,000. The difference between the net proceeds and the addition to share capital is recorded in share premium.

The holders of Domestic shares and H shares are entitled to receive dividends as and when declared by the Company. All Domestic shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

33 CAPITAL AND RESERVE (continued)

(c) Statutory reserve — specific reserve

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the year ended 31 December 2018, the Group transferred RMB42,624,000 (2017: RMB32,150,000) from retained earnings to specific reserve provision for the safety production fund and transferred RMB42,624,000 (2017: RMB32,150,000) from specific reserve to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

As at 31 December 2018, the consolidated retained profits included an appropriation of RMB36,611,000 (2017: RMB92,247,000) to PRC statutory reserve made by the subsidiaries of the Group.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes bank loans, other loans, trade and other payables less cash and cash equivalents and pledged deposits). Adjusted capital comprises all components of equity attributable to equity shareholders of the Company less unaccrued proposed dividends.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

33 CAPITAL AND RESERVE (continued)

(d) Capital management (continued)

The net debt-to-adjusted capital ratio at 31 December 2018 and 2017 was as follows:

	Note	2018 RMB'000	2017 RMB'000
Current liabilities:			
— Bank and other borrowings	29	3,804,767	3,380,986
— Trade and other payables	30	1,369,338	1,499,349
— Loan from shareholders	32	—	13,800
		5,174,105	4,894,135
Non-current liabilities:			
— Bank and other borrowings	29	765,184	1,512,425
— Other payables	30	166,169	144,860
		931,353	1,657,285
Total debt		6,105,458	6,551,420
Less: Cash and cash equivalents	28	(811,237)	(455,427)
Pledged deposits	27	(549,841)	(874,958)
Adjusted net debt		4,744,380	5,221,035
Total equity attributable to equity shareholders of the Company		2,066,449	1,223,931
Adjusted net debt-to-capital ratio		230%	427%

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2018 not provided for in the financial statements, were as follows:

	2018 RMB'000	2017 RMB'000
Authorised and contracted for	**73,933**	83,767
Authorised but not contracted for	**493,407**	240,681
	567,340	324,448

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**3,697**	4,241
After one year but within five years	**10,928**	8,539
After five years	**4,018**	2,348
	18,643	15,128

The Group is the leasee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

34 COMMITMENTS AND CONTINGENCIES (continued)

(c) Financial guarantees issued

As at 31 December 2018, the Company has issued the following guarantees:

(i) guarantees to certain banks in respect of loans granted to a disposed subsidiary, Wason Copper-Foil, of RMB170,000,000 (2017: RMB130,000,000);

(ii) guarantees to certain banks in respect of letter of credit and bills granted to a disposed subsidiary, Wason Copper-Foil, of RMB438,000,000 (2017: Nil); and

(iii) guarantees to certain banks in respect of loans granted to a subsidiary, Full Gold, of USD20,000,000 (RMB equivalent 137,264,000) (2017: USD50,000,000 (RMB equivalent 326,710,000)).

The management does not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the outstanding loans granted to the subsidiaries of the Company.

Except for the above guarantees, the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, gold price, other commodity price and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, deposits and prepayments and investment deposit. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit quality, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

The Group's major customers are Shanghai Gold Exchange and metallurgical companies in the PRC, which accounted for significant amounts of the Group's total revenues during the year.

For sales of gold, the Group has no significant credit risk as the transaction amounts of sales of gold are required to be settled immediately upon the delivery.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

Trade receivables (continued)

For sales of other metallic products, the Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant. Normally, the Group obtains a part of advance receipts from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018.

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(k)(i) — policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMB71,199,000 were determined to be impaired, among which RMB68,194,000 was related to the discontinued operations. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	24,243
Less than one year past due	—
Over one year past due	—
	24,243

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of material default.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

Comparative information under HKAS 39 (continued)

Trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December 2017 under HKAS 39	71,199	N/A
Impact on initial application of HKFRS 9	–	N/A
Adjusted balance at 1 January 2018	71,199	73,833
Amounts written off during the year	(5,643)	–
Impairment losses reversed during the year	(8,076)	(2,634)
Disposal of discontinued operations	(57,480)	N/A
Balance at 31 December	–	71,199

Credit risk arising from purchase deposits and investment deposits

The Group made purchase deposits of RMB235,510,000 (net of provision) (2017: RMB477,014,000) at 31 December 2018 to suppliers to secure its supplies of mineral sand which is the major raw materials in the smelting process. The balance represented 4.50% (2017: 12.16%) of the total current assets at 31 December 2018. The purchase deposits will be recovered through purchases from these suppliers in future periods. In the event that these suppliers ceased to provide mineral sand to the Group, the Group may expose itself to significant credit risk arising from the recoverability of the purchase deposits and hence the profitability will be adversely affected.

