Lingbao Gold Company Ltd.
靈寶黃金股份有限公司

LINGJIN
灵 金

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

(Stock Code: 3330)

2014 Annual Report

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CORPORATE INFORMATION

Directors

Executive Directors

Mr. Jin Guangcai *(Chairman)*
Mr. Qiang Shanfeng
Mr. Zhang Guo
Mr. He Chengqun
Mr. Zhou Yudao

Non-executive Director

Mr. Shi Yuchen

Independent Non-executive Directors

Mr. Yang Dongsheng
Ms. Du Liping
Mr. Xu Qiangsheng
Mr. Han Qinchun

Supervisors

Mr. Wang Guodong
(Chairman of the Supervisory Committee)
Mr. Yao Shun
Mr. Guo Xurang
Mr. Meng Shouji
Mr. Jiao Xiaoxiao

Audit Committee

Mr. Yang Dongsheng *(Chairman of Audit Committee)*
Mr. Shi Yuchen
Ms. Du Liping
Mr. Xu Qiangsheng
Mr. Han Qinchun

Nomination Committee

Mr. Xu Qiangsheng
(Chairman of the Nomination Committee)
Mr. Qiang Shanfeng
Mr. Yang Dongsheng
Ms. Du Liping
Mr. Han Qinchun

Remuneration Committee

Ms. Du Liping
(Chairman of the Remuneration Committee)
Mr. Qiang Shanfeng
Mr. Yang Dongsheng
Mr. Xu Qiangsheng
Mr. Han Qinchun

Company Secretary

Mr. Poon, Lawrence Chi Leung

Authorised Representatives

Mr. Jin Guangcai
Mr. Poon, Lawrence Chi Leung

International Auditor

KPMG

PRC Auditor

Peking Certified Public Accountants

Legal Adviser

Hong Kong law
DLA Piper Hong Kong

PRC law
Commerce & Finance Law Offices

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, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch
China Development Bank
Shenzhen Development Bank
HSBC

CORPORATE INFORMATION

Share Registrar and Transfer Office for H Shares

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office of the Company

Hangu Road and
Jingshan Road Intersection
Lingbao
Henan Province
The PRC

Principal Place of Business in Hong Kong

Room 1902, 19th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
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Investor Relations Contact

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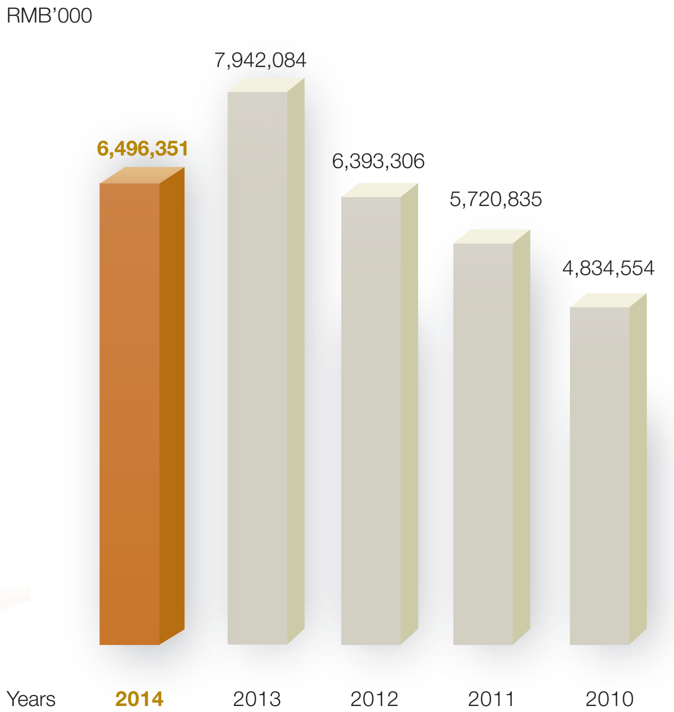
(Postcode: 472500)
Tel: (86-398) 8862-218
Fax: (86-398) 8860-166
Email: lingbaogold@vip.sina.com

Stock Information

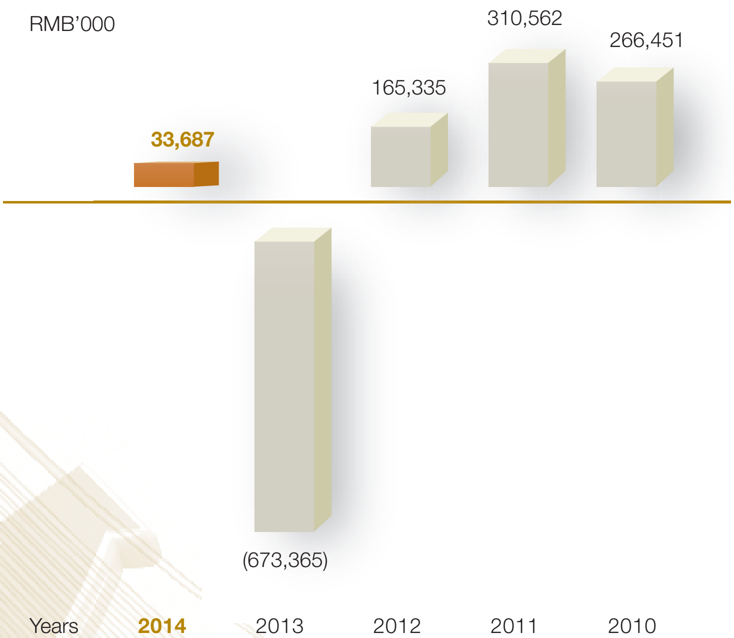
Stock Code	:	3330
Listing Date	:	12 January 2006
Issued Shares	:	297,274,000 shares (H Shares)
		472,975,091 shares (Domestic Shares)
Nominal Value	:	RMB0.20 per share
Stock Name	:	Lingbao Gold
Website of the Company	:	www.lbgold.com
Investors' website	:	www.irasia.com/listco/hk/lingbao

FINANCIAL HIGHLIGHTS

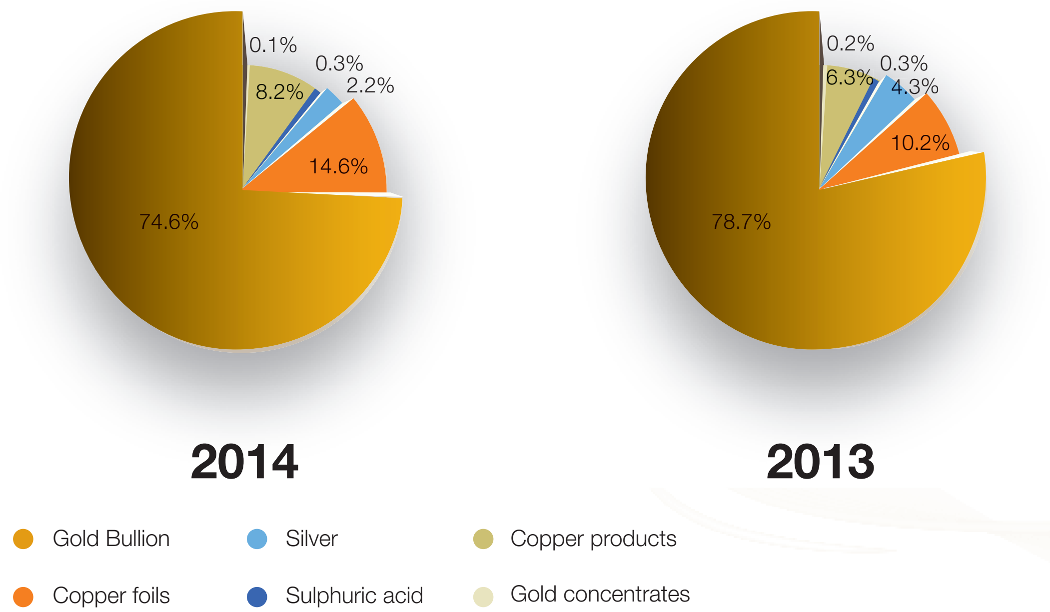
Turnover



Profit Attributable to Equity Shareholders



Sales Analysis by Products



Capital Resources

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	**7,139,623**	6,723,546	7,919,034	6,561,160	5,329,106
Cash and cash equivalents	**372,312**	367,202	267,935	349,568	323,712
Bank and other borrowings	**4,190,919**	3,792,152	4,216,285	3,234,356	2,580,412
Total equity attributable to equity shareholders of the Company	**1,696,307**	1,663,494	2,387,956	2,299,330	2,066,921

CORPORATE PROFILE

Lingbao Gold 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, refining and copper processing. The products of the Group are gold, silver, copper products, copper foils 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 54 mining and exploration rights with a total area of 1,981.14 sq. km. The total gold reserve and resources as at 31 December 2014 were approximately 50.29 tonnes (approximately 1,616,861 ounce) and 132.14 tonnes (approximately 4,248,400 ounce) respectively. The gold reserve and resources report is prepared in accordance with PRC GB/T17766-199 «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 2014, approximately 19,569 kg (approximately 629,158 ounce) of gold was produced, and the profit for the year of the Group attributable to the equity shareholders amounted to RMB33,687,000.

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.

Dear Shareholders,

I hereby present you the results of the Company for the year ended 31 December 2014. The profit before tax of the Group amounted to approximately RMB56,700,000 for the year ended 31 December 2014, as compared to the loss before tax of the Group of RMB846,761,000 for the corresponding period of the prior year. Profit for the year of the Group attributable to the equity shareholders amounted to RMB33,687,000, as compared to the loss of the Group attributable to the equity shareholders of RMB673,365,000 for the corresponding period of the prior year. Earnings per share of the Group was RMB0.04 for the year ended 31 December 2014. After a discussion of the board (the "Board") of directors (the "Directors") of the Company, the Directors do not recommend the payment of final dividend.

Review for the Year 2014

In 2014, the volume of gold, silver, electrolytic copper, copper foil and sulphuric acid produced by the Group amounted to 19,569 kg, 42,150 kg, 16,585 tonnes, 14,936 tonnes and 193,884 tonnes, respectively. As at 31 December 2014, the total gold reserves and resources were 182.43 tonnes. The Group held 54 mining and exploration rights in aggregate covering 1,981.14 square kilometres, of which 15 were mining rights.

The following is a table of resources and reserves of the Group as at 31 December 2014:

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
1	Henan Lingjin No. 1 Mine	Gold	Ore (t)	415,618	155,814	571,432
			Grade (g/t)	6.47	6.61	6.51
			Gold Contained (kg)	2,689	1,029	3,718
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	4.65	4.65
			Gold Contained (kg)	11,348	17,525	28,873
3	Henan Hongtuling Gold Mine	Gold	Ore (t)	1,010,821	275,807	1,286,628
			Grade (g/t)	7.02	7.71	7.17
			Gold Contained (kg)	7,095	2,125	9,220
4	Henan Hongxin No. 1 Mine	Gold	Ore (t)	185,035	36,065	221,100
			Grade (g/t)	4.13	3.89	4.09
			Gold Contained (kg)	764	140	904
5	Henan Lingjin No. 2 Mine	Gold	Ore (t)	814,445	433,846	1,248,291
			Grade (g/t)	7.68	7.47	7.60
			Gold Contained (kg)	6,251	3,240	9,491
6	Henan Pengjialaozhuang Gold Mine	Gold	Ore (t)	83,338	633,673	717,011
			Grade (g/t)	4.37	4.58	4.56
			Gold Contained (kg)	364	2,903	3,267
7	Henan Shangshanghe Gold Mine	Gold	Ore (t)	488,205	345,083	833,288
			Grade (g/t)	4.43	4.59	4.49
			Gold Contained (kg)	2,161	1,583	3,744

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
8	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
9	Henan Laowan Gold Mine	Gold	Ore (t)	160,686	150,265	310,951
			Grade (g/t)	4.52	3.49	4.02
			Gold Contained (kg)	726	524	1,251
10	Henan Eastern Laowan Gold Mine	Gold	Ore (t)	24,100	363,265	387,365
			Grade (g/t)	7.47	4.84	5.01
			Gold Contained (kg)	180	1,759	1,939
11	Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)	162,670	1,873,594	2,036,264
			Grade (g/t)	3.36	3.87	3.83
			Gold Contained (kg)	546	7,253	7,799
12	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
13	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
14	Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	71,772	516,531	588,303
			Grade (g/t)	4.71	3.07	3.27
			Gold Contained (kg)	338	1,586	1,925
15	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
16	Jinchanshan Gold Mine of Inner Mongolia	Gold	Ore (t)	601,234	369,638	970,872
			Grade (g/t)	5.16	4.79	5.02
			Gold Contained (kg)	3,102	1,769	4,871
17	Jinchanshan Changgao Gold Mine of Inner Mongolia	Gold	Ore (t)	121,372	215,182	336,554
			Grade (g/t)	5.77	6.65	6.33
			Gold Contained (kg)	700	1,430	2,130
	Total of gold contained – Domestic			38,519	64,026	102,546

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
18	Upper part of Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	1,117,536	2,017,194	3,134,730
			Grade (g/t)	8.41	6.67	7.29
			Gold Contained (kg)	9,403	13,455	22,857
19	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
20	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
21	Akesu Gold Mine of Kyrgyzstan	Gold	Ore (t)	118,825	1,566,203	1,685,028
			Grade (g/t)	7.28	6.06	6.15
			Gold Contained (kg)	865	9,498	10,363
22	Tieliekelin Gold Mine of Kyrgyzatan	Gold	Ore (t)	105,002	480,609	585,611
			Grade (g/t)	5.51	5.65	5.62
			Gold Contained (kg)	579	2,714	3,293
23	Exploration area of Tieliekelin Gold Mine	Gold	Ore (t)	13,114	4,604,622	4,617,736
			Grade (g/t)	4.19	5.32	5.32
			Gold Contained (kg)	55	24,500	24,555
	Total of gold contained – Oversea			11,775	68,109	79,883
	Total of gold contained			50,294	132,135	182,429

The total gold resources and reserves of the Group were made in according to the Specifications for Hard-rock Gold Exploration (DZ/T 0205-2002) issued by the Ministry of Land and Resources of the People's Republic of China (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 approximately 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

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 Tuoluzibayi 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.

Akesu Gold Mine of Kyrgyzstan

No geological exploration and mining activities occurred. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

Tieliekelin Gold Mine of Kyrgyzstan

The mine was in construction stage and no exploration and 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.

Exploration area of Tieliekelin Gold Mine

No geological exploration and mining activities occurred. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

The gold resources and reserves estimates were based on the 2011 estimates of resources and reserves as approved for record by the Department of Land and Resources of the PRC. The changes in gold resources and reserves during the period were due to mining consumption and exploration and was confirmed by qualified mineral resources evaluator.

The Group faced great pressure and challenges in its operation in 2014. However, the Group overcame difficulties, endeavored to improve profitability and realized a stable and sustainable growth with the concerted and unremitting efforts of all staff. Regardless of the continuous low gold price and higher operating pressure, during the year, the top six mining enterprises and the top two processing enterprises maintained normal and stable production. Our four main products, being gold, electrolytic copper, copper foil and sulphuric acid, increased steadily and the costs of ore smelting, gold mining, copper foil and administrative expenses continued to decline. The Group made a turnaround on the whole and achieved satisfactory results of the production and operation. The Group reaped fruitful results in the research and development of production technology for 6mm bifocal battery foil with high resistance, special foil varying from 12mm to 35mm and HDI copper foil and delivered samples to customers for testing. The key technology for production of high-end HTE electrolytic copper foil ranging from 8mm to 12mm, which was listed in the International S&T Cooperation Program of China, has been passed the acceptance inspection of experts and such technology reached international advanced level. Full Gold Mining Limited Liability Company ("Full Gold") successfully passed the test of the sub-level caving method, and its mines for trial production increased to 10 with an average grade of 6.36g/t, contributing a substantial drop in mining dilution rate and loss rate. In addition, the Group made good progress in application and research of non-cyanide leaching processes for raw ore and gold, and bacterial leaching process.