As at 31 December 2018, the Group's purchase deposits of RMB858,334,000 (2017: RMB131,576,000) were individually determined to be impaired (see note 25(b)). Management of the Group will continue to monitor the progress of the recoverability of the purchase deposits and chase for settlement of the outstanding balances from the suppliers regularly.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

Credit risk arising from purchase deposits and investment deposits (continued)
In 2018, an impairment loss on investment deposit of RMB9,400,000 (see note 21) were made in the consolidated financial statements. Management of the Group will continue to monitor the progress of the recoverability of the investments including the legal action taken and chase for settlement of the outstanding balances from the debtor regularly. Management considers to carry out due diligence work on the proposed acquisition before investment decision is made in order to reduce the related credit risk.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance, and discounted and endorsed bills with full recourse which were derecognised by the Group (see note 25).

Except for the financial guarantees given by the Company to a subsidiary and a related party, as set out in note 34(c), the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and purchase deposits are set out in note 25.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient funding to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

Other than discounted and endorsed bills with full recourse which were derecognised by the Group (see note 25), the following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018 Contractual undiscounted cash outflow						2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other borrowings	3,892,152	399,668	397,787	–	4,689,607	4,569,951	3,555,500	1,137,272	398,206	60,172	5,151,150	4,893,411
Loan from shareholders	–	–	–	–	–	–	13,800	–	–	–	13,800	13,800
Trade and other payables	1,344,211	37,516	–	–	1,381,727	1,374,823	1,403,404	–	–	–	1,403,404	1,403,404
	5,236,363	437,184	397,787	–	6,071,334	5,944,774	4,972,704	1,137,272	398,206	60,172	6,568,354	6,310,615

Further information on management's plans to manage the Group's liquidity needs is set out in note 1(b).

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out below.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period, after taking into account the effect of swap contracts.

	2018 Interest rate %	2018 RMB'000	2017 Interest rate %	2017 RMB'000
Net fixed rate borrowings:				
Bank loans	**2.20–6.08**	**2,676,015**	2.20–6.00	3,323,440
Net variable rate borrowings:				
Bank and other borrowings	**4.30–6.38**	**1,893,936**	2.95–6.08	1,569,971
Less: Cash and cash equivalents	**0.00–4.20**	**(810,489)**	0.00–4.10	(453,843)
Pledged deposits	**0.03–3.90**	**(549,841)**	0.05–2.50	(874,958)
		533,606		241,170
Total net borrowings		**3,209,621**		3,564,610
Net fixed rate borrowings as a percentage of total net borrowings		**83%**		93%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

As at 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the year and decrease/increase the Group's retained earnings by approximately RMB4,532,000 (2017: decrease/increase the Group's net profit for the year and decrease/increase the Group's retained earnings by approximately RMB2,404,000). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting period and the change was applied to the Group's variable rate borrowings at that date with exposure to cash flow interest rate risk. The impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2017.

(d) Commodity price risk

Gold price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold.

The Group entered into forward and futures contracts for the sale of gold. All forward and future commodity contracts can only be carried out under the approval of the General Manager's Office which is composed of top management of the Company and established by the Board of Directors of the Company. As approved by the Board of Directors of the Company, the holding position of gold underlying the exposure positions of forward and future contracts should not exceed certain percentage of annual gold planned production volume of the Group, respectively. In addition, the price range of the forward and future commodity contracts is closely monitored by the General Manager's Office. As at 31 December 2018 and 2017, most forward and future commodity contracts had been closed out.

Accordingly, a reasonably possible fluctuation of 10% in commodity prices would have no significant impact on the Group's net profit and retained earnings for the year.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk

The Group is exposed to currency risk primarily through bank deposits, trade and other receivables, trade and other payables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("USD"). In addition, as the Hong Kong dollar ("HKD") is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entities to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in Renminbi)	
	2018	2017
	USD	USD
	RMB'000	RMB'000
Trade and other receivables	**600,401**	701,835
Cash and cash equivalents	**4,317**	39,982
Trade and other payables	**(14,062)**	(13,886)
Bank loans	**(645,063)**	—
Overall net exposure	**(54,407)**	727,931

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and increase/ (decrease) in retained profits	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and increase/ (decrease) in retained profits
	%	RMB'000	%	RMB'000
USD	3	(1,224)	3	16,594
	(3)	1,224	(3)	(16,594)

Result of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2017.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Business risk

During the year ended 31 December 2018, the Group's supplies of direct materials from independent third parties for smelting segment represent 60% (2017: 71.0%) of the Group's total direct materials, in which, the top five suppliers in 2018 represent 31.5% (2017: 24.2%) of the Group's total direct materials. Although the Group believes that it maintains good relationships with its suppliers, there can be no assurance that its suppliers will continue to sell to the Group on normal commercial terms as and when needed. In the event that these suppliers cease to sell to the Group and the Group could not secure other sources of supply, the Group's revenue and profitability will be adversely affected.

(g) Fair value measurement

(i) Financial assets and liabilities carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:	–	–	–	–
— Unlisted equity securities	4,520	–	4,520	–
Financial liabilities at fair value through profit or loss:	–	–	–	–
— gold lease contracts	(27,637)	(27,637)	–	–
— interest rate swaps	(13)	–	(13)	–

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:	–	–	–	–
Financial liabilities at fair value through profit or loss:	–	–	–	–

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements
The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of unlisted equity securities is the average quoted price obtained from third parties at the end of the reporting period.

During the years ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2018.

36 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining — PRC — Gold mining and mineral ores processing operations in the PRC.

Mining — KR — Gold mining and mineral ores processing operations in the KR.

Smelting — Gold and other metal smelting and refinery operations carried out in the PRC.

Copper processing — Copper processing operation carried out in the PRC.

As disclosed in note 3, Copper processing segment has been disposed during the year ended 31 December 2018, the information for this segment was presented as discontinued operations as below.

36 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of investments in financial assets and other corporate assets managed by head office. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments, deferred tax liabilities and bank and other borrowings managed directly by the segments with the exception of bank borrowings managed by head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of goods, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

36 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

	Continuing operations						Discontinued operation			
	Mining – PRC		Mining – KR		Smelting		Copper processing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	104,143	117,439	42,073	44,771	3,638,067	4,019,414	1,610,426	1,742,564	5,394,709	5,924,188
Inter-segment revenue	344,548	520,692	38,246	26,988	239,717	48,411	–	–	622,511	596,091
Sales taxes and levies	(47)	(70)	–	–	(2,576)	(4,982)	(8,059)	(8,040)	(10,682)	(13,092)
Reportable segment revenue	448,644	638,061	80,319	71,759	3,875,208	4,062,843	1,602,367	1,734,524	6,006,538	6,507,187
Reportable segment profit/(loss)	31,844	24,970	(29,402)	(78,043)	(705,578)	146,142	355,697	351,719	(347,439)	444,788
Reportable segment assets	2,370,978	2,206,812	682,139	860,756	2,271,302	1,862,503	–	2,457,580	5,324,419	7,387,651
Reportable segment liabilities	1,811,693	1,622,392	1,386,951	1,384,266	1,719,675	1,114,977	–	1,261,195	4,918,319	5,382,830
Other segment information										
Interest expenses	(42,091)	(27,651)	(39,268)	(35,617)	(33,779)	(44,346)	(43,316)	(47,132)	(158,454)	(154,746)
Depreciation and amortisation for the year	(53,746)	(72,658)	(57,359)	(56,250)	(23,271)	(33,224)	(67,859)	(66,521)	(202,235)	(228,653)
Reversal/(provision) of impairment on:										
– trade and other receivables	(1,497)	(212)	–	–	(5,675)	–	8,076	2,634	904	2,422
– purchase deposits	–	–	–	–	(656,758)	7,212	–	–	(656,758)	7,212
– property, plant and equipment	–	–	(30,087)	–	–	–	–	–	(30,087)	–
– intangible assets	(21,551)	–	–	–	–	–	–	–	(21,551)	–
– investment deposits	–	–	–	–	(9,400)	–	–	–	(9,400)	–