Business Outlook of 2015

In 2015, the Group will follow the guidelines of "Deepened Reform and Innovative Development", adhere to the development policy of "Moderate Diversification with Focus on Gold" and focus on developing towards a high-end gold and non-ferrous metal industries and scale expansion of the copper electronics new material industry. The Group will stick to its strategy of "Maintaining Profit Making with Stable Development". In respect of mine exploration and reserve increase, the Group will strictly implement the mine exploration planning, exert its efforts to speed up the construction of major exploration projects in a scientific and rational manner so as to constantly expand the room for reserve increase. The Group will accelerate its expansion project, especially upgrading the mining and processing technology of Full Gold. Moreover, the Group will accelerate its process of transformation and upgrade of copper foil industry which is a high and new technology industry, develop based on demand for high-end copper foil in both domestic and international markets and focus on products including high-end lithium-foil and FCCL. The year of 2015 will be a year with challenges and the management of the Group will put double efforts on cost control and efficiency improvement, bringing great return for our shareholders.

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

Jin Guangcai
Chairman

Lingbao, Henan, the PRC
27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business

In 2014, the Group produced approximately 19,569 kg (equivalent to approximately 629,158 ounce) gold, representing an increase of approximately 1,914 kg (equivalent to approximately 61,537 ounce) or 10.8% as compared with the previous year. The Group's turnover decreased by 18.2% to approximately RMB6,496,351,000. The profit attributable to the equity shareholders of the Company for the year was approximately RMB33,687,000, while the loss attributable to the equity shareholders of the Company for the previous year was RMB673,365,000. The Company's basic earnings per share was RMB0.04. The net profit was mainly due to (i) the purchase of raw materials at lower costs, resulting in the decrease of production costs as compared with the corresponding period of previous year; (ii) the enforcement of control of production costs and management expenses; (iii) the decrease in impairment losses of goodwill, intangible assets and property, plant and equipment of the Group of approximately RMB50,927,000 as compared with the corresponding period of previous year; and (iv) the gain of RMB50,263,000 from the disposal of 80% equity interests in Puyue Beijing Mining (Lao) Co., Limited ("Puyue Mining") in December 2014.

Given that raw materials accounted for over 83% of total production cost, the Group intends to increase its self-produced output of mine gold through expansion of mining operation, and uplift the overall production and operation targets, so as to minimise the risks associated with raw materials purchased from outsiders.

1. Mining Segment

Turnover 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.

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

		2014		2013	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**2,191**	**2,221**	2,168	2,167
Compound gold	kg	**1,230**	**1,221**	930	944
Total	kg	**3,421**	**3,442**	3,098	3,111
Total	ounce	**109,988**	**110,663**	99,603	100,021

The total turnover of the mining segment of the Group for 2014 was approximately RMB798,574,000, representing an increase of approximately 3.8% from approximately RMB769,689,000 in 2013. During the year, turnover of gold mines in Henan, Xinjiang, Inner Mongolia and KR represented approximately 58.8%, 26.8%, 13.1% and 1.3% of the total turnover of the mining segment respectively. The production volume of compound gold of the Group increased by approximately 300 kg to approximately 1,230 kg while the production volume of its gold concentrates increased by approximately 23 kg to approximately 2,191 kg.

In 2014, Full Gold focused on mining technological test and processing technological upgrading. In respect to the mining production technology, the test of the sub-level caving method succeeded, and the mining dilution rate and the loss rate substantially dropped. In respect of processing technological upgrading, good progress was also achieved.

Segment results

The Group's results of the mining segment for 2014 was profit of approximately RMB69,517,000, as compared to the loss of approximately RMB71,393,000 in 2013. The segment result to segment turnover ratio of the Group's mining segment for 2014 was approximately 8.7%, as compared to approximately (9.3)% in 2013. The loss for the previous year was mainly due to significant decline in gold price.

2. Smelting Segment

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. Its main 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:

		2014		2013	
Product	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion	kg	**19,569**	**19,418**	17,655	22,547
	ounce	**629,158**	**624,303**	567,621	724,903
Silver	kg	**42,150**	**41,538**	56,302	93,041
	ounce	**1,355,154**	**1,335,478**	1,810,151	2,991,338
Copper products	tonne	**16,585**	**16,663**	15,002	14,946
Sulphuric acid	tonne	**193,884**	**196,458**	175,111	168,323

Sales and production

The Group's total turnover from the smelting segment for 2014 was approximately RMB5,702,978,000, representing a decrease of approximately 22.0% from approximately RMB7,308,218,000 in 2013. Such decrease was mainly attributable to the decrease in our sale volume and average selling price of gold bullion sold of approximately 13.9% and 10.0% respectively as compared with the previous year.

The daily processing capacity of the Group was approximately 1,000 tonnes of gold concentrates, and capacity utilisation rate was approximately 100%. The Group's production volume of gold, silver, copper and sulphuric acid increased/(decreased) by approximately 10.8%, (25.1)%, 10.6% and 10.7% respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.3%, the silver recovery rate was approximately 71.8% and the copper recovery rate was approximately 96.3%. The recovery rates remained at high level.

Segment results

Our smelting segment results for 2014 was profit of approximately RMB152,791,000, as compared to the loss of approximately RMB563,544,000 in 2013. The segment results to segment turnover ratio of our smelting business in 2014 was approximately 2.7%, as compared to approximately (7.7)% in 2013. The loss for the previous year was mainly attributable to the significant drop in the selling price of gold and a higher cost of raw materials. The reason for the high cost of raw materials was that a portion of the raw materials was purchased before the slump of gold price, resulting in a negative gross profit margin of the segment's products.

Outlook

The Group's operation objective for 2015 is to maintain profit making with stable development. In respect of mine exploration and reserve increase, the Group will strictly implement the mine exploration planning, exert its efforts to speed up the construction of major exploration projects in a scientific and rational manner so as to constantly expand the room for reserve increase. The Group will accelerate its expansion project, especially upgrading the mining and processing technology of Full Gold. The year of 2015 will be a year with challenges and the Group will keep its costs under strict control to ensure its profitability.

Financial Information

1. Operating Results

Turnover

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

	2014			2013		
	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	**4,855,253**	**19,418 kg**	**250,039**	6,260,531	22,547 kg	277,666
Silver	**141,405**	**41,538 kg**	**3,404**	341,162	93,041 kg	3,667
Copper products	**535,059**	**12,763 tonnes**	**41,923**	498,343	11,160 tonnes	44,654
Copper foils	**952,546**	**14,933 tonnes**	**63,788**	808,218	11,859 tonnes	68,152
Sulphuric acid	**18,488**	**196,458 tonnes**	**94**	24,387	168,323 tonnes	145
Gold concentrates	**3,878**	**19 kg**	**204,105**	18,295	68 kg	269,044
Turnover before tax	**6,506,629**			7,950,936		
Less: Sales tax	**(10,278)**			(8,852)		
	6,496,351			7,942,084		

The Group's turnover for 2014 was approximately RMB6,496,351,000, representing a decrease of approximately 18.2% as compared with the previous year, of which the turnover of gold bullion accounted for 74.7% of its total turnover. Such decrease was mainly attributable to the decrease in our sales volume and average selling price of gold bullion sold during the year of approximately 13.9% and 10.0% respectively.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2014, the Group continued to accelerate project construction and products transformation and upgrading to improve its service quality and expand its product sales. With the dedicated work by all of our staff, the production and sales volume of copper foil were 14,936 tonnes and 14,933 tonnes respectively, representing an increase of approximately 23.0% and 25.9% respectively as compared with last year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2014 were approximately RMB574,454,000 and 8.8% respectively, as compared to the gross loss and gross profit margin for 2013 of RMB130,678,000 and (1.6)% respectively. The Group purchased raw materials at lower costs in 2014, therefore, its production costs fell as compared with the corresponding period of previous year. The reason for the high cost of raw materials in the previous year was that a portion of the raw materials was purchased before the slump of gold price, resulting in the negative in gross profit margin of products of the Group in 2013. Raw materials are a major component of the Group's cost of sales and a material change in raw materials price will severely affect the Group's gross profit and gross profit margin.

Other revenue

The Group's other revenue for 2014 was approximately RMB34,067,000, representing a decrease of approximately 8.8% as compared with approximately RMB37,340,000 for 2013. Such decrease was mainly attributable to the decrease in government grants of RMB11,203,000 and the increase in scrap sales of RMB4,386,000.

Other net income/(loss)

The Group's other net income for 2014 was approximately RMB49,875,000 as compared with a net loss of approximately RMB72,915,000 for 2013. The increase was mainly attributable to the decrease in impairment losses of goodwill, intangible assets and property, plant and equipment of approximately RMB50,927,000 and the decrease in foreign exchange loss of approximately RMB9,137,000 and the gain of RMB50,263,000 from the disposal of 80% equity interest in Puyue Mining in December 2014.

Selling and distribution expenses

The Group's selling and distribution expenses for 2014 were approximately RMB32,938,000, representing an increase of approximately 13.3% as compared with the previous year. Such increase was mainly attributable to the growth of the copper foils business and corresponding increase in selling and distribution expenses.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2014 were approximately RMB327,022,000, representing a decrease of approximately 20.7% as compared with approximately RMB412,432,000 for 2013. The significant decrease in administrative expenses was due to the implementation of several cost control measures by the Group in 2014.

Finance costs

The Group's finance costs for 2014 were approximately RMB241,736,000, representing an increase of approximately 1.1% as compared with approximately RMB239,017,000 for 2013. Such increase was mainly attributable to the increase in average bank loans during the reporting period.

Profit attributable to the Company's equity shareholders

The profit attributable to our equity shareholders in 2014 was approximately RMB33,687,000, as compared to the loss attributable to our equity shareholders in 2013 of approximately RMB673,365,000. The Company's basic earnings per share was RMB0.04. The Group does not recommend the payment of final dividend for the year ended 31 December 2014.

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 2014 amounted to RMB531,258,000 (31 December 2013: RMB414,757,000).

The total equity of the Group as at 31 December 2014 amounted to RMB1,693,515,000 (31 December 2013: RMB1,676,203,000). As at 31 December 2014, the Group had current assets of RMB3,384,708,000 (31 December 2013: RMB3,032,528,000) and current liabilities of RMB3,268,473,000 (31 December 2013: RMB2,915,086,000). The current ratio was 1.04 (31 December 2013: 1.04).

As at 31 December 2014, the Group had total outstanding bank loans of approximately RMB3,489,135,000 with interest rates ranging from 1.45% to 6.60% per annum, of which approximately RMB2,108,826,000 was repayable within one year, approximately RMB1,113,827,000 was repayable after one year but within two years while approximately RMB266,482,000 was repayable after two years. The gearing ratio as at 31 December 2014 was 58.7% (31 December 2013: 56.4%) which was calculated by total borrowings including Medium Term Notes divided by total assets.

On 25 March 2011, the Company issued five-year Medium Term Notes of RMB400 million in the PRC. The notes are unsecured and will be redeemed on 25 March 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.95% per annum.

On 17 June 2011, the Company issued five-year Medium Term Notes of RMB300 million in the PRC. The notes are unsecured and will be redeemed on 16 June 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.85% per annum.

3. Security

As at 31 December 2014, bank loans of the Group amounting to RMB261,893,000 were secured by the mining right of Istanbul Gold Mine with a carrying amount amounting to RMB98,661,000 and the ordinary shares of Full Gold, a subsidiary located in KR.

As at 31 December 2014, a bank loan of the Group amounting to RMB48,520,000 was secured by inventories with a carrying amount of RMB48,056,000.

As at 31 December 2014, a bank loan of the Group amounting to RMB171,328,000 was secured by the fixed deposit of RMB69,800,000.

4. Substantial Acquisition

During the reporting period, the Group had no substantial acquisition.

5. Market Risks

The Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, 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 are sold at the market prices and such fluctuation is beyond our control. We do not use and strictly prohibit the use of commodity derivative instruments or futures for speculation purpose, and all commodity derivative instruments are only used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Group is exposed to risks resulting from the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for supporting capital expenditure and general working capital. Our 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 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 a result, fluctuations in exchange rates may affect the international and domestic gold price, which may impact our results of operation. 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 2014, the Group's total capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB77,990,000, representing a decrease of approximately RMB114,285,000 from approximately RMB192,275,000 as at 31 December 2013.

As at 31 December 2014, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB13,473,000, of which approximately RMB2,839,000 was payable within one year, approximately RMB8,749,000 was payable after one year but within five years, and approximately RMB1,885,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

8. Capital Expenditure

During the year 2014, the Group's capital expenditure was approximately RMB315,584,000, representing a decrease of approximately 11.8% from approximately RMB357,797,000 in 2013.

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

9. Human Resources

In 2014, the average number of employees of the Group was 6,414. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Jin Guangcai (靳廣才先生), aged 47, chairman and an executive Director. He completed a postgraduate course in politics and economics at Shannxi Normal University (陝西師範大學). He has approximately 15 years' experience in mining and smelting industry. Mr. Jin was appointed as a Director in October 2004 and chairman of the Company in February 2013.

Mr. Qiang Shanfeng (強山峰先生), aged 43, holds a doctoral degree and is a senior geological engineer and a certified senior consultant. Before joining the Company, Mr. Qiang had worked in Bureau of Land and Resources of Lingbao City from April 2010 to July 2013, during which he had held posts as a member of the party leadership and deputy director since April 2010, and served as deputy secretary of the party leadership and principle staff member since November 2012. Mr. Qiang obtained a bachelor's degree in mineral deposit geology from China University of Geosciences in July 1993. From September 2008 to June 2012, Mr. Qiang obtained a doctoral degree majoring in mineral resources prospecting and exploration at China University of Geosciences. Mr. Qiang has served as chief executive officer of the Company since August 2013 and was appointed as a Director in June 2014.

Mr. Zhang Guo (張果先生), aged 48, deputy general manager and an executive Director. He completed a course in mining engineering at Baotou Steel and Iron College (包頭鋼鐵學院) and obtained the qualification of mining engineer. He has more than 24 years of experiences in mining industry. Mr. Zhang was appointed as a Director in January 2009.

Mr. He Chengqun (何成群先生), aged 43, he graduated from Henan Metallurgical Industry School (河南省冶金工業學校), major in enterprise management and obtained the degree of MBA of Canada Royal Roads University. He has more than 21 years' experience in mining and smelting industry. Mr. He was appointed as a Director in July 2010.

Mr. Zhou Yudao (周玉道先生), aged 49, holds a diploma and is an economist. He obtained a diploma in industrial economic management from Henan University of Finance and Economics in June 1993. Mr. Zhou was appointed as a manager of Henan Gold Jinhe Jewellery Company in March 2001 and later had worked as a deputy chief of fund office in Henan Provincial Bureau of Gold Administration from October 2003 to December 2004. Mr. Zhou currently served as a chairman and a general manager in Tongbai Xingyuan Mining Limited Company (a subsidiary of the Company) since January 2005 and was appointed as a Director in June 2014.

Non-executive Directors

Mr. Shi Yuchen (石玉臣先生), aged 53, 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 doctoral degree. He had worked in Zhongrun Resources Investment Corporation as an executive director from May 2012 to October 2012 and currently working in Huibang Investment and Development Corporation as 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 50, is a senior accountant, a member of China 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 30 years extensive experience in accounting and auditing. He worked in accounting firms for 15 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 LLP and a chief of Henan branch. Mr. Yang was appointed as an independent non-executive Director in January 2014.

Ms. Du Liping (杜莉萍女士), aged 51, is currently a professor of School of Economics and Management at Northwest University (西北大學). Ms. Du obtained a bachelor degree in economics from Northwest University in 1984 and obtained a master degree from School of Management at Northwest University in 1987. She has been a professor of Northwest University since obtaining her master degree. She is also an independent director of Xi'an Food and Beverage Company Limited (a company listed on the Shenzhen Stock Exchange), a committee member of Xi'an Trading and Commerce Bureau, Xi'an Tourism Bureau and Xi'an Association of Traders, and a consultant of various organizations such as Xi'an China Tourism Group. Ms. Du was appointed as an independent non-executive Director in January 2009.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Qiangsheng (徐強勝先生), aged 47, holds a Doctorate in Law and is currently the Professor, Advisor of master degree students and Associate Dean of the Law School of Henan University of Economics and Laws. The major social part-time positions taken by Mr. Xu include the director of Business Law Research Committee of the China Law Society, the Vice President of Civil Law Research Committee of the Henan Law Society, the Executive Officer of Henan Corporate Law Advisory Association, the Member of Expert Committee of Henan Industry and Commerce Association and the Member of Expert Committee of Zhengzhou Arbitration Commission. Mr. Xu has quite profound knowledge in civil law and business law, and is the author of a number of academic publications. He has been appointed as an independent director of Puyang Refractories Group Co., Ltd. since June 2007. Mr. Xu was appointed as an independent non-executive Director in March 2012.

Mr. Han Qinchun (韓秦春先生), aged 56, 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 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 Securities and Futures Commission. Mr. Han served as an official of the PRC government authorities, the Investment Manager and Senior Management Member of an investment bank and the Vice-chairman and President of Hong Long Holdings Limited from early 2006 to January 2010, a listed company in Hong Kong. He has rich experience in financial investment aspect, equity capital market and listed companies' management. Mr. Han was appointed as an independent non-executive Director in March 2012.

Supervisory Committee and Supervisors

Mr Wang Guodong (王國棟先生), aged 44, holds a diploma, is a senior production and operation manager division and a mine engineer. He obtained the diploma in mining engineering from Xi'an Institute of Metallurgy and Architecture. Currently he is the chairman of Lingbao Wason Copper-Foil Company Ltd since December 2013. Mr. Wang was appointed as a supervisor of the Company in April 2014 and the Chairman of the supervisory committee in June 2014.

Mr. Yao Shun (姚舜先生), aged 42, is a bachelor degree holder. He has been appointed as the Office Director of Lingbao City State-owned Assets Management Co, Ltd. since August 2007. Mr. Yao was appointed as an supervisor of the Company in March 2012.

Mr. Guo Xurang (郭許讓先生), aged 43, obtained a master's degree in business administration from Hangzhou Dianzi University 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 Company during the period from July 2010 to March 2012. Mr. Guo was appointed as a supervisor of the Company in June 2014.

Mr. Meng Shouji (孟首吉先生), aged 27, obtained a bachelor's degree in economics and statistics from the University of London in August 2008, and obtained a master's degree in business administration from Imperial College Business School in August 2011. Mr. Meng Shouji has been general manager of Henan Xuanrui Assets Company Limited and the chairman of Henan Mengcheng Bio-Pharmaceutical Company Limited since September 2011. Mr. Meng is also a member of Sanmenxia Municipal Committee of the CPPCC (Chinese People's Political Consultative Committee) since January 2013. Mr. Meng was appointed as a supervisor of the Company in June 2014.

Mr. Jiao Xiaoxiao (焦瀟霄先生), aged 32, is currently the deputy officer of integrated office of the Company. Mr. Jiao graduated with a degree in Chinese language from Henan University. Mr. Jiao was appointed as a supervisor of the Company in January 2009.

Senior Management

Mr. He Haifang (賀海防先生), aged 38, holds a diploma and is a senior accountant. He studied in Zhengzhou College of Animal Husbandry Engineering and obtained a diploma in computerized accounting in July 2008. Mr. He had worked in Qiangma Gold Mine of Lingbao City from October 1995 to September 2002. Mr. He held the posts of chief accountant, budget section chief, deputy manager and manager of the finance department of the Company from September 2002 to August 2013. Mr. He has served as financial controller of the Company since August 2013.

Mr. Xing Jiangze (邢江澤先生), aged 48, he is a registered certified public accountant, certified tax agent, senior accountant, senior consultant and economist in the PRC, having over 23 years' experience in finance, accounting and auditing. He joined the Company in 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.

Mr. Poon, Lawrence Chi Leung (潘之亮先生), aged 40, company secretary and chief financial officer of the Company, is responsible for company secretarial, financial and accounting management, and investor relations affairs of the Company. Mr. Poon graduated from Monash University, Australia, with a bachelor degree of Commerce. He is a certified practising accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 15 years' experience in auditing, accounting and finance. Mr. Poon was appointed as the company secretary of the Company in March 2007.

CORPORATE GOVERNANCE REPORT

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 of Hong Kong Limited (the "Stock Exchange") on 12 January 2006, the Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules save for the deviation from Code Provision A.2.7 The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present, Code Provision A.4.2 (Directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after appointment) and Code Provisions A.6.7 (Independent non-executive directors and non-executive directors should attend general meetings).

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 of the Company. 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. Jin Guangcai	Executive Director and Chairman
Mr. Qiang Shanfeng (appointed on 5 June 2014)	Executive Director
Mr. Zhang Guo	Executive Director
Mr. He Chengqun	Executive Director
Mr. Zhou Yudao (appointed on 5 June 2014)	Executive Director
Mr. Liu Pengfei (resigned on 17 January 2014)	Executive Director
Mr. Shi Yuchen (appointed on 5 June 2014)	Non-executive Director
Mr. Wang Yumin (resigned on 4 April 2014)	Non-executive Director
Mr. Yang Liening (resigned on 4 April 2014)	Non-executive Director
Mr. Yang Dongsheng (appointed on 30 January 2014)	Independent Non-executive Director
Ms. Du Liping	Independent Non-executive Director
Mr. Xu Qiangsheng	Independent Non-executive Director
Mr. Han Qinchun	Independent Non-executive Director
Mr. Yan Wanpeng (resigned on 17 January 2014)	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. Jin Guangcai, and the other four executive Directors have been engaged in the management of gold mining business for years with extensive experience. They 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 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 all corporate communications that disclose the names of the Directors.

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 Directors regularly.

Directors would make further enquiries if they require further enquiries than 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 2014, the Board held thirteen 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	The number of Board meetings that the Director was entitled to attend	Board meetings that the Director attended	Attendance (%)	Number of general meetings and class general meeting attended/held
Mr. Jin Guangcai	13	12	92.3	1/2
Mr. Qiang Shanfeng	6	6	100	1/1
Mr. Zhang Guo	13	13	100	2/2
Mr. He Chengqun	13	13	100	2/2
Mr. Zhou Yudao	6	6	100	1/1
Mr. Liu Pengfei	0	0	0	0
Mr. Shi Yuchen	6	6	100	1/1
Mr. Wang Yumin	6	6	100	0
Mr. Yang Liening	6	6	100	0
Mr. Yang Dongsheng	11	11	100	2/2
Ms. Du Liping	13	12	92.3	2/2
Mr. Xu Qiangsheng	13	13	100	2/2
Mr. Han Qinchun	13	13	100	2/2
Mr. Yan Wanpeng	0	0	0	0

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 meeting shall be sent to the 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 of the Company 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, Directors 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 meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year 2014, 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.

With respect to the re-election of newly appointed Director, the Company has complied with Paragraph 4(2) of Appendix 3 of the Listing Rules, which permits the Director who have been appointed to fill a casual vacancy of the Board be eligible for re-election at the next annual general meeting of the Company. As such, Code Provision A.4.2, which requires the re-election to take place at the next general meeting, was not adopted.

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 of Directors 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 2014, 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, an independent non-executive Director specializing in accounting will be the chairman who will be in charge of the work of the committee. The committee now comprises of the following members:

Mr. Yang Dongsheng *(Chairman)* (appointed on 30 January 2014)
Mr. Shi Yuchen (appointed on 24 July 2014)
Ms. Du Liping
Mr. Xu Qiangsheng
Mr. Han Qinchun
Mr. Yan Wanpeng (resigned on 17 January 2014)
Mr. Wang Yumin (resigned on 4 April 2014)

The principal terms of reference 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 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 of the Company and the Company's annual reports and accounts, half-year reports and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual reports and accounts, half-year reports before Corporate Governance Report submission 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 or regulatory requirements in relation to financial reporting; (vii) members of the committee would liaise with the Board, senior management 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 Company's 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 Company.

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

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	Audit committee meetings in 2014	The number of meetings that Director attended	Attendance (%)
Mr. Yang Dongsheng	2	2	100
Mr. Shi Yuchen	1	1	100
Mr. Yan Wanpeng	0	0	0
Mr. Wang Yumin	0	0	0
Ms. Du Liping	2	1	50
Mr. Xu Qiangsheng	2	2	100
Mr. Han Qinchun	2	2	100

In 2014, two meetings of the audit committee were held. On 27 March 2014, the audit committee met with the international auditors to discuss the general scope of their audit work. On 27 August 2014, the audit committee reviewed the Company's interim report for the year 2014. In addition, the audit committee had reviewed the financial statements for the year ended 31 December 2014 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 2014, the strategic committee comprises of six Directors, with at least one independent non-executive Director pursuant to the implementation measure. The committee now comprises of the following members:

Mr. Jin Guangcai *(Chairman)*
Mr. Qiang Shanfeng (appointed on 24 July 2014)
Mr. Zhang Guo (appointed on 24 July 2014)
Mr. He Chengqun (appointed on 24 July 2014)
Mr. Yang Dongsheng (appointed on 30 January 2014)
Mr. Han Qinchun
Mr. Liu Pengfei (resigned on 17 January 2014)
Mr. Wang Yumin (resigned on 4 April 2014)
Mr. Yan Wanpeng (resigned on 17 January 2014)

The principal terms of reference 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 2014.

(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. Xu Qiangsheng *(Chairman)*
Mr. Qiang Shanfeng (appointed on 24 July 2014)
Mr. Yang Dongsheng (appointed on 30 January 2014)
Ms. Du Liping
Mr. Han Qinchun
Mr. Wang Yumin (resigned on 4 April 2014)
Mr. Yan Wanpeng (resigned on 17 January 2014)

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 has 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 2014, two meetings of the nomination committee was held. Attendance of individual members of nomination committee to the committee meeting in 2014 are as follows:

Director	**Nomination committee meetings in 2014**	**The number of meetings that member of committee attended**	**Attendance (%)**
Mr. Xu Qiangsheng	2	2	100
Mr. Qiang Shanfeng	0	0	0
Mr. Wang Yumin	1	1	100
Mr. Yang Dongsheng	1	1	100
Mr. Yan Wanpeng	0	0	0
Ms. Du Liping	2	1	50
Mr. Han Qinchun	2	2	100

(4) Remuneration and Review Committee

The remuneration and review 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 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 2014, the remuneration and review committee comprises of five members, the majority of whom are independent non-executive Directors. The members are as follows:

Ms. Du Liping *(Chairman)*
Mr. Qiang Shanfeng (appointed on 24 July 2014)
Mr. Yang Dongsheng (appointed on 30 January 2014)
Mr. Xu Qiangsheng
Mr. Han Qinchun
Mr. Wang Yumin (resigned on 4 April 2014)
Mr. Yan Wanpeng (resigned on 17 January 2014)

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 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 it by the Board, and copies of the terms of reference are kept at the registered office of the Company and has been published on the Company's website.

In 2014, two meeting of the remuneration and review committee was held. Attendance of individual members of remuneration and review committee to the committee meeting in 2014 are as follows:

Director	Remuneration and review committee meetings in 2014	The number of meetings that member of committee attended	Attendance (%)
Ms. Du Liping	2	1	50
Mr. Qiang Shanfeng	1	1	100
Mr. Yang Dongsheng	2	2	100
Mr. Wang Yumin	1	1	100
Mr. Yan Wanpeng	0	0	0
Mr. Xu Qiangsheng	2	2	100
Mr. Han Qinchun	2	2	100

The remuneration and review committee had considered the annual salary review as well as bonus plan of Directors and senior management of the Company for 2014.

Breakdown of the Directors' and the supervisors' remuneration for the year ended 31 December 2014 are set out in note 9 to the financial statements.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of 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 2014.

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.

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 of the Company 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 of the Company 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

The company secretary shall be directly responsible 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 Exchange 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 46 to 47 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 RMB5,045,000.

Internal Control

The Company has established various systems for internal management, so as to safeguard the assets and shareholders' interests of the Company and maintain a high standard of corporate governance for the management of the Company. To further strengthen its internal control, the Company conducts regular meetings with its auditors, lawyers and other professionals to obtain independent and professional advices for the improvement of the Company's internal management system.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

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.

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

REPORT OF THE SUPERVISORY COMMITTEE

1. Meetings of the Supervisory Committee during the Reporting Period

In 2014, two supervisory committee meetings were held by the supervisory committee.

2. Independent Work Report of the Supervisory Committee

In 2014, aiming at protecting the interest of the Company and the shareholders, the supervisory committee 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 of the Company, 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 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 2014, the supervisory committee reviewed the financial system and position of the Company and considered that the financial report for 2014 truly reflected its financial position and operating results. In 2014, Peking Certified Public Accountants, the local auditors, and KPMG, the international auditors, audited the Company's annual financial statements and issued unqualified auditor's reports, which have been reviewed by the supervisory committee without any adverse opinion.

iii. External Guarantees

The Company had no external guarantees as at 31 December 2014.

DIRECTORS' REPORT

The Directors hereby submitting their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal Place of Business

Lingbao Gold 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, MassMutual Tower, 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 37 to these financial statements.

Major Customers and Suppliers

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	74.6	
Five largest customers in aggregate	85.1	
The largest supplier		9.8
Five largest suppliers in aggregate		31.0

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 profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 48 to 143.

Transfer to Reserves

Profit attributable to equity shareholders of the Company of RMB33,687,000 (2013: loss of RMB673,365,000) have been transferred to reserves. Other movements in reserves are set out in note 34 to the financial statements and the consolidated statement of changes in equity.

Dividend

At the Board meeting held on 27 March 2015, the Directors do not recommend the payment of final dividend for the year ended 31 December 2014 (2013: Nil).

Fixed Assets

Movements in fixed assets during the year are set out in note 15 to the financial statements.

Share Capital

As at the date of this report, there was a total of share capital of 770,249,091 shares of the Company which includes:

	Number of shares	**Approximate percentage of total share capital**
Domestic shares	472,975,091	61.41%
H Shares	297,274,000	38.59%
Total	770,249,091	100.00%

Details of the movements in share capital of the Company during the year are set out in note 34(b) to the financial statements.

Purchase, Sale or Redemption of Shares of the Company

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries for the year ended 31 December 2014.

Directors and Supervisors

The Directors and supervisors of the Company for the year are as follows:

Directors

Executive Directors

Jin Guangcai, *Chairman*
Qiang Shanfeng (appointed on 5 June 2014)
Zhang Guo
He Chengqun
Mr. Zhou Yudao (appointed on 5 June 2014)
Liu Pengfei (resigned on 17 January 2014)

Non-executive Directors

Mr. Shi Yuchen (appointed on 5 June 2014)
Wang Yumin (resigned on 4 April 2014)
Yang Liening (resigned on 4 April 2014)

Independent Non-executive Directors

Yang Dongsheng (appointed on 30 January 2014)
Du Liping
Xu Qiangsheng
Han Qinchun
Yan Wanpeng (resigned on 17 January 2014)

Supervisors

Wang Guodong (appointed on 4 April 2014)
Yao Shun
Guo Xurang (appointed on 5 June 2014)
Meng Shouji (appointed on 5 June 2014)
Jiao Xiaoxiao
Liu Shengmin (resigned on 4 April 2014)
Di Qinghua (resigned on 4 April 2014)
Zhu Zhisheng (resigned on 4 April 2014)

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 25 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 RMB500,000	2
RMB1,000,000 to RMB1,500,000	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 of the Board and the supervisory committee has a service contract with the Company until the expiry of the term of 4th Session of the Board on 5 March 2015.