36 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Continuing operations		Discontinued operations		Total	
	2018	2017 (Restated) *(note 37)*	2018	2017 (Restated) *(note 37)*	2018	2017 (Restated) *(note 37)*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
Reportable segment revenue	4,404,171	4,772,663	1,602,367	1,734,524	6,006,538	6,507,187
Elimination of inter-segment revenue	(622,511)	(596,091)	–	–	(622,511)	(596,091)
Consolidated revenue	3,781,660	4,176,572	1,602,367	1,734,524	5,384,027	5,911,096
Profit or loss						
Reportable segment (loss)/profit	(703,136)	93,069	355,697	351,719	(347,439)	444,788
Elimination of inter-segment (loss)/profits	(845)	6,232	–	–	(845)	6,232
Reportable segment (loss)/profit derived from the Group's external customers	(703,981)	99,301	355,697	351,719	(348,284)	451,020
Other net profit/(loss)	(334,011)	(35,972)	19,233	(5,984)	(314,778)	(41,956)
Finance costs	(256,277)	(199,516)	(43,316)	(47,132)	(299,593)	(246,648)
Gain on disposal of discontinued operations	–	–	1,799,376	–	1,799,376	–
Unallocated head office and corporate expenses	(53,892)	(51,110)	–	–	(53,892)	(51,110)
Consolidated (loss)/profit before taxation	(1,348,161)	(187,297)	2,130,990	298,603	782,829	111,306
Income tax	169,236	(17,885)	(174,231)	(42,783)	(4,995)	(60,668)
Profit for the year	(1,178,925)	(205,182)	1,956,759	255,820	777,834	50,638

36 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2018 RMB'000	2017 RMB'000
Assets		
Reportable segment assets	**5,324,419**	7,387,651
Elimination of inter-segment receivables	**(206,896)**	(373,796)
Elimination of unrealised profits	**(6,699)**	(5,854)
	5,110,824	7,008,001
Interest in associates	**22,531**	21,531
Other financial assets	**4,520**	10,504
Cash and cash equivalents managed by head office	**686,947**	266,640
Unallocated head office and corporate assets	**2,387,994**	639,991
Consolidated total assets	**8,212,816**	7,946,667
Liabilities		
Reportable segment liabilities	**4,918,319**	5,382,830
Elimination of inter-segment payables	**(206,896)**	(373,796)
	4,711,423	5,009,034
Unallocated head office and corporate liabilities	**1,563,967**	1,554,271
Consolidated total liabilities	**6,275,390**	6,563,305

37 DISCONTINUED OPERATIONS

Pursuant to an announcement dated 30 August 2018, the Company entered into an equity transfer agreement with Shenzhen Londian Electrics Co., Ltd. ("Shenzhen Londian"), to dispose of its entire equity interests in Wason Copper-Foil and its subsidiaries (collectively, the "Disposal Group") for a cash consideration of RMB2,558,197,000. The Disposal Group comprises the Group's copper processing segment. The very substantial disposal (the "VSD") transaction was approved by independent shareholders on 16 October 2018.

Pursuant to an announcement dated 2 January 2019, the Company entered into a supplemental agreement with Shenzhen Londian on 31 December 2018. Pursuant to the agreement, the Company completed the disposal of its entire equity interests in the Disposal Group on 31 December 2018, on which date control of the Disposal Group passed to Shenzhen Londian, and the retained profits of Wason Copper-Foil incurred prior to 31 December 2018 (inclusive) shall be attributable to the Company (see note c) whilst the retained profits of Wason Copper-Foil incurred thereafter shall be attributable to Shenzhen Londian. The disposal resulted in net gain of RMB1,667,901,000.

As a result, in accordance with the Group's accounting policy set out in note 1(y), a single amount in the consolidated statement of profit or loss was presented (with comparative figures restated) in respect of the Disposal Group's profit for the year and net gain recognized on disposal of the Disposal Group as follows:

	2018 **RMB'000**	2017 (Restated) RMB'000
Profit for the year from discontinued operations	**288,858**	255,820
Profit on disposal of discontinued operations	**1,667,901**	—
	1,956,759	255,820

37 DISCONTINUED OPERATIONS (continued)

(a) Analysis of the results of discontinued operations is as follows:

	Note	2018 RMB'000	2017 (Restated) RMB'000
Revenue	3	1,602,367	1,734,524
Cost of sales		(1,160,997)	(1,264,125)
Gross profit		441,370	470,399
Other revenue	4	8,837	5,545
Other net income/(loss)	5	19,233	(5,984)
Selling and distribution expenses		(19,131)	(40,778)
Administrative expenses and other operating expenses		(75,379)	(83,447)
Profit from operations		374,930	345,735
Finance costs	7(a)	(43,316)	(47,132)
Profit before taxation	7	331,614	298,603
Income tax		(42,756)	(42,783)
Profit for the year		288,858	255,820
Other comprehensive income for the year (after tax and reclassification adjustments)		–	–
Total comprehensive income for the year		288,858	255,820
Attributable to:			
Equity shareholders of the discontinued operations		288,307	258,170
Non-controlling interests		551	(2,350)
Total comprehensive income for the year		288,858	255,820

37 DISCONTINUED OPERATIONS (continued)

(b) Analysis of the cash flows of discontinued operations is as follows:

	2018 RMB'000	2017 (Restated) RMB'000
Net cash used in operating activities	**(78,919)**	(265,383)
Net cash used in investing activities	**(621,887)**	(10,846)
Net cash generated from financing activities	**642,753**	130,481
Net cash used in discontinued operations	**(58,053)**	(145,758)

(c) Analysis of the assets and liabilities of discontinued operations is as follows:

	Note	At 31 December 2018 RMB'000
Property, plant and equipment	14	**746,831**
Construction in progress	15	**279,534**
Lease prepayment	18	**82,168**
Non-current prepayments		**1,795**
Deferred tax assets	23(b)	**9,666**
Inventories		**271,151**
Trade and other receivables, deposits and prepayments (excluding current portion of lease prepayments)		**1,069,259**
Pledged deposits		**572,945**
Cash and cash equivalents		**48,909**
Bank and other borrowings	28(b)	**(268,395)**
Trade and other payables		**(1,477,486)**
Contract liabilities	31	**(50,635)**
Current tax payable	23(a)	**(1,234)**
Other non-current payables		**(10,469)**
Net assets disposed of		**1,274,039**

37 DISCONTINUED OPERATIONS (continued)

(c) Analysis of the assets and liabilities of discontinued operations is as follows: (continued)

Profit on disposal of discontinued operations:

	Note	At 31 December 2018 RMB'000
Cash consideration		**2,558,197**
Transaction costs directly attributable to the Disposal		**(5,261)**
Net assets disposed of		**(1,274,039)**
Non-controlling interests		**50,164**
Retained profits of discontinued operations incurred prior to 31 December 2018 (inclusive) attributable to the Company		**470,315**
Gain on disposal of discontinued operations		**1,799,376**
Tax effect in relation with the gain on disposal of discontinued operations	8	**(131,475)**
		1,667,901
Net cash inflow arising from disposal:		
Consideration received as at 31 December 2018		**1,528,531**
Transaction costs directly attributable to the Disposal		**(5,261)**
Cash and cash equivalents disposed of		**(48,909)**
		1,474,361

38 DISPOSAL OF A SUBSIDIARY

Pursuant to the agreement dated 31 October 2018 entered into between the Company, Xinjiang Lingxi Investment Co.,Ltd. ("Xinjiang Lingxi") and Pan Web Resources International Limited. ("Pan Web Resources"), an independent third party, the Group and Xinjiang Linxi disposed of their 70% and 30% equity interests in Palladex respectively, at a total consideration of RMB30,000,000. Pursuant to the agreement, the liabilities of Palladex (excluding tax liabilities) shall be waived by the Company and Xinjiang Lingxi.

The disposal was completed on 20 December 2018, on which date control of Palladex was passed to Pan Web Resources, and resulted in a loss on disposal of RMB89,718,000 for the year ended 31 December 2018.

	As at the date of disposal RMB'000
Net assets disposed of	
Current assets	123
Non-current assets	126,760
Current liabilities	(73,993)
	52,890
Loss on disposal of a subsidiary	
Cash consideration	21,000
Net assets disposed of	(52,890)
Goodwill	(2,585)
Non-controlling interests	15,867
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on disposal of the subsidiary	597
Liabilities waived by the Company	(71,707)
Loss on disposal of a subsidiary *(note 5)*	(89,718)
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follow:	
Cash consideration received as at 31 December 2018	—
Cash and cash equivalents disposed of	(17)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(17)