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.

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 2014 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 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rule").

Substantial Shareholders Interest in Shares

As at 31 December 2014, 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
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) ("Lingbao State-owned Assets") *(Note 1)*	296,840,620	Beneficial owner	62.76%	38.54%
Huibang Investment Development Company Limited	77,000,000	Beneficial owner	16.28%	10.00%
Shannan Wanlaixin Investment Limited Liability Company (山南萬來鑫投資有限責任公司)	37,698,784	Beneficial owner	7.97%	4.89%

Note:

1. In addition to its direct interest in 296,840,620 domestic shares, Lingbao State-owned Assets has an indirect interest in the Company through its equity interest of approximately 43.4% in Lingbao Gold Machinery Limited Liability Company (靈寶市黃金機械有限責任公司), which in turn holds approximately 21.1% equity interest in Lingbao Jinxiang Auto Parts Limited Liability Company (靈寶市金象汽車零部件有限責任公司) ("Lingbao Jinxiang Motors"). Lingbao Jinxiang Motors is a promoter of the Company, which held approximately 1.7% shareholding in the Company as at the date of this report.

Save as disclosed above, as at 31 December 2014, 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' REPORT

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" 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.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are mainly set out in notes 30 and 31 to the financial statements.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB1,957,000 (2013: RMB3,433,000).

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 Tuesday, 5 May 2015 to Wednesday, 3 June 2015, (both days inclusive), during which period no transfer of shares will be registered. In order for the shareholders to qualify for attending the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shop 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, 4 May 2015.

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 2014 to 31 December 2014.

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 144 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

Jin Guangcai
Chairman

Lingbao, Henan, the PRC
27 March 2015

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Lingbao Gold Company Ltd. ("the Company") and its subsidiaries (together "the Group") set out on pages 48 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**6,496,351**	7,942,084
Cost of sales		**(5,921,897)**	(8,072,762)
Gross profit/(loss)		**574,454**	(130,678)
Other revenue	4	**34,067**	37,340
Other net income/(loss)	5	**49,875**	(72,915)
Selling and distribution expenses		**(32,938)**	(29,059)
Administrative expenses and other operating expenses		**(327,022)**	(412,432)
Profit/(loss) from operations		**298,436**	(607,744)
Finance costs	7(a)	**(241,736)**	(239,017)
Profit/(loss) before taxation	7	**56,700**	(846,761)
Income tax	8(a)	**(39,442)**	138,478
Profit/(loss) for the year		**17,258**	(708,283)
Attributable to:			
Equity shareholders of the Company	11	**33,687**	(673,365)
Non-controlling interests		**(16,429)**	(34,918)
Profit/(loss) for the year		**17,258**	(708,283)
Basic and diluted earnings/(loss) per share (cents)	14	**4**	(87)

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year		**17,258**	(708,283)
Other comprehensive income for the year	*13*		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,045)**	3,753
Total comprehensive income for the year		**16,213**	(704,530)
Attributable to:			
Equity shareholders of the Company		**32,813**	(670,545)
Non-controlling interests		**(16,600)**	(33,985)
Total comprehensive income for the year		**16,213**	(704,530)

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,061,962**	2,093,610
Construction in progress	16	**450,317**	352,373
Intangible assets	17	**730,644**	729,331
Goodwill	18	**7,302**	7,346
Lease prepayments	19	**174,229**	178,989
Other financial assets	21	**19,714**	10,504
Non-current prepayments	23	**20,703**	15,279
Deferred tax assets	24(b)	**290,044**	303,586
		3,754,915	3,691,018
Current assets			
Inventories	25	**1,641,201**	1,449,970
Trade and other receivables, deposits and prepayments	26	**1,196,112**	1,150,422
Assets classified as held for sale	27	**9,339**	7,539
Current tax recoverable	24(a)	**6,798**	9,840
Pledged deposits	28	**158,946**	47,555
Cash and cash equivalents	29	**372,312**	367,202
		3,384,708	3,032,528
Current liabilities			
Bank loans	30	**2,108,826**	1,721,954
Other loan		**1,784**	2,081
Trade and other payables	32	**1,128,430**	1,165,934
Loan from ultimate holding company	33	**23,800**	23,800
Current tax payable	24(a)	**5,633**	1,317
		3,268,473	2,915,086
Net current assets		**116,235**	117,442
Total assets less current liabilities		**3,871,150**	3,808,460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Debenture payable	31	**700,000**	700,000
Bank loans	30	**1,380,309**	1,368,117
Other payables	32	**95,240**	63,981
Deferred tax liabilities	24(b)	**2,086**	159
		2,177,635	2,132,257
NET ASSETS		**1,693,515**	1,676,203
CAPITAL AND RESERVES	34		
Share capital		**154,050**	154,050
Reserves		**1,542,257**	1,509,444
Total equity attributable to equity shareholders of the Company		**1,696,307**	1,663,494
Non-controlling interests		**(2,792)**	12,709
TOTAL EQUITY		**1,693,515**	1,676,203

Approved and authorised for issue by the board of directors on 27 March 2015.

Jin Guangcai
Executive director and chairman

Qiang Shanfeng
Executive director

The notes on pages 57 to 143 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**706,139**	729,526
Construction in progress	16	**118,173**	96,808
Intangible assets	17	**36,743**	34,036
Lease prepayments	19	**84,716**	86,921
Interests in subsidiaries	20	**1,090,109**	647,635
Other financial assets	21	**19,714**	10,504
Non-current prepayments	23	**15,480**	10,820
Deferred tax assets	24(b)	**259,261**	265,630
		2,330,335	1,881,880
Current assets			
Inventories	25	**1,253,927**	1,048,752
Trade and other receivables, deposits and prepayments	26	**654,175**	512,449
Amounts due from subsidiaries	20	**1,118,627**	1,663,976
Pledged deposits	28	**66,998**	36,378
Cash and cash equivalents	29	**214,684**	233,125
		3,308,411	3,494,680
Current liabilities			
Bank loans	30	**1,740,347**	1,307,037
Other loan		**1,784**	2,081
Trade and other payables	32	**680,702**	723,258
Amounts due to subsidiaries	20	**138,218**	90,645
		2,561,051	2,123,021
Net current assets		**747,360**	1,371,659
Total assets less current liabilities		**3,077,695**	3,253,539

STATEMENT OF FINANCIAL POSITION

At 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Debenture payable	31	**700,000**	700,000
Bank loans	30	**840,000**	1,056,500
Other payables	32	**71,739**	39,954
Deferred tax liabilities	24(b)	**2,086**	–
		1,613,825	1,796,454
NET ASSETS		**1,463,870**	1,457,085
CAPITAL AND RESERVES	34		
Share capital		**154,050**	154,050
Reserves		**1,309,820**	1,303,035
TOTAL EQUITY		**1,463,870**	1,457,085

Approved and authorised for issue by the board of directors on 27 March 2015.

Jin Guangcai
Executive director and chairman

Qiang Shanfeng
Executive director

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014 (Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (note 34(b))	Share premium RMB'000 (note 34(a)(i))	PRC statutory reserves RMB'000 (note 34(a)(ii))	Exchange reserve RMB'000 (note 34(a)(iii))	Other reserve RMB'000 (note 34(a)(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013	154,050	827,931	160,878	5,536	(858)	1,240,419	2,387,956	46,694	2,434,650
Changes in equity for 2013:									
Total comprehensive income for the year	–	–	–	2,820	–	(673,365)	(670,545)	(33,985)	(704,530)
Appropriation of safety production fund *(note 34(d))*	–	–	33,943	–	–	(33,943)	–	–	–
Utilisation of safety production fund *(note 34(d))*	–	–	(33,943)	–	–	33,943	–	–	–
Dividends approved in respect of the previous year *(note 12)*	–	–	–	–	–	(53,917)	(53,917)	–	(53,917)
Balance at 31 December 2013	154,050	827,931	160,878	8,356	(858)	513,137	1,663,494	12,709	1,676,203
Balance at 1 January 2014	**154,050**	**827,931**	**160,878**	**8,356**	**(858)**	**513,137**	**1,663,494**	**12,709**	**1,676,203**
Changes in equity for 2014:									
Total comprehensive income for the year	**–**	**–**	**–**	**(605)**	**–**	**33,418**	**32,813**	**(16,600)**	**16,213**
Disposal of a subsidiary *(note 39)*	**–**	**–**	**–**	**(269)**	**–**	**269**	**–**	**1,099**	**1,099**
Appropriation of safety production fund *(note 34(d))*	**–**	**–**	**33,095**	**–**	**–**	**(33,095)**	**–**	**–**	**–**
Utilisation of safety production fund *(note 34(d))*	**–**	**–**	**(33,095)**	**–**	**–**	**33,095**	**–**	**–**	**–**
Balance at 31 December 2014	**154,050**	**827,931**	**160,878**	**7,482**	**(858)**	**546,824**	**1,696,307**	**(2,792)**	**1,693,515**

The notes on pages 57 to 143 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit/(loss) before taxation		**56,700**	(846,761)
Adjustments for:			
– Interest income	*4*	**(6,595)**	(3,908)
– Net realised and unrealised gain on financial instruments at fair value	*5*	**(8,794)**	(2,041)
– Net gain on disposal of a subsidiary	*5*	**(50,263)**	–
– Net loss on disposal of property, plant and equipment, and intangible assets	*5*	**642**	4,934
– Depreciation	*7(b)*	**215,571**	215,430
– Finance costs	*7(a)*	**241,736**	239,017
– Provision/(reversal) of impairment losses on:			
– trade and other receivables	*7(b)*	**6,989**	1,111
– purchase deposits	*7(b)*	**(8,609)**	11,535
– property, plant and equipment	*7(b)*	**–**	22,584
– intangible assets	*7(b)*	**6,044**	329
– goodwill	*7(b)*	**–**	34,058
– Amortisation of lease prepayments	*7(b)*	**5,484**	5,411
– Amortisation of intangible assets	*7(b)*	**3,332**	3,685
– Write down of inventories	*25(b)*	**3,721**	51,956
– Foreign exchange differences		**(678)**	1,287
Operating profit before changes in working capital		**465,280**	(261,373)
(Increase)/decrease in inventories		**(194,619)**	1,762,842
Increase in pledged deposits		**(47,249)**	(17,167)
Increase in trade and other receivables, deposits and prepayments		**(42,298)**	(358,500)
Increase in trade and other payables		**14,682**	35,883
Cash generated from operations		**195,796**	1,161,685
PRC income tax paid	*24(a)*	**(16,615)**	(49,656)
Net cash generated from operating activities		**179,181**	1,112,029

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014 (Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Investing activities			
Interest received		**6,595**	3,908
(Payment for)/proceeds from settlement of financial instruments		**(13,422)**	1,605
Payment for purchase of property, plant and equipment		**(34,282)**	(62,958)
Proceeds from disposal of property, plant and equipment		**3,436**	6,238
Payment for construction in progress		**(254,409)**	(229,713)
Payment for purchase of intangible assets		**(28,353)**	(32,331)
Payment for purchase of lease prepayments		**(1,208)**	(1,887)
Proceeds from disposal of subsidiaries		**52,787**	23,770
Net cash used in investing activities		**(268,856)**	(291,368)
Financing activities			
Proceeds from interest-bearing borrowings		**2,226,320**	3,126,860
Repayment of interest-bearing borrowings		**(1,829,317)**	(3,536,769)
Interest paid		**(238,209)**	(264,668)
Other borrowing costs paid		**(1,969)**	(2,303)
Pledged deposit (paid)/received for borrowings		**(54,410)**	5,752
Dividend paid to equity shareholders of the Company		**(7,962)**	(48,183)
Net cash generated/(used in) from financing activities		**94,453**	(719,311)
Net increase in cash and cash equivalents		**4,778**	101,350
Cash and cash equivalents at 1 January	*29*	**367,202**	267,935
Effect of foreign exchange rate changes		**332**	(2,083)
Cash and cash equivalents at 31 December	*29*	**372,312**	367,202

The notes on pages 57 to 143 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. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") is set out 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 and the Company. 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 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments are stated at fair value (see note 1(f)). Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(y)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 Significant accounting policies (continued)

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

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.

Judgements 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 41.

(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 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(o).

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(e)) or, when appropriate, the cost on initial recognition of an investment in an associate 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(j)(ii)).

(d) 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(j)(ii)).

1 Significant accounting policies (continued)

(d) Goodwill (continued)

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.

(e) Other investments

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

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(u)(ii) and (iii).

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

When the investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 Significant accounting policies (continued)

(f) Derivative financial instruments

Derivative financial instruments are recognised initially 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.

(g) 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(j)(ii)). 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(w)).

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 deposits 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.

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	2 – 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.

1 Significant accounting policies (continued)

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

(i) Property, plant and equipment (continued)

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 statement of financial position at cost less impairment losses (see note 1(j)(ii)).

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(w)). 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.

(h) 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(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). 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.

1 Significant accounting policies (continued)

(h) Intangible assets (other than goodwill) (continued)

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). 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(j)(ii)). The exploration rights are amortised to exploration and evaluation assets (see note 1(h)(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(j)(ii)). 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.

(i) 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(j)(ii)). Amortisation is charged to the profit or loss on a straight-line basis over the respective periods of the rights.

1 Significant accounting policies (continued)

(j) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty 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 is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is 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 is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is 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 is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and trade and other receivables (continued)

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other 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 in the Company's statement of financial position.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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")).

– 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.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(iii) 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(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost 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.

(k) 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.

(l) Inventories

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.

1 Significant accounting policies (continued)

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)(i)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) 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.

(o) 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.

(p) Derecognition of non-derivative financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

1 Significant accounting policies (continued)

(q) 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.

(r) 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.

(s) 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.

1 Significant accounting policies (continued)

(s) Income tax (continued)

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.

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.

1 Significant accounting policies (continued)

(t) 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.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when the title to the goods and the related risks and rewards of ownership are passed to customers, the Group will not execute the right of supervision and control over the goods, either the proceeds are received or entitlement of proceeds is evidenced, and the cost of sale of goods can be estimated reliably. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(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.

1 Significant accounting policies (continued)

(v) 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 deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) 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.

(x) 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. 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.

1 Significant accounting policies (continued)

(x) Translation of foreign currencies (continued)

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.

(y) 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.

1 Significant accounting policies (continued)

(z) 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).

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.

1 Significant accounting policies (continued)

(aa) 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 the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Changes in accounting policies (continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The disclosures about the Group's impaired non-financial assets have been conformed to the amended disclosure requirements.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

3 Turnover

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

Turnover represents the sales value of goods sold to customers, net of sales tax and value added tax. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014	2013
	RMB'000	RMB'000
Sales of:		
– Gold	**4,855,253**	6,260,531
– Other metals	**1,632,888**	1,666,018
– Others	**18,488**	24,387
Less: Sales taxes and levies	**(10,278)**	(8,852)
	6,496,351	7,942,084

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2014, revenues from sales of gold products to this customer amounted to approximately RMB4,855,253,000 (2013: RMB6,260,531,000) arose in the Henan Province, the PRC. Details of concentrations of credit risk arising from this customer are set out in note 36(a).

Further details regarding the Group's principal activities are disclosed in note 37 to these financial statements.

4 Other revenue

	2014	2013
	RMB'000	RMB'000
Bank interest income	**6,595**	3,908
Government grants	**14,117**	25,320
Scrap sales	**11,438**	7,052
Sundry income	**1,917**	1,060
	34,067	37,340

5 Other net income/(loss)

	2014 RMB'000	2013 RMB'000
Net realised and unrealised gain on financial instruments at fair value	**8,794**	2,041
Net loss on disposal of property, plant and equipment, and intangible assets	**(642)**	(4,934)
Net foreign exchange losses	**(2,273)**	(11,410)
Impairment of property, plant and equipment, intangible assets and goodwill	**(6,044)**	(56,971)
Gain on disposal of a subsidiary *(note 39)*	**50,263**	–
Others	**(223)**	(1,641)
	49,875	(72,915)

6 Staff costs

	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	**283,303**	319,612
Staff welfare	**15,444**	19,570
Contributions to retirement benefit schemes	**23,382**	21,120
	322,129	360,302
Less: Staff costs capitalised into construction in progress	**(11,164)**	(28,567)
	310,965	331,735

6 Staff costs (continued)

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 20% (2013: 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% (2013: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2013: HK$25,000). 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 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2014 RMB'000	2013 RMB'000
(a) Finance costs:		
Interest expenses on bank advances wholly repayable within five years	**201,065**	199,406
Interest expenses on debentures	**41,350**	41,589
Other borrowing costs	**1,969**	2,303
Total interest expenses on financial liabilities not at fair value through profit or loss	**244,384**	243,298
Less: interest expenses capitalised into construction in progress*	**(2,648)**	(4,281)
	241,736	239,017

* The borrowing costs have been capitalised at a rate of 5.60%~6.28% per annum (2013: 5.60%~6.30%).

7 Profit/(loss) before taxation (continued)

Profit/(loss) before taxation is arrived at after charging/(crediting): (continued)

	2014 RMB'000	2013 RMB'000
(b) Other items:		
Amortisation of lease prepayments *(note 19)*	**5,484**	5,411
Amortisation of intangible assets# *(note 17)*	**5,617**	7,097
Less: Amortisation capitalised into exploration and evaluation assets	**(2,285)**	(3,412)
	3,332	3,685
Depreciation# *(note 15)*	**216,962**	217,180
Less: Depreciation capitalised into construction in progress	**(1,391)**	(1,750)
	215,571	215,430
Provision/(reversal) of impairment losses on:		
– trade and other receivables *(note 26(c))*	**6,989**	1,111
– purchase deposits	**(8,609)**	11,535
– property, plant and equipment *(note 15)*	**–**	22,584
– intangible assets *(note 17)*	**6,044**	329
– goodwill *(note 18)*	**–**	34,058
Operating lease charges in respect of properties	**3,368**	3,740
Auditors' remuneration-audit services	**5,045**	4,766
Research and development expenses	**36,811**	26,862
Pollution discharge fee *(note 35(c))*	**1,726**	1,919
Environmental rehabilitation fee *(note 35(c))*	**18,939**	16,523
Cost of inventories# *(note 25(b))*	**5,921,897**	8,072,762

Cost of inventories includes RMB339,176,000 (2013: RMB356,400,000) 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) Taxation in the consolidated statement of profit or loss represents:

	2014 **RMB'000**	2013 RMB'000
Current tax – PRC income tax		
Provision for the year	**23,973**	19,628
Under-provision in respect of prior years	**–**	1,583
	23,973	21,211
Deferred tax		
Origination and reversal of temporary differences	**7,969**	(171,877)
Reversal of deferred tax assets recognised in previous years	**7,500**	12,188
	15,469	(159,689)
	39,442	(138,478)

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

	Note	**2014** **RMB'000**	2013 RMB'000
Profit/(loss) before taxation		**56,700**	(846,761)
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned		**31,806**	(188,032)
Effect of tax concessions	*i*	**(4,299)**	(885)
Additional deduction for qualified research and development expenses	*i*	**(2,915)**	(2,811)
Effect of non-deductible expenses		**1,108**	17,426
Tax losses not recognised		**8,062**	23,396
Reversal of deferred tax assets recognised in previous years		**7,500**	12,188
Under-provision in respect of prior years		**–**	1,583
Others		**(1,820)**	(1,343)
Actual tax expense		**39,442**	(138,478)

8 Income tax in the consolidated statement of profit or loss (continued)

(b) Reconciliation between tax expense and accounting profit/(loss) 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 Company and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

One of the subsidiaries, Lingbao Wason Copper-Foil Company Limited ("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 therefore is entitled to the preferential tax rate of 15% for another three years from 2012 to 2014.

Under the CIT Law and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 150% on the amount actually incurred.

(ii) Hong Kong profits tax rate for 2014 is 16.5% (2013: 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 2014 is 0% (2013: 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.

9 Directors' and supervisors' remuneration

Directors' and supervisors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

Year ended 31 December 2014

	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 Jin Guangcai	–	240	25	124	389
Mr Qiang Shanfeng (appointed in June 2014)	–	126	–	65	191
Mr Zhang Guo	–	151	17	78	246
Mr He Chengqun	–	151	17	78	246
Mr Zhou Yudao (appointed in June 2014)	–	88	14	46	148
Non-executive director					
Mr Shi Yuchen (appointed in June 2014)	–	–	–	–	–
Independent non-executive directors					
Ms Du Liping	100	–	–	–	100
Mr Xu Qiangsheng	100	–	–	–	100
Mr Han Qinchun	120	–	–	–	120
Mr Yang Dongsheng (appointed in January 2014)	92	–	–	–	92
Supervisors					
Mr Liu Shengmin (resigned in April 2014)	–	29	6	–	35
Mr Wang Guodong (appointed in April 2014)	–	101	11	46	158
Mr Guo Xurang (appointed in June 2014)	–	–	–	–	–
Mr Yao Shun	–	–	–	–	–
Mr Meng Shouji (appointed in June 2014)	–	–	–	–	–
Mr Jiao Xiaoxiao	–	62	11	38	111
Total	412	948	101	475	1,936

9 Directors' and supervisors' remuneration (continued)

Year ended 31 December 2013

	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 Xu Gaoming (resigned in February 2013)	–	83	3	–	86
Mr Jin Guangcai	–	492	22	–	514
Mr Liu Pengfei (resigned in January 2014)	–	329	15	–	344
Mr Zhang Guo	–	329	15	–	344
Mr He Chengqun	–	329	15	–	344
Non-executive director					
Mr Wang Yumin (resigned in April 2014)	–	–	–	–	–
Mr Yang Liening (resigned in April 2014)	–	–	–	–	–
Independent non-executive directors					
Mr Yan Wanpeng (resigned in January 2014)	–	–	–	–	–
Ms Du Liping	100	–	–	–	100
Mr Xu Qiangsheng	100	–	–	–	100
Mr Han Qinchun	120	–	–	–	120
Supervisors					
Mr Liu Shengmin	–	270	15	59	344
Mr Di Qinghua (resigned in April 2014)	–	–	–	–	–
Mr Yao Shun	–	–	–	–	–
Mr Zhu Zhisheng (resigned in April 2014)	–	–	–	–	–
Mr Jiao Xiaoxiao	–	56	9	24	89
Total	320	1,888	94	83	2,385

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2013: four) are directors and supervisors of the Company whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two individuals (2013: one) are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries and wages	**1,111**	960
Contributions to retirement benefit scheme	**46**	24
Bonus	**158**	–
	1,315	984

11 Profit/(loss) attributable to equity shareholders of the Company

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a profit of RMB6,785,000 (2013: loss of RMB621,158,000) which has been dealt with in the financial statement of the Company (note 34(a)).

12 Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

	2014	2013
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the year, of RMB Nil (2013: RMB0.07) per ordinary share	**–**	53,917

13 Other comprehensive income

The component of other comprehensive income does not have any significant tax effect for each of the year ended 31 December 2014 and 2013.

14 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB33,687,000 (2013: loss of RMB673,365,000) and 770,249,091 ordinary shares (2013: 770,249,091 shares) in issue during the year ended 31 December 2014.

(b) Diluted earnings/(loss) per share

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

15 Property, plant and equipment

The Group

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic RMB'000	Total RMB'000
Cost:						
At 1 January 2013	865,537	790,937	1,271,609	66,661	55,912	3,050,656
Exchange adjustments	(6,035)	(5,589)	(2,581)	(842)	(17)	(15,064)
Additions	22,508	811	38,861	4,385	6,492	73,057
Transfer from construction in progress *(note 16)*	145,525	81,782	20,325	118	5,227	252,977
Disposals	(2,864)	(690)	(8,888)	(3,592)	(108)	(16,142)
At 31 December 2013	1,024,671	867,251	1,319,326	66,730	67,506	3,345,484
Accumulated depreciation:						
At 1 January 2013	154,091	345,445	450,924	42,440	33,287	1,026,187
Exchange adjustments	(880)	(541)	(657)	(385)	(2)	(2,465)
Charge for the year	47,791	42,922	107,936	8,727	9,804	217,180
Impairment loss	3,275	17,604	1,705	–	–	22,584
Written back on disposals	(537)	(108)	(7,745)	(3,118)	(104)	(11,612)
At 31 December 2013	203,740	405,322	552,163	47,664	42,985	1,251,874
Net book value:						
At 31 December 2013	820,931	461,929	767,163	19,066	24,521	2,093,610

15 Property, plant and equipment (continued)

The Group (continued)

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic RMB'000	Total RMB'000
Cost:						
At 1 January 2014	1,024,671	867,251	1,319,326	66,730	67,506	3,345,484
Exchange adjustments	739	708	306	98	2	1,853
Additions	4,327	8,460	17,699	2,889	3,148	36,523
Transfer from construction in progress *(note 16)*	50,974	26,933	72,616	–	–	150,523
Disposals	–	–	(11,743)	(4,075)	(3,102)	(18,920)
Disposal of a subsidiary	–	–	–	(214)	(73)	(287)
At 31 December 2014	1,080,711	903,352	1,398,204	65,428	67,481	3,515,176
Accumulated depreciation:						
At 1 January 2014	203,740	405,322	552,163	47,664	42,985	1,251,874
Exchange adjustments	167	70	116	56	–	409
Charge for the year	52,832	39,408	108,525	8,160	8,037	216,962
Written back on disposals	–	–	(10,631)	(3,069)	(2,141)	(15,841)
Disposal of a subsidiary	–	–	–	(140)	(50)	(190)
At 31 December 2014	256,739	444,800	650,173	52,671	48,831	1,453,214
Net book value:						
At 31 December 2014	823,972	458,552	748,031	12,757	18,650	2,061,962

15 Property, plant and equipment (continued)

The Company

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic RMB'000	Total RMB'000
Cost:						
At 1 January 2013	368,850	314,422	419,737	29,372	15,170	1,147,551
Additions	6,171	–	9,256	1,813	3,083	20,323
Transfer from construction in progress *(note 16)*	70,994	25,687	9,482	–	–	106,163
Disposals	(2,864)	(9)	(7,638)	(3,273)	(108)	(13,892)
At 31 December 2013	443,151	340,100	430,837	27,912	18,145	1,260,145
Accumulated depreciation:						
At 1 January 2013	58,153	142,614	230,437	17,953	11,082	460,239
Charge for the year	14,706	22,112	39,638	2,687	1,573	80,716
Written back on disposals	(537)	(9)	(6,655)	(3,031)	(104)	(10,336)
At 31 December 2013	72,322	164,717	263,420	17,609	12,551	530,619
Net book value:						
At 31 December 2013	370,829	175,383	167,417	10,303	5,594	729,526

15 Property, plant and equipment (continued)

The Company (continued)

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic RMB'000	Total RMB'000
Cost:						
At 1 January 2014	443,151	340,100	430,837	27,912	18,145	1,260,145
Additions	1,902	–	4,324	1,372	1,109	8,707
Transfer from construction in progress *(note 16)*	38,873	6,852	2,993	–	–	48,718
Disposals	–	–	(7,734)	(3,655)	(165)	(11,554)
At 31 December 2014	483,926	346,952	430,420	25,629	19,089	1,306,016
Accumulated depreciation:						
At 1 January 2014	72,322	164,717	263,420	17,609	12,551	530,619
Charge for the year	17,233	20,065	37,472	2,497	2,477	79,744
Written back on disposals	–	–	(7,540)	(2,783)	(163)	(10,486)
At 31 December 2014	89,555	184,782	293,352	17,323	14,865	599,877
Net book value:						
At 31 December 2014	394,371	162,170	137,068	8,306	4,224	706,139

16 Construction in progress

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cost:				
At 1 January	352,373	369,741	96,808	139,591
Exchange adjustments	137	(1,009)	–	–
Additions	248,330	236,618	70,083	63,380
Transfer to property, plant and equipment *(note 15)*	(150,523)	(252,977)	(48,718)	(106,163)
At 31 December	450,317	352,373	118,173	96,808

17 Intangible assets

The Group

	Shanghai Gold Exchange trading rights	Exploration and evaluation assets *(note (a))*	Mining development assets *(note (c))*	Mining rights *(note (c))*	Exploration rights *(note (d))*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2013	820	516,976	86,888	269,954	216,094	1,090,732
Exchange adjustments	–	(1,346)	(2,295)	(3,478)	–	(7,119)
Additions	–	42,435	–	–	5,687	48,122
At 31 December 2013	820	558,065	84,593	266,476	221,781	1,131,735
Accumulated amortisation:						
At 1 January 2013	–	15,783	11,588	151,802	216,094	395,267
Charge for the year	–	–	55	3,630	3,412	7,097
Exchange adjustments	–	–	(6)	(283)	–	(289)
Impairment loss *(note (b))*	–	329	–	–	–	329
At 31 December 2013	–	16,112	11,637	155,149	219,506	402,404
Net book value:						
At 31 December 2013	820	541,953	72,956	111,327	2,275	729,331
Cost:						
At 1 January 2014	**820**	**558,065**	**84,593**	**266,476**	**221,781**	**1,131,735**
Exchange adjustments	**–**	**379**	**313**	**410**	**51**	**1,153**
Additions	**–**	**25,080**	**–**	**5,651**	**–**	**30,731**
Disposal of a subsidiary	**–**	**(17,030)**	**–**	**–**	**(5,738)**	**(22,768)**
Transfer to non-current assets held for sale *(note (b))*	**–**	**(7,844)**	**–**	**–**	**–**	**(7,844)**
At 31 December 2014	**820**	**558,650**	**84,906**	**272,537**	**216,094**	**1,133,007**
Accumulated amortisation:						
At 1 January 2014	**–**	**16,112**	**11,637**	**155,149**	**219,506**	**402,404**
Charge for the year	**–**	**–**	**29**	**3,303**	**2,285**	**5,617**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**(5,738)**	**(5,738)**
Exchange adjustments	**–**	**–**	**1**	**38**	**41**	**80**
Impairment loss *(note (b))*	**–**	**6,044**	**–**	**–**	**–**	**6,044**
Transfer to non-current assets held for sale *(note (b))*	**–**	**(6,044)**	**–**	**–**	**–**	**(6,044)**
At 31 December 2014	**–**	**16,112**	**11,667**	**158,490**	**216,094**	**402,363**
Net book value:						
At 31 December 2014	**820**	**542,538**	**73,239**	**114,047**	**–**	**730,644**

17 Intangible assets (continued)

The Company

	Shanghai Gold Exchange trading rights	Exploration and evaluation assets	Mining rights	Exploration rights	Total
		(note (a))	*(note (c))*	*(note (d))*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2013	820	19,129	50,139	4,077	74,165
Additions	–	10,500	–	–	10,500
At 31 December 2013	820	29,629	50,139	4,077	84,665
Accumulated amortisation:					
At 1 January 2013	–	4,922	40,377	4,077	49,376
Charge for the year	–	–	1,253	–	1,253
At 31 December 2013	–	4,922	41,630	4,077	50,629
Net book value:					
At 31 December 2013	820	24,707	8,509	–	34,036
Cost:					
At 1 January 2014	**820**	**29,629**	**50,139**	**4,077**	**84,665**
Additions	**–**	**3,680**	**–**	**–**	**3,680**
At 31 December 2014	**820**	**33,309**	**50,139**	**4,077**	**88,345**
Accumulated amortisation:					
At 1 January 2014	**–**	**4,922**	**41,630**	**4,077**	**50,629**
Charge for the year	**–**	**–**	**973**	**–**	**973**
At 31 December 2014	**–**	**4,922**	**42,603**	**4,077**	**51,602**
Net book value:					
At 31 December 2014	**820**	**28,387**	**7,536**	**–**	**36,743**

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Intangible assets (continued)

Notes:

(a) Included in the Group's and the Company's exploration and evaluation assets are assets related to mines, which are under the exploration and evaluation stage as at 31 December 2014, with a carrying value of RMB542,538,000 (2013: RMB541,953,000) and RMB28,387,000 (2013: RMB24,707,000) respectively. These assets are not subject to amortisation until they are placed in use.