39 RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, the Directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Wason Copper-Foil 靈寶華鑫銅箔有限責任公司	Entity controlled by a major shareholder of the Group, D&R Asset Management Group Company Limited 達仁投資管理集團股份有限公司 ("D&R Investment")
Hongyu Electronics 靈寶鴻宇電子有限責任公司	Entity controlled by D&R Investment
Lingbao Baoxin Electronic Technology Company Limited. 靈寶寶鑫電子科技有限公司 ("Baoxin Electronic")	Entity controlled by D&R Investment
Shenzhen Londian Electrics Co., Ltd 深圳龍電電氣股份有限公司 ("Shenzhen Londian")	Entity controlled by D&R Investment

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

Due to the VSD transaction completed on 31 December 2018, Wason Copper-Foil and its subsidiaries Hongyu Electronics and Baoxin Electronic became related parties of the Group since then.

(a) Transactions with related parties

	2018 RMB'000	2017 RMB'000
Disposal of discontinued operations		
Shenzhen Londian	**2,558,197**	–
Advance to related parties		
Shenzhen Londian	**257,000**	–
Proceeds from repayment of advance to related parties		
Shenzhen Londian	**37,000**	–

39 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

As at the end of each reporting period, the Group had the following balances with related parties:

	2018 RMB'000	2017 RMB'000
Amount due from related parties		
Shenzhen Londian *(note)*	1,029,666	–
Wason Copper-Foil	866,565	N/A
Hongyu Electronics	734	N/A
	1,896,965	N/A
Amount due to related parties		
Wason Copper-Foil	227,865	N/A
Baoxin Electronic	100,000	N/A
	327,865	N/A

Note: It represented consideration receivable arising from the disposal of discontinued operation, and was settled by Shenzhen Londian on 2 January 2019.

(c) Other transactions with related parties

As at 31 December 2018, the Company has issued the following guarantees to a related party, Wason Copper-Foil:

(i) guarantees to certain banks in respect of loans granted to Wason Copper-Foil, of RMB170,000,000; and

(ii) guarantees to certain banks in respect of letter of credit and bills granted to Wason Copper-Foil, of RMB438,000,000.

As at 31 December 2018, the Company's following bank and other borrowing, letter of credit and bills were guaranteed by Wason Copper-Foil:

(i) guarantees to certain banks in respect of loans granted to the Company, of RMB105,546,000;

(ii) guarantees to certain banks in respect of letter of credit and bills granted to the Company, of RMB144,581,000; and

(iii) guarantees to a leasing company in respect of loans granted to the Company, of RMB131,561,000.

39 RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 9 is as follows:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	4,168	2,752
Post-employment benefits	163	133
	4,331	2,885

Total remuneration is included in "staff costs" (see note 6).

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Shenzhen Londian above constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Directors' Report.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) *Depreciation and amortisation of mining related assets and reserves estimates*

As explained in notes 1(h) and 1(i), mining shafts, mining rights and mining development assets are depreciated and amortised using the units of production method based on the proved and probable mineral reserves.

Engineering estimates of the Group's gold reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There is a national standard set by the PRC Government regarding the engineering criteria that have to be met before estimated gold reserves can be designated as "proved and probable". Proved and probable gold reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable gold reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment losses. Depreciation rates are determined based on estimated proved and probable gold reserve quantity (the denominator) and capitalised costs of mining shafts and mining rights (the numerator). The capitalised cost of mining shafts and mining rights are amortised based on the units of gold produced.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty are as follows: (continued)

(ii) *Impairments*

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, lease prepayments, intangible assets, goodwill, investments in equity securities with no quoted price in an active market and investments in its subsidiaries, recoverable amount of the assets need to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and the amount of operating costs.

In considering the impairment losses that may be required for trade and other receivables, the Group uses a provision of matrix to calculate ECLs for trade and other receivables. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of trade receivable balances, the repayment history of the Group's individual customers, current market conditions and customer-specific conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of customer-specific conditions. The information about the ECLs and trade receivables are disclosed in notes 25 and 35(a). If the financial condition of the customers was to deteriorate, actual loss allowance would be higher than estimated.

(iii) *Net realisable value of inventories*

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. In estimating the net realisable value, future cashflows need to be determined. One of the key estimates that has to be made is about the future selling price, it is possible that the recent selling price is not indicative of the future selling price. Any increase or decrease in selling price would affect profit or loss in future years.