(b) The Group entered into an agreement with a third party on 12 June 2014 to dispose of an exploration right and certain exploration and evaluation assets with a carrying amount of RMB7,844,000. As a result, such intangible assets are presented as assets classified as held for sale at fair value less costs to sell of RMB1,800,000 as at 31 December 2014. Therefore, an impairment loss of RMB6,044,000 was recognised in "other net income/(loss)" during the year ended 31 December 2014 (see note 5). The estimates of recoverable amount were based on the exploration right and certain exploration and evaluation assets' fair values less costs to sell by reference to a quotation from an independent third party stipulated in the agreement. The fair value on which the recoverable amount is based on is categorised as a Level 2 measurement.

No impairment loss of other intangible assets was provided during the year ended 31 December 2014 (2013: RMB329,000).

(c) The Group's mining rights are as follows:

Mine	Location	Expiry date
Lingjin One Mine	Lingbao, Henan	December 2021
Lingjin Two Mine	Lingbao, Henan	April 2018
Hongxin Gold Mine	Lingbao, Henan	May 2019
Hongtuling Gold Mine	Lingbao, Henan	March 2016
Duolanasayi Gold Mine	Habahe, Xinjiang	July 2018
Tuokuzibayi Gold Mine	Habahe, Xinjiang	August 2017
Chifeng Jinchan Mining Company Limited Gold Mine	Chifeng, Inner Mongolia	January 2018
Shangshanghe Gold Mine *(note i)*	Nanyang, Henan	October 2012
Laowan Gold Mine	Nanyang, Henan	January 2016
Beiyangzhuang Polymetallic Mine *(note i)*	Nanyang, Henan	August 2010
Pengjialaozhuang Gold Mine	Nanyang, Henan	August 2021
Laowan Eastern Gold Mine	Nanyang, Henan	December 2016
Istanbul Gold Mine	KR	February 2017
Istanbul Gold Eastern Mine	KR	December 2022
Terek Gold Mine	KR	December 2022

Notes:

(i) As at 31 December 2014, the Group was in the process of applying for extension of these mining rights with an aggregate carrying value of approximately RMB7,502,000. The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned intangible assets.

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

(d) 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.

18 Goodwill

	The Group RMB'000
Cost:	
At 1 January 2013, 31 December 2013, and 1 January 2014	41,404
Disposal of a subsidiary	(44)
At 31 December 2014	41,360
Accumulated impairment losses:	
At 1 January 2013	–
Impairment losses	34,058
At 31 December 2013, 1 January 2014, and 31 December 2014	34,058
Carrying amount:	
At 31 December 2014	7,302
At 31 December 2013	7,346

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment as follows:

	2014 RMB'000	2013 RMB'000
Mining	**7,302**	7,346

The recoverable amount of the CGU is 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% to 15% (2013: 12% to 14%). Cash flow projections during the forecast period for the CGU are based on the expected growth rates and gross margins 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.

No additional impairment provision was considered necessary based on the impairment assessment performed as at 31 December 2014 (2013: RMB34,058,000).

19 Lease prepayments

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost:				
At 1 January	**204,784**	195,334	**99,439**	99,439
Additions	**800**	9,450	**800**	–
At 31 December	**205,584**	204,784	**100,239**	99,439
Accumulated amortisation:				
At 1 January	**(20,212)**	(14,801)	**(9,375)**	(6,380)
Charge for the year	**(5,484)**	(5,411)	**(2,992)**	(2,995)
At 31 December	**(25,696)**	(20,212)	**(12,367)**	(9,375)
Carrying amount:				
At 1 January	**184,572**	180,533	**90,064**	93,059
At 31 December	**179,888**	184,572	**87,872**	90,064

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Lease prepayments	**179,888**	184,572	**87,872**	90,064
Less: Current portion of lease prepayments included in other receivables, deposits and prepayments	**(5,659)**	(5,583)	**(3,156)**	(3,143)
	174,229	178,989	**84,716**	86,921

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

20 Interests in subsidiaries/amounts due from (to) subsidiaries

(a) Interests in subsidiaries

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**644,180**	647,635
Amounts due from subsidiaries	**477,321**	–
Less: Allowance for doubtful debts	**(31,392)**	–
	445,929	–
	1,090,109	647,635

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of directors, the amount is not expected to be recovered within one year from the end of the reporting period.

(b) Amounts due from (to) subsidiaries

	The Company	
	2014	2013
	RMB'000	RMB'000
Amounts due from subsidiaries	**1,118,627**	1,712,389
Less: Allowance for doubtful debts	**–**	(48,413)
	1,118,627	1,663,976
Amounts due to subsidiaries	**(138,218)**	(90,645)

The amounts due from (to) subsidiaries are unsecured and interest-free.

20 Interests in subsidiaries/amounts due from (to) subsidiaries (continued)

Details of the subsidiaries at 31 December 2014 are as follows:

Name of company	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	Sales of mineral products
Lingbao Hongxin Mining Limited Liability Company	Limited liability company	The PRC	80	–	RMB3,000	Exploration and processing of gold; sales of mineral products
Jiangxi Mingxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB5,000	Production and sales of precious metal products
Habahe Huatai Gold Limited Liability Company	Limited liability company	The PRC	83.3	16.7	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	Geological exploration of mineral reserves
Chi Feng City Zheng Ji Mining Limited Company	Limited liability company	The PRC	80	–	RMB15,131	Processing of metallurgy products, sales of mineral products
Lingbao Gold International Company Limited	Limited liability company	Hong Kong	100	–	HKD50,000	Investment holding
Chifeng Jinchan Mining Company Limited	Limited liability company	The PRC	100	–	RMB20,000	Mining and exploration of mineral reserves
Chifeng Lingjin Mining Company Limited	Limited liability company	The PRC	80	–	RMB40,000	Mining and exploration of mineral reserves
Lingbao Yixin Mining Limited Liability Company ("Lingbao Yixin")	Limited liability company	The PRC	80 *(note i)*	–	RMB3,670	Mining and exploration of mineral reserves

20 Interests in subsidiaries/amounts due from (to) subsidiaries (continued)

Name of company	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	Principal activities
			%	%	'000	
Full Gold Mining Limited Liability Company ("Full Gold")	Limited liability company	Kyrgyz Republic	82 *(note ii)*	–	SOM33,300	Mining and exploration of mineral reserves
Palladex KR Limited Liability Company ("Palladex KR")	Limited liability company	Kyrgyz Republic	70	–	SOM1	Mining and exploration of mineral reserves
Tianshui Hongwu Mining Development Company Limited ("Tianshui Hongwu")	Limited liability company	The PRC	74 *(note iii)*	–	RMB1,000	Mining and exploration of mineral reserves
Lanzhou Lingjin Mining Limited Liability Company	Limited liability company	The PRC	100	–	RMB1,000	Mining and exploration of mineral reserves
Beijing Fushengda Investment Company Limited	Limited liability company	The PRC	100	–	RMB10,000	Investment holding
Lingbao Wason Copper-Foil Company Limited	Limited liability company	The PRC	100	–	RMB180,000	Processing of copper products
Ha Mi Jiachang Mining Investment and Development Company Limited	Limited liability company	The PRC	–	100	RMB20,000	Mining and exploration of mineral reserves
Lingbao Gold Yili Metallurgical Company Limited	Limited liability company	The PRC	100	–	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	Mining and exploration of mineral reserves
Lingbao Hongyu Electronics Company Limited	Limited liability company	The PRC	–	100	RMB30,000	Processing of copper products

20 Interests in subsidiaries/amounts due from (to) subsidiaries (continued)

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) At 31 December 2014 and 2013, the ordinary shares of Full Gold were secured for a bank loan as disclosed in note 30.

(iii) 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.

(iv) Puyue Beijing Mining (Lao) Co., Limited ("Puyue Mining") was acquired by the Group in February 2009 and was disposed by the Group to a third party on 22 December 2014. Before the disposal, 98.7% of equity interests of Puyue Mining was held by the Group, while profit generated was shared between the Group and the non-controlling interests on an 87%:13% basis. The details of disposal of the subsidiary are set out in note 39.

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

Palladex KR

	2014 RMB'000	2013 RMB'000
NCI percentage	**30%**	30%
Current assets	**77,487**	1,568
Non-current assets	**121,042**	119,795
Current liabilities	**(126,377)**	(47,811)
Net assets	**72,152**	73,552
Carrying amount of NCI	**21,730**	22,150
Loss for the year	**(1,318)**	(2,803)
Loss attributable to NCI	**(394)**	(841)
Total comprehensive income	**(1,400)**	(2,356)
Total comprehensive income attributable to NCI	**(420)**	(707)
Cash flows used in operating activities	**(883)**	(3,856)
Cash flows used in investing activities	**(983)**	(973)
Cash flows generated from financing activities	**649**	5,913

20 Interests in subsidiaries/amounts due from (to) subsidiaries (continued)

Full Gold

	2014 RMB'000	2013 RMB'000
NCI percentage	**18%**	18%
Current assets	**214,718**	163,333
Non-current assets	**563,457**	580,280
Current liabilities	**(492,652)**	(643,614)
Non-current liabilities	**(549,706)**	(285,554)
Net liabilities	**(264,183)**	(185,555)
Carrying amount of NCI	**(35,998)**	(21,845)
Revenue	**(10,268)**	(972)
Loss for the year	**(77,815)**	(91,365)
Loss attributable to NCI	**(14,007)**	(16,446)
Total comprehensive income	**(78,629)**	(87,016)
Total comprehensive income attributable to NCI	**(14,153)**	(15,663)
Cash flows (used in)/generated from operating activities	**(43,928)**	10,705
Cash flows used in investing activities	**(128,939)**	(50,322)
Cash flows generated from financing activities	**171,084**	29,780

21 Other non-current financial assets

	The Group and the Company	
	2014 RMB'000	2013 RMB'000
Available-for-sale equity securities:		
– Unlisted, at cost		
Henan Jinqu Gold Co., Ltd. *(note (a))*	**10,504**	10,504
Puyue Mining *(note (b)) (note 39)*	**9,210**	–
	19,714	10,504

Notes:

(a) It represents the Group's and the Company's 5% equity interest 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. There is no quoted market price for such equity securities and a reasonable estimate of the fair value could not be made without incurring excessive costs.

(b) It represents the Group's and the Company's 20% equity interest retained in Puyue Mining, a former subsidiary of the Company, which is mainly engaged in geological exploration, mining, processing, sales of leopoldite. The Group had no significant influence on Puyue Mining after losing control of it, and the investment cost was measured at its fair value on the disposal date, i.e. 22 December 2014. There is no quoted market price for such equity securities and a reasonable estimate of the fair value could not be made after initial recognition without incurring excessive costs.

22 Investment deposit

	The Group and the Company	
	2014	2013
	RMB'000	RMB'000
Investment deposit	**80,000**	80,000
Less: Impairment losses	**(80,000)**	(80,000)
	–	–

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 and financial statements for the year ended 31 December 2009.

As at 31 December 2014, the directors considered that the investment deposit of RMB80,000,000 would still not be recoverable.

23 Non-current prepayments

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments for purchase of property, plant and equipment and construction of mining shafts	**20,883**	15,459	**16,480**	11,820
Prepayments for acquisition of mining and exploration assets	**820**	820	**–**	–
	21,703	16,279	**16,480**	11,820
Less: Allowance for doubtful debts	**(1,000)**	(1,000)	**(1,000)**	(1,000)
	20,703	15,279	**15,480**	10,820

24 Income tax in the statement of financial position

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of the year	**(8,523)**	19,922	**–**	10,695
Under-provision in respect of prior years *(note 8(a))*	**–**	1,583	**–**	–
Provision for PRC income tax *(note 8(a))*	**23,973**	19,628	**–**	–
PRC income tax paid	**(16,615)**	(49,656)	**–**	(10,695)
At end of the year	**(1,165)**	(8,523)	**–**	–
Representing:				
PRC income tax				
– Recoverable	**(6,798)**	(9,840)	**–**	–
– Payable	**5,633**	1,317	**–**	–
At end of the year	**(1,165)**	(8,523)	**–**	–

24 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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	Other non-current financial 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 2013	39,273	6,084	–	36,577	22,352	39,545	(93)	–	143,738
Credited/(charged) to profit or loss	(9,287)	(1,913)	–	3,037	(6,669)	(1,492)	(66)	176,079	159,689
At 31 December 2013	29,986	4,171	–	39,614	15,683	38,053	(159)	176,079	303,427
At 1 January 2014	29,986	4,171	–	39,614	15,683	38,053	(159)	176,079	303,427
Credited/(charged) to profit or loss	(2,440)	(2,374)	(2,086)	(1,105)	(12,498)	4,542	1,415	(923)	(15,469)
At 31 December 2014	27,546	1,797	(2,086)	38,509	3,185	42,595	1,256	175,156	287,958

24 Income tax in the statement of financial position (continued)

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

(ii) The Company

	Depreciation of property, plant and equipment RMB'000	Amortisation of intangible assets RMB'000	Other non-current financial 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
At 1 January 2013	11,988	3,467	–	36,149	3,284	25,971	–	–	80,859
Credited/(charged) to profit or loss	3,521	(3,467)	–	2,851	9,259	960	–	171,647	184,771
At 31 December 2013	15,509	–	–	39,000	12,543	26,931	–	171,647	265,630
At 1 January 2014	**15,509**	**–**	**–**	**39,000**	**12,543**	**26,931**	**–**	**171,647**	**265,630**
Credited/(charged) to profit or loss	**(2,873)**	**–**	**(2,086)**	**(2,152)**	**(11,612)**	**5,552**	**1,235**	**3,481**	**(8,455)**
At 31 December 2014	**12,636**	**–**	**(2,086)**	**36,848**	**931**	**32,483**	**1,235**	**175,128**	**257,175**

(iii) Reconciliation to the statement of financial position

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net deferred tax asset recognised on the statement of financial position	**290,044**	303,586	**259,261**	265,630
Net deferred tax liability recognised on the statement of financial position	**(2,086)**	(159)	**(2,086)**	–
	287,958	303,427	**257,175**	265,630

24 Income tax in the statement of financial position (continued)

(c) Deferred tax assets not recognised

Note: In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB149,228,000 (2013: RMB100,954,000) 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 RMB13,936,000, RMB16,618,000, RMB25,007,000, RMB60,899,000 and RMB32,768,000, if unused, will expire in 2015, 2016, 2017, 2018 and 2019, respectively.

25 Inventories

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**1,212,610**	1,017,118	**1,016,235**	828,152
Work in progress	**69,932**	78,527	**9,564**	13,900
Finished goods	**274,664**	253,559	**213,479**	186,602
Spare parts and materials	**83,995**	100,766	**14,649**	20,098
	1,641,201	1,449,970	**1,253,927**	1,048,752

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	**5,918,176**	8,020,806
Write down of inventories	**3,721**	51,956
	5,921,897	8,072,762

26 Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**456,057**	452,640	**43,893**	30,768
Bills receivable	**199,905**	163,192	**148,428**	102,046
Less: Allowance for doubtful debts	**(14,011)**	(7,022)	**(3,005)**	(3,005)
	641,951	608,810	**189,316**	129,809
Other receivables, deposits and prepayments	**272,399**	274,530	**183,036**	115,491
Less: Allowance for doubtful debts	**(1,941)**	(1,947)	**(1,880)**	(1,880)
	270,458	272,583	**181,156**	113,611
Purchase deposits *(note 26(d))*	**296,848**	308,343	**296,848**	308,343
Less: Allowance for non-delivery	**(30,707)**	(39,316)	**(30,707)**	(39,316)
	266,141	269,027	**266,141**	269,027
Deposits for derivative financial instruments	**17,562**	2	**17,562**	2
Amounts due from Beijing Jiuyi *(note 26(e))*	**–**	–	**–**	–
	1,196,112	1,150,422	**654,175**	512,449

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

26 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 2014, the Group and the Company endorsed certain bank acceptance bills with a carrying amount of RMB53,297,000 and RMB36,124,000 (2013: RMB55,916,000 and RMB47,900,000) to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors, the Group and the Company have not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled.

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

As at 31 December 2014, the Group and the Company 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 and the Company have derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group and the Company have transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group and the Company have 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 and the Company considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2014, 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 RMB74,824,000 and RMB126,989,000 (2013: RMB7,678,000 and RMB98,278,000) respectively.

As at 31 December 2014, the Company's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Company 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 RMB74,824,000 and RMB95,684,000 (2013: RMB7,678,000 and RMB81,741,000) respectively.

26 Trade and other receivables, deposits and prepayments (continued)

(a) Ageing analysis

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 allowance for doubtful debts, is as follows.

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within three months	**456,413**	317,303	**151,697**	78,373
Over three months but less than six months	**149,531**	254,721	**29,486**	51,286
Over six months but less than one year	**31,691**	27,395	**8,133**	150
Over one year but less than two years	**4,316**	9,391	**–**	–
At 31 December	**641,951**	608,810	**189,316**	129,809

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 90 days to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 36(a).

(b) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**605,944**	576,933	**181,183**	129,659
Less than one year past due	**36,007**	31,877	**8,133**	150
	641,951	608,810	**189,316**	129,809

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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.

26 Trade and other receivables, deposits and prepayments (continued)

(c) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(j)(i)).

The movement in the allowance for doubtful receivables during the year is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**8,969**	8,089	**4,885**	5,014
Impairment loss recognised	**6,989**	1,111	**–**	(129)
Impairment loss written off	**(6)**	(231)	**–**	–
At 31 December	**15,952**	8,969	**4,885**	4,885

At 31 December 2014, the Group's and the Company's trade and other receivables of RMB15,952,000 (2013: RMB8,969,000) and RMB4,885,000 (2013: RMB4,885,000) respectively were individually determined to be impaired.

(d) Purchase deposits

Purchase deposits represent the amounts paid by the Group and the Company in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The directors of the Company consider that appropriate procedures have been taken by the Group and the Company to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

26 Trade and other receivables, deposits and prepayments (continued)

(e) Amounts due from Beijing Jiuyi

	The Group and the Company	
	2014	2013
	RMB'000	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 directors considered the balance of RMB30,800,000 would not be recoverable and accordingly, an impairment loss was provided.

27 Assets classified as held for sale

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Intangible assets	**9,339**	7,539	**–**	–

The Group entered into an agreement with a third party on 12 June 2014 to dispose of an exploration right and certain exploration and evaluation assets with a total carrying amount of RMB7,844,000 at a consideration of RMB1,800,000. The disposal is expected to be completed in 2015. The carrying amount was written down to their fair value less costs to sell of RMB1,800,000. As a result, an impairment loss of RMB6,044,000 was recognised in "other net income/(loss)" (see note 5).

For the remaining balance as at 31 December 2014, the Group entered into an agreement with a third party before 1 January 2012 to dispose of certain exploration and evaluation assets at a consideration of RMB10,200,000. Nevertheless, certain assets transfer procedures are still in process and such disposal is expected to be completed in 2015. As a result, such exploration and evaluation assets are presented as assets classified as held for sale at a carrying amount of RMB7,539,000 at 31 December 2014.

28 Pledged deposits

Pledged deposits can be analysed as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantee deposits for issuance of letter of credit	**57,003**	19,765	**52,221**	19,764
Guarantee deposits for short-term borrowings	**69,800**	15,390	**3,800**	15,390
Guarantee deposits for issuance of bank acceptance bills	**20,000**	10,000	**–**	–
Guarantee deposits for forward commodity contracts	**9,732**	–	**9,732**	–
Others	**2,411**	2,400	**1,245**	1,224
	158,946	47,555	**66,998**	36,378

29 Cash and cash equivalents

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**372,312**	367,202	**214,684**	233,125

30 Bank loans

At 31 December 2014, the bank loans were repayable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year or on demand	**2,108,826**	1,721,954	**1,740,347**	1,307,037
Over one year but within two years	**1,113,827**	530,614	**840,000**	420,500
Over two years but within five years	**266,482**	837,503	**–**	636,000
	1,380,309	1,368,117	**840,000**	1,056,500
	3,489,135	3,090,071	**2,580,347**	2,363,537

30 Bank loans (Continued)

At 31 December 2014, the bank loans were secured as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– secured	**481,741**	319,844	**48,520**	52,800
– unsecured	**3,007,394**	2,770,227	**2,531,827**	2,310,737
	3,489,135	3,090,071	**2,580,347**	2,363,537

At 31 December 2014, bank loans of the Group amounting to RMB261,893,000 (2013: RMB267,044,000) were secured by a mining right with the carrying amount of RMB98,661,000 (2013: RMB100,085,000) and the ordinary shares of Full Gold established in the KR as disclosed in note 20(ii).

At 31 December 2014, a bank loan of the Group amounting to RMB48,520,000 (2013: RMB52,800,000) was secured by inventories with the carrying amount of RMB48,056,000 (2013: RMB47,558,000) and a guarantee deposit of RMB Nil (2013: RMB5,390,000).

At 31 December 2014, bank loans of the Group amounting to RMB171,328,000 (2013: RMB Nil) was secured by the fixed deposit of RMB69,800,000 (2013: RMB Nil).

31 Debentures

On 25 March 2011, the Company issued five-year Medium Term Notes of RMB400 million to corporate investors in the PRC inter-bank debenture market. The notes are unsecured and repayable on 25 March 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.95% per annum.

On 17 June 2011, the Company issued five-year Medium Term Notes of RMB300 million to corporate investors in the PRC inter-bank debenture market. The notes are unsecured and repayable on 16 June 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.85% per annum.

32 Trade and other payables

Current trade and other payables:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bills payable	**30,000**	24,850	**30,000**	–
Trade payables	**497,217**	529,966	**402,970**	467,662
Other payables and accruals	**390,418**	404,667	**207,620**	204,854
Payable for mining rights	**81,383**	81,089	**–**	–
Deferred income *(note (a))*	**87,646**	80,900	**33,910**	41,520
Dividend payable	**1,260**	9,222	**1,260**	9,222
Payable to non-controlling interests *(note (b))*	**35,429**	35,240	**–**	–
Derivative financial liabilities *(note 36(g)(i))*	**5,077**	–	**4,942**	–
	1,128,430	1,165,934	**680,702**	723,258
Non-current other payables				
Decommissioning costs	**13,988**	13,938	**–**	–
Deferred income *(note (a))*	**81,252**	50,043	**71,739**	39,954
	95,240	63,981	**71,739**	39,954

(a) Deferred income represents grants received from the government for the exploration of mines and construction of mining related assets. 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.

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

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within three months	**466,343**	487,442	**387,519**	436,471
Over three months but less than six months	**10,265**	18,930	**7,686**	17,930
Over six months but less than one year	**5,741**	12,183	**5,004**	7,813
Over one year but less than two years	**7,990**	6,826	**566**	2,792
Over two years	**6,878**	4,585	**2,195**	2,656
	497,217	529,966	**402,970**	467,662

33 Loan from ultimate holding company

The loan was provided by Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) and assumed by the Group upon the acquisition of Wason Copper-Foil during the year ended 31 December 2008. The loan is unsecured, interest-free and repayable on demand.

34 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

	Share capital (note34(b)) RMB'000	Share premium (note (i)) RMB'000	PRC Statutory reserves (note (ii)) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2013	154,050	827,931	160,070	990,109	2,132,160
Changes in equity for 2013					
Total comprehensive income for the year	–	–	–	(621,158)	(621,158)
Appropriation of safety production fund	–	–	27,335	(27,335)	–
Utilisation of safety production fund	–	–	(27,335)	27,335	–
Dividends approved in respect of the previous year	–	–	–	(53,917)	(53,917)
At 31 December 2013	154,050	827,931	160,070	315,034	1,457,085
Changes in equity for 2014					
Total comprehensive income for the year	**–**	**–**	**–**	**6,785**	**6,785**
Appropriation of safety production fund	**–**	**–**	**28,485**	**(28,485)**	**–**
Utilisation of safety production fund	**–**	**–**	**(28,485)**	**28,485**	**–**
At 31 December 2014	**154,050**	**827,931**	**160,070**	**321,819**	**1,463,870**

34 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 168 and 169 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 2014, the Company transferred RMB28,485,000 (2013: RMB27,335,000) from retained earnings to specific reserve for the provision for the safety production fund, and transferred RMB28,485,000 (2013: RMB27,335,000) 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.

34 Capital and reserve (continued)

(b) Share capital

	2014 Number of shares	2014 RMB'000	2013 Number of shares	2013 RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB0.20 each	**472,975,091**	**94,595**	472,975,091	94,595
H shares of RMB0.20 each	**297,274,000**	**59,455**	297,274,000	59,455
At 1 January and 31 December	**770,249,091**	**154,050**	770,249,091	154,050

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.

(c) Distributability of reserves

According to the Listing Rules of the Main Board of the Stock Exchange, the amount of retained profits available for distribution to shareholders of the Company is the lower of the amount determined in accordance with the PRC Accounting Rules and Regulations and the amount determined in accordance with HKFRSs. At 31 December 2014, the amount of retained profits available for distribution was RMB321,819,000, being the amount determined in accordance with HKFRSs (2013: RMB315,034,000). After the end of the reporting period, the directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: RMBNil).

(d) 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 2014, the Group transferred RMB33,095,000 (2013: RMB33,943,000) from retained earnings to specific reserve provision for the safety production fund and transferred RMB33,095,000 (2013: RMB33,943,000) from specific reserve to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

34 Capital and reserve (continued)

(e) 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 interest-bearing loans and borrowings, trade and other payables plus unaccrued proposed dividends, less cash and cash equivalents). 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.

34 Capital and reserve (continued)

(e) Capital management (continued)

The net debt-to-adjusted capital ratio at 31 December 2014 and 2013 was as follows:

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current liabilities:					
– Trade and other payables	*32*	**1,128,430**	1,165,934	**680,702**	723,258
– Bank loans	*30*	**2,108,826**	1,721,954	**1,740,347**	1,307,037
– Other loan		**1,784**	2,081	**1,784**	2,081
– Loan from ultimate holding company	*33*	**23,800**	23,800	**–**	–
		3,262,840	2,913,769	**2,422,833**	2,032,376
Non-current liabilities:					
– Other payables	*32*	**95,240**	63,981	**71,739**	39,954
– Bank loans	*30*	**1,380,309**	1,368,117	**840,000**	1,056,500
– Debenture payable	*31*	**700,000**	700,000	**700,000**	700,000
		2,175,549	2,132,098	**1,611,739**	1,796,454
Total debt		**5,438,389**	5,045,867	**4,034,572**	3,828,830
Less: Cash and cash equivalents	*29*	**(372,312)**	(367,202)	**(214,684)**	(233,125)
Pledged deposits	*28*	**(158,946)**	(47,555)	**(66,998)**	(36,378)
Adjusted net debt		**4,907,131**	4,631,110	**3,752,890**	3,559,327
Total equity attributable to equity shareholders of the Company		**1,696,307**	1,663,494	**1,463,870**	1,457,085
Adjusted net debt-to-capital ratio		**289%**	278%	**256%**	244%

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.

35 Commitments and contingencies

(a) Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2014 not provided for in the financial statements, were as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for	**77,990**	192,275	**29,680**	13,533
Authorised but not contracted for	**253,581**	382,227	**72,549**	84,883
	331,571	574,502	**102,229**	98,416

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**2,839**	2,839
After one year but within five years	**8,749**	8,136
After five years	**1,885**	1,646
	13,473	12,621

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.

35 Commitments and contingencies (continued)

(c) Environmental contingencies

To date, the Company and the Group's subsidiaries in the PRC have not incurred any significant expenditures for environment remediation and is currently not involved in any environmental remediation. In addition, the Company and the Group's subsidiaries in the PRC have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material. The Group paid normal routine pollutant discharge fee and environmental rehabilitation expenses of RMB1,726,000 (2013: RMB1,919,000) and RMB18,939,000 (2013: RMB16,523,000) respectively for the year ended 31 December 2014.

In accordance with the laws and regulations of the KR, the Group's subsidiary in the KR has present obligation with regards to dismantling of mine site facilities and equipment and site rehabilitation. Provision for decommissioning costs of RMB13,988,000 (2013: RMB13,938,000) was made in the consolidated financial statements for the year ended 31 December 2014.

36 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

The carrying amounts of cash and cash equivalents, pledged deposits, trade and other receivables, deposits and prepayments and investment deposit represent the Group's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's cash and cash equivalents and deposits are held in major financial institutions located in Hong Kong and mainland China, which management believes are of high credit quality.

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.

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 does not obtain collateral from customers. The Group has certain concentration of credit risk on trade receivables as 9% (2013: 8%) and 23% (2013: 27%) of the total trade receivables was due from the Group's largest customer and the five largest customers other than Shanghai Gold Exchange respectively as at 31 December 2014.

In addition, the Group made purchase deposits of RMB266,141,000 (net of provision) (2013: RMB269,027,000) at 31 December 2014 to suppliers to secure its supplies of mineral sand which is the major raw materials in the smelting process. The balance represented 7.86% (2013: 8.87%) of the total current assets at 31 December 2014. The Group believes that 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.

36 Financial risk management and fair values (continued)

(a) Credit risk (continued)

In 2009, impairment losses on investment deposit of RMB80,000,000 (see note 22) and other receivables of RMB30,800,000 (see note 26(e)) were made in the consolidated financial statements. Management of the Group will continue to monitor the progress of the recoverability of the investments 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 26).

As at 31 December 2014, the Company has issued the following guarantees:

(i) guarantees to certain banks in respect of loans granted to a subsidiary, Wason Copper-Foil, of RMB70,000,000 (2013: RMB240,000,000); and

(ii) guarantees to certain banks in respect of loans granted to a subsidiary, Full Gold, of USD39,750,000 (RMB equivalent 243,230,000) (2013: RMB equivalent 144,801,000);

The directors do 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 single 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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

(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.

Other than discounted and endorsed bills with full recourse which were derecognised by the Group (see note 26), the following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company'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 and the Company can be required to pay:

36 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Group

	2014						2013					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Bank loans	2,321,938	1,153,359	272,557	–	3,747,854	3,489,135	1,939,831	590,943	862,569	–	3,393,343	3,090,071
Other loan	1,784	–	–	–	1,784	1,784	2,081	–	–	–	2,081	2,081
Loan from ultimate holding company	23,800	–	–	–	23,800	23,800	23,800	–	–	–	23,800	23,800
Trade and other payables	1,128,430	–	–	–	1,128,430	1,128,430	1,165,934	–	–	–	1,165,934	1,165,934
Debentures payable	41,350	714,203	–	–	755,553	700,000	42,100	42,100	715,146	–	799,346	700,000
Non-current other payables – Decommissioning costs	–	–	–	13,988	13,988	13,988	–	–	–	13,938	13,938	13,938
	3,517,302	1,867,562	272,557	13,988	5,671,409	5,357,137	3,173,746	633,043	1,577,715	13,938	5,398,442	4,995,824

36 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Company

	2014						2013					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Bank loans	1,924,585	867,948	–	–	2,792,533	2,580,347	1,479,467	474,756	653,888	–	2,608,111	2,363,537
Other loan	1,784	–	–	–	1,784	1,784	2,081	–	–	–	2,081	2,081
Trade and other payables	680,702	–	–	–	680,702	680,702	723,258	–	–	–	723,258	723,258
Amounts due to subsidiaries	138,218	–	–	–	138,218	138,218	90,645	–	–	–	90,645	90,645
Debentures payable	41,350	714,203	–	–	755,553	700,000	42,100	42,100	715,146	–	799,346	700,000
	2,786,639	1,582,151	–	–	4,368,790	4,101,051	2,337,551	516,856	1,369,034	–	4,223,441	3,879,521

36 Financial risk management and fair values (continued)

(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.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the end of the reporting period.