(iv) *Depreciation*

Other than the mining shafts, mining rights and mining development assets, property, plant and equipment and other intangible assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty are as follows: (continued)

(v) Recognition of deferred tax assets

Deferred tax assets carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2018 RMB'000**	2017 RMB'000
Non-current assets			
Property, plant and equipment		**729,457**	761,178
Construction in progress		**112,940**	87,639
Intangible assets		**48,083**	48,422
Lease prepayments		**72,221**	75,661
Interests in subsidiaries	19	**1,361,937**	1,544,293
Interests in associates		**22,531**	21,531
Other financial assets		**4,520**	10,504
Trade and other receivables		**7,863**	11,305
Non-current prepayments		**3,669**	167,234
Deferred tax assets		**493,202**	319,016
		2,856,423	3,046,783
Current assets			
Inventories		**701,141**	802,943
Trade and other receivables, deposits and prepayments		**2,688,584**	611,631
Amounts due from subsidiaries		**853,192**	940,080
Pledged deposits		**549,841**	580,542
Cash and cash equivalents		**794,187**	320,003
		5,586,945	3,255,199

41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	Note	2018 RMB'000	2017 RMB'000
Current liabilities			
Bank and other borrowings		**3,304,450**	2,544,965
Trade and other payables		**741,378**	801,600
Amounts due to subsidiaries		**1,070,448**	536,557
		5,116,276	3,883,122
Net current assets/(liabilities)		**470,669**	(627,923)
Total assets less current liabilities		**3,327,092**	2,418,860
Non-current liabilities			
Bank and other borrowings		**690,375**	1,108,560
Other payables		**119,554**	86,973
Deferred tax liabilities		**357**	—
		810,286	1,195,533
NET ASSETS		**2,516,806**	1,223,327
CAPITAL AND RESERVES	33(a)		
Share capital		**172,850**	154,050
Reserves		**2,343,956**	1,069,277
TOTAL EQUITY		**2,516,806**	1,223,327

42 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 11(i).

43 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

(Expressed in Renminbi Yuan unless otherwise indicated)

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the group has identified some aspects of HKFRS 16 which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the group, and further impacts may be identified before the standard is initially applied in the group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

HKFRS 16 *Leases*

As disclosed in note 1(l), currently the Group enters into certain leases arrangements as the lessee and classifies leases into operating leases.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 34(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB18,643,000 for properties and other assets, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material.

FIVE YEARS SUMMARY

	Year ended 31 December				
	2018 **RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Assets and liabilities					
Non-current assets	**2,975,760**	4,024,224	3,916,286	3,689,409	3,754,915
Net current (liabilities)/assets	**(101,145)**	(978,919)	(889,036)	(1,740,184)	116,235
Total assets less current liabilities	**2,874,615**	3,045,305	3,027,250	1,949,225	3,871,150
Non-current liabilities	**937,189**	1,661,943	1,975,646	776,745	2,177,635
NET ASSETS	**1,937,426**	1,383,362	1,051,604	1,172,480	1,693,515
Share capital	**172,580**	154,050	154,050	154,050	154,050
Reserves	**1,893,599**	1,069,881	965,094	1,065,398	1,542,257
Total equity attributable to equity shareholders of the Company	**2,066,449**	1,223,931	1,119,144	1,219,448	1,696,307
Non-controlling interests	**(129,023)**	159,431	(67,540)	(46,968)	(2,792)
TOTAL EQUITY	**1,937,426**	1,383,362	1,051,604	1,172,480	1,693,515
Operating results					
Revenue	**5,384,027**	5,911,096	6,054,620	5,756,594	6,496,351
(Loss)/profit from operations	**(716,954)**	357,954	152,478	(109,559)	298,436
Finance costs	**(299,593)**	(246,648)	(230,232)	(245,358)	(241,736)
(Loss)/profit before taxation	**(1,016,547)**	111,306	(77,754)	(354,917)	56,700
Income tax	**126,480**	(60,668)	(14,618)	(147,637)	(39,442)
Profit on disposal of discontinued operations	**1,667,901**	—	—	—	—
Profit/(loss) for the year	**777,834**	50,638	(92,372)	(502,554)	17,258
Attributable to:					
Equity shareholders of the Company	**796,162**	79,834	(77,456)	(462,162)	33,687
Non-controlling interests	**(18,328)**	(29,196)	(14,916)	(40,392)	(16,429)
Profit/(loss) for the year	**777,834**	50,638	(92,372)	(502,554)	17,258

Note: The above figures include continuing operations and discontinued operations.