	The Group				The Company			
	2014		2013		2014		2013	
	Interest rate %	RMB'000	Interest rate %	RMB'000	Interest rate %	RMB'000	Interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	3.00~6.60	1,810,284	3.00~6.30	1,613,537	3.00~6.15	1,579,847	3.00~6.30	1,523,537
Net variable rate borrowings:								
Bank loans	1.45~6.30	1,678,851	2.15~7.05	1,476,534	6.00~6.30	1,000,500	6.15~6.30	840,000
Other loan	3.05	1,784	3.30	2,081	3.05	1,784	3.30	2,081
Debenture payable	5.85~5.95	700,000	5.95~6.10	700,000	5.85~5.95	700,000	5.95~6.10	700,000
Less: Cash and cash equivalents	0.35~1.27	(372,312)	0~2.95	(367,202)	0.35~1.27	(214,684)	0.35~1.27	(233,125)
Pledged deposits	0.35~3.30	(158,946)	0~1.15	(47,555)	0.35~3.25	(66,998)	0.35~1.15	(36,378)
		1,849,377		1,763,858		1,420,602		1,272,578
Total net borrowings		3,659,661		3,377,395		3,000,449		2,796,115
Net fixed rate borrowings as a percentage of total net borrowings		49%		48%		53%		54%

36 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 2014, 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 retained earnings by approximately RMB15,006,000 (increase/decrease the Group's net loss for the year and decrease/increase the Group's retained earnings for 2013: RMB14,160,000). 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 (2013: loss 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 2013.

(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 2014, 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.

36 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 and the Company'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 of the financial statements of foreign operations into the Group's presentation currency.

The Group

	Exposure to foreign currencies (expressed in Renminbi)	
	2014	2013
	USD	USD
	RMB'000	RMB'000
Trade and other receivables	**34,517**	72,950
Cash and cash equivalents	**20,466**	18,381
Trade and other payables	**(189,216)**	(9,437)
Bank loans	**(21,587)**	–
Overall net exposure	**(155,820)**	81,894

The Company

	Exposure to foreign currencies (expressed in Renminbi)	
	2014	2013
	USD	USD
	RMB'000	RMB'000
Trade and other receivables	**213**	–
Amounts due from subsidiaries	**181,549**	150,259
Trade and other payables	**(189,216)**	–
Bank loans	**(21,587)**	–
Overall net exposure	**(29,041)**	150,259

36 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 (2013: loss 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.

The Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates %	(Decrease)/ increase in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates %	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits RMB'000
USD	**3**	**(3,342)**	3	2,112
	(3)	**3,342**	(3)	(2,112)

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 (2013: loss 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 2013.

36 Financial risk management and fair values (continued)

(f) Business risk

During the year ended 31 December 2014, the Group's supplies of direct materials from independent third parties for smelting segment represent 90.7% (2013: 89.7%) of the Group's total direct materials, in which, the top five suppliers in 2014 represent 27.8% (2013: 24.7%) 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 turnover 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.

36 Financial risk management and fair values (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
The Group				
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	135	–	135	–
– Forward commodity contracts	4,092	–	4,092	–
– Futures commodity contracts	850	850	–	–
The Company				
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward commodity contracts	4,092	–	4,092	–
– Futures commodity contracts	850	850	–	–

36 Financial risk management and fair values (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

	Fair value at 31 December 2013 RMB'000	Fair value measurements as at 31 December 2013 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
The Group				
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	–	–	–	–
– Forward commodity contracts	–	–	–	–
– Futures commodity contracts	–	–	–	–
The Company				
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward commodity contracts	–	–	–	–
– Futures commodity contracts	–	–	–	–

36 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 forward exchange contracts and forward commodity contracts included in financial liabilities is determined by discounting the difference between the contractual exercise price and the market forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.

During the years ended 31 December 2013 and 2014, 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 2013 and 2014.

37 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.

(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.

37 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

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 2014 and 2013 is set out below.

	Mining – PRC		Mining – KR		Smelting		Copper processing		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**3,878**	–	**–**	–	**5,550,205**	7,142,718	**952,546**	808,218	**6,506,629**	7,950,936
Inter-segment revenue	**784,835**	768,772	**10,268**	972	**161,441**	173,875	**1,331**	–	**957,875**	943,619
Sales tax	**(407)**	(55)	**–**	–	**(8,668)**	(8,375)	**(1,203)**	(422)	**(10,278)**	(8,852)
Reportable segment revenue	**788,306**	768,717	**10,268**	972	**5,702,978**	7,308,218	**952,674**	807,796	**7,454,226**	8,885,703
Reportable segment profit/(loss)	**128,473**	3,122	**(58,956)**	(74,515)	**152,791**	(563,544)	**77,391**	41,527	**299,699**	(593,410)
Reportable segment assets	**2,036,427**	2,002,471	**862,908**	829,407	**2,346,445**	2,174,852	**1,610,588**	1,578,374	**6,856,368**	6,585,104
Reportable segment liabilities	**854,069**	881,676	**1,052,354**	938,825	**1,947,228**	1,940,392	**1,306,632**	1,319,093	**5,160,283**	5,079,986
Other segment information										
Interest expenses	**(19,448)**	(19,482)	**(20,513)**	(16,221)	**(79,827)**	(89,763)	**(25,884)**	(21,753)	**(145,672)**	(147,219)
Net foreign exchange gain/(losses)	**–**	(8)	**733**	(3,432)	**(3,326)**	(966)	**(314)**	(2,679)	**(2,907)**	(7,085)
Depreciation and amortisation for the year	**(87,449)**	(91,058)	**(36,071)**	(33,979)	**(41,259)**	(43,513)	**(48,507)**	(47,071)	**(213,286)**	(215,621)
(Provision)/reversal of impairment on:										
– trade and other receivables	**(6)**	–	**–**	–	**–**	129	**(6,983)**	(1,240)	**(6,989)**	(1,111)
– purchase deposits	**–**	–	**–**	–	**8,609**	(11,535)	**–**	–	**8,609**	(11,535)
– property, plant and equipment	**–**	(22,584)	**–**	–	**–**	–	**–**	–	**–**	(22,584)
– intangible assets	**(6,044)**	(329)	**–**	–	**–**	–	**–**	–	**(6,044)**	(329)
– goodwill	**–**	(34,058)	**–**	–	**–**	–	**–**	–	**–**	(34,058)

37 Segment reporting (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue	**7,454,226**	8,885,703
Elimination of inter-segment revenue	**(957,875)**	(943,619)
Consolidated revenue	**6,496,351**	7,942,084
Profit or loss		
Reportable segment profit/(loss)	**299,699**	(593,410)
Elimination of inter-segment profits	**(8,429)**	157,745
Reportable segment profit/(loss) derived from the Group's external customers	**291,270**	(435,665)
Other net income/(loss)	**49,875**	(72,915)
Finance costs	**(241,736)**	(239,017)
Unallocated head office and corporate expenses	**(42,709)**	(99,164)
Consolidated profit/(loss) before taxation	**56,700**	(846,761)
Assets		
Reportable segment assets	**6,856,368**	6,585,104
Elimination of inter-segment receivables	**(386,528)**	(439,687)
Elimination of unrealised profits	**(13,326)**	(4,159)
	6,456,514	6,141,258
Other non-current financial assets	**19,714**	10,504
Cash and cash equivalents managed by head office	**111,681**	23,709
Unallocated head office and corporate assets	**551,714**	548,075
Consolidated total assets	**7,139,623**	6,723,546

37 Segment reporting (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2014 RMB'000	2013 RMB'000
Liabilities		
Reportable segment liabilities	**5,160,283**	5,079,986
Elimination of inter-segment payables	**(386,528)**	(439,688)
	4,773,755	4,640,298
Unallocated head office and corporate liabilities	**672,353**	407,045
Consolidated total liabilities	**5,446,108**	5,047,343

38 Immediate and ultimate controlling party

At 31 December 2014, the directors consider the immediate parent and the ultimate controlling party of the Group to be Lingbao State-owned Assets Operation Limited Liability Company, a stated-owned enterprise established in the PRC. This entity does not produce financial statements available for public use.

39 Disposal of a subsidiary

Pursuant to the agreement dated 5 December 2014 entered into between the Company and China Sciences Lianrong Investment and Development (Beijing) Co., Ltd. ("China Sciences"), an independent third party, the Group disposed of its 80% equity interests in Puyue Mining, at a consideration of RMB37,257,000. At the same time, the Company acquired 1.3% equity interests in Puyue Mining from Beijing Puyue Investment Co., Ltd., the then non-controlling shareholder, at a consideration of RMB4,000,000.

The disposal was completed on 22 December 2014, on which date control of Puyue Mining was passed to China Sciences, and resulted in a gain on disposal of RMB50,263,000 for the year ended 31 December 2014.

After the above disposal and acquisition transactions, the Group retained 20% equity interests in Puyue Mining (see note 21).

39 Disposal of a subsidiary (continued)

	As at the date of disposal RMB'000
Net assets disposed of	
Current assets	563
Non-current assets (including goodwill)	17,171
Current Liabilities	(26,360)
	(8,626)
Non-controlling interests	1,099
Fair value of the equity interests retained after disposal *(note 21)*	(9,210)
Transfer exchange reserve to investment income	(269)
Gain on disposal of a subsidiary *(note 5)*	50,263
Payables to the then non-controlling shareholder for acquisition of 1.3% equity interests	4,000
Cash consideration	37,257
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follow:	
Cash consideration	37,257
Cash and cash equivalents disposed of	(229)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	37,028

40 Related party transactions

Particulars of transactions with related parties during the year ended 31 December 2014 are as follows:

(a) Transactions with state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Transactions with other state-controlled entities include but are not limited to the following:

– sales and purchase of goods and ancillary materials;

– rendering and receiving of utilities and other services;

– purchase of property, plant and equipment; and

– depositing and obtaining financial facilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the transactions potentially affected by related party relationships, the Group's pricing strategy, procurement policies and approval processes, and the information that would be necessary for an understanding of the potential effect of the related party relationship on the financial statements, the directors are of the opinion that the following related party transactions require disclosure of numeric details:

40 Related party transactions (continued)

(a) Transactions with state-controlled entities in the PRC (continued)

Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC. The Group also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. The Group's interest income generated from and interest expenses incurred to these state-controlled banks in the PRC are as follows:

	2014 **RMB'000**	2013 RMB'000
Interest income	**6,400**	3,738
Interest expenses	**196,512**	185,720

The amounts of cash deposited at and loans from state-controlled banks in the PRC included in the following account captions are summarised as follows:

	At **31 December** **2014** **RMB'000**	At 31 December 2013 RMB'000
Pledged deposits at state-controlled banks in the PRC	**158,929**	47,542
Cash and cash equivalents at state-controlled banks in the PRC	**365,764**	342,674
Short-term loans and current portion of long-term loans	**2,028,826**	1,641,954
Long-term loans excluding current portion of long-term loans	**1,380,309**	1,368,117
Total loans from state-controlled banks in the PRC	**3,409,135**	3,010,071

40 Related party transactions (continued)

(b) 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:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**3,333**	4,097
Post-employment benefits	**162**	150
	3,495	4,247

Total remuneration is included in "staff costs" (see note 6).

41 Accounting estimates and judgements

Key sources of estimation uncertainty

Notes 18 and 36(g) contain information about the assumptions and their risk factors relating to valuation of goodwill impairment and fair value of financial assets. Other key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation of mining related assets and reserves estimates

As explained in notes 1(g) and 1(h), 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 Chinese system, which is the 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 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.

41 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (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 current receivables, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Despite that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount 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.

41 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(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.

(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.

(Expressed in Renminbi Yuan unless otherwise indicated)

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective Date (for annual financial statements covering periods beginning on or after unless specified)
Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to *HKFRSs 2010-2012 cycle*	1 July 2014
Annual improvements to *HKFRSs 2011-2013 cycle*	1 July 2014
Annual improvements to *HKFRSs 2012-2014 cycle*	1 January 2016
HKFRS 14, *Regulatory deferral accounts* Basis for conclusions on HKFRS 14 Illustrative examples on HKFRS 14	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer plants*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investment entities: Applying the consolidation exception*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
HKFRS 15, *Revenue from contracts with customers* Basis for conclusions on HKFRS 15 Illustrative examples on HKFRS 15	1 January 2017

(Expressed in Renminbi Yuan unless otherwise indicated)

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014 (continued)

	Effective Date (for annual financial statements covering periods beginning on or after unless specified)
HKFRS 9, *Financial instruments (2014)* Basis for conclusions on HKFRS 9 (2014) Implementation guidance on HKFRS 9 (2014)	1 January 2018
HKFRS 9, *Financial instruments (2009)* Basis for conclusions on HKFRS 9 (2009) Amendments to other HKFRSs and guidance on HKFRS 9 (2009)	1 January 2018
HKFRS 9, *Financial instruments (2010)* Basis for conclusions on HKFRS 9 (2010) Implementation guidance on HKFRS 9 (2010)	1 January 2018
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7 *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2018
HKFRS 9, *Financial instruments: Hedge accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 (2013)* Basis for conclusions on HKFRS 9 (2013) Implementation guidance on HKFRS 9 (2013)	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

FIVE YEARS SUMMARY

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**3,754,915**	3,691,018	3,492,892	3,337,279	3,189,217
Net current assets	**116,235**	117,442	412,030	769,012	141,144
Total assets less current liabilities	**3,871,150**	3,808,460	3,904,922	4,106,291	3,330,361
Non-current liabilities	**2,177,635**	2,132,257	1,470,272	1,759,925	1,222,404
NET ASSETS	**1,693,515**	1,676,203	2,434,650	2,346,366	2,107,957
Share capital	**154,050**	154,050	154,050	154,050	154,050
Reserves	**1,542,257**	1,509,444	2,233,906	2,145,280	1,912,871
Total equity attributable to equity shareholders of the Company	**1,696,307**	1,663,494	2,387,956	2,299,330	2,066,921
Non-controlling interests	**(2,792)**	12,709	46,694	47,036	41,036
TOTAL EQUITY	**1,693,515**	1,676,203	2,434,650	2,346,366	2,107,957
Operating results					
Turnover	**6,496,351**	7,942,084	6,393,306	5,720,835	4,834,554
Profit/(loss) from operations	**298,436**	(607,744)	465,978	593,236	478,273
Finance costs	**(241,736)**	(239,017)	(241,281)	(156,329)	(92,019)
Profit/(loss) before taxation	**56,700**	(846,761)	224,697	436,907	386,254
Income tax	**(39,442)**	138,478	(59,807)	(128,121)	(128,377)
Profit/(loss) for the year	**17,258**	(708,283)	164,890	308,786	257,877
Attributable to:					
Equity shareholders of the Company	**33,687**	(673,365)	165,335	310,562	266,451
Non-controlling interests	**(16,429)**	(34,918)	(445)	(1,776)	(8,574)
Profit/(loss) for the year	**17,258**	(708,283)	164,890	308,786	257,877