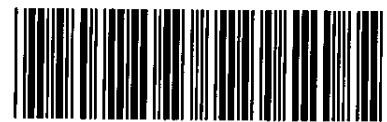


Company Registration No. 05059077

Vatukoula Gold Mines plc.
Report and Financial Statements
For the year ended 31 December 2017

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Vatukoula Gold Mines plc.
Report and Financial Statements
For the period ended 31 December 2017

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The directors present their strategic report on the company for the year ended 31 December 2017.

The Company continues under section 401 of the Companies Act to take exception to preparing consolidated accounts for the Group, as Zhongrun International Mining Co. Ltd ("Zhongrun") continued to hold approximately 79.5% of the enlarged share capital of the Company and continues as the ultimate controlling entity and Zhongrun's accounts continue to be prepared under Chinese GAAP, and have been filed along with the Company accounts at Companies House in accordance with the Companies Act 2006.

Review of the business

Subsequent to the delisting the Company in 2014 from AIM and the restructuring, in particular the Company divesting management control of its operations to the subsidiaries that own the assets. The role of the Company has continued as an investment holding Company for its subsidiary undertakings.

The principle activity of its subsidiaries continues to be exploration, discovery, and development of gold mining operations. The Company's subsidiary is primarily focused on its operations on the Pacific Island of Viti Levu, Fiji and the ownership of the Vatukoula Gold Mine. The Vatukoula Gold Mine is the longest producing gold mine in Fiji. Operating for over 75 years, the mine has produced in excess of seven million ounces of gold. The Company acquired the mine in 2008 and aims to reach a sustainable and profitable production level. The mineral deposit at the Company's Vatukoula mine currently has estimated resources of 4.0 million ounces of gold and estimated reserves of 750,000 ounces of gold.

Results and performance

The results of the Company for the year, as set out on page 8, show an underlying operating loss of £0.81 million for 12 months (2016: Loss of £1.55 million). The main driver for this variance was the unrealised foreign exchange losses on loans to our wholly owned subsidiary. In the current year, the costs have been controlled with the main expenditure being on insurance and wages.

The net loss before taxation decreased from £9.67 million (12 months 31 Dec 2016) to £7.06 million for the current 12 month period. Despite the continuing losses the Directors believe in the long term the Company's investment in the Vatukoula Gold Mine will provide a return to its shareholders and will be able to repay all loan amounts, the subsidiary will still require further investment from the Company to achieve this goal which in turn will require the Company to issue further debt or equity to fund this investment. Therefore given the uncertainty of obtaining this finance the Directors continue to believe it prudent to impair all group loan values to zero.

The Company continues to be financed Zhongrun during the year, with the balance owing at 31 December 2017 of £28.99million. (At 31 December 2016 £18.68million)

Business environment

The Company is an investment holding company for its subsidiary undertakings and as such if it is to see a return from this investment it will require to make further investments into the its subsidiaries. Access to capital remains limited in the UK, however the directors have finance obligations from the parent company, although the Directors believe that the Vatukoula Gold Mine will require further funding of approximately US\$20 million to reach its long term production targets and provide value to shareholders.

Board of Directors

Yingbin Ian He, Non-Executive Chairman, age 56

Mr. Yingbin Ian He has over 30 years of experience in mining industry. Mr He obtained his PhD degree in mineral process engineering from the University of British Columbia in Canada. He is currently a director of Zhongrun Resources Investment Corp which is listed on the Shenzhen Stock Exchange and China Gold International Resources, which is dual listed on the Toronto Stock Exchange and Hong Kong Stock Exchange.

Zhenchuan LI, Non-Executive Director, age 60

Mr Zhenchuan Li joined Shandong Gold Industrial Corporation as a Manager in 1998. Later in 1998 he moved on to Shandong Gold Xinyi Jewelry Co., as Deputy Chairman of the Board. In 2005 he was appointed as General Manager of Shandong Gold Group Mining Development Co., Ltd, before moving on to become General Manager of Gold Resources Development Co , Ltd in 2009. In 2012 he was appointed as Chairman of Shandong Gold Mineral Resources Group Co., Ltd. From 2013 he has been a Director and General Manager of Zhongrun Resources Investment Corp.

Mr Lei Sun, Non-Executive Director,

Since 1999, Mr. Sun joined China Shandong International Economic and Technical Cooperation Group, Ltd. He has been working as a project manager and general manager of East Timor Branch Company. Since 2005, he has been working as the general manager of Sudan Branch Company. Since 2010, he has been working as the Deputy General Manager of China Shandong International Economic and Technical Cooperation Group, Ltd

Qinghua Cao, Non-Executive Director,

Mr Cao is currently the Business Manager of Investment and Development department of China Shandong International Economic and Technical Cooperation Group, Ltd.

Directors' Report

The directors are pleased to present this year's annual report together with the Company's financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is that of a holding Company for its subsidiary undertakings, which are set out in Note 8 of the financial statements.

Results and dividends

The loss on ordinary activities of the Company for the year ended 31 December 2017 after taxation was £7.06 million (year ended 31 December 2016: loss of £9.67 million).

The directors do not recommend the payment of a dividend (2016: nil).

Business review and Key performance indicators (KPI's)

A review of the current and future development of the Company's business is given in the strategic report section of this report on page 1

Due to the current status of the Company, the Board has not identified any performance indicators as key.

The Strategic Report sets out a review of the development and performance of VGM's business for the year ended 31 December 2017 and the future developments. The Strategic Report is set out on page 1 of this annual report. All information detailed in these pages is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Events after the end of the reporting period

At the date these financial statements were approved, being 20 September 2018, the directors were not aware of any significant events after the end of the reporting period other than those set out in Note 17 of the financial statements.

Future developments

A review of our future developments is given in the Strategic Report on page 1.

Financial risk management

The Company's operations expose it to financial risks that include liquidity risk, interest rate and foreign exchange risk. The Company does not use derivative financial instruments to manage any of these risks nor is hedge accounting applied.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The Company's finance department implements the policies set by the board of directors. Further details of the Company's exposure to risks arising from financial instruments held are provided in note 14.

Liquidity risk

The Company actively manages its working finance to ensure the Company has sufficient funds for current operations. As referred to in Note 3 of the financial statements, it is for this reason that the directors believe it is appropriate to prepare the financial statements on a going concern basis

Interest rate cash flow risk

Interest bearing assets are only cash balances that earn interest at a floating rate. The Company does not have any variable rate debt and therefore it is not exposed to interest rate cash flow risk on its debt.

Foreign exchange risk

The Company operates in the United Kingdom, however its subsidiaries operate in Fiji and Brazil. The board has assessed its exposure foreign exchange risk, the details of which are provided in note 14. This situation is monitored on a regular basis, and as such the directors do not currently consider it necessary to enter into forward exchange contracts.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company has credit risk management policies in place and exposures to credit risk are monitored on an ongoing basis. Management generally adopts conservative strategies and a tight control on credit policy.

Directors' insurance

The Company has taken out an insurance policy to indemnify the directors and officers of the Company against liability when acting for the Company.

Directors

The following directors have held office during the period:

Yingbin Ian He
Yeung Ng (resigned 27 August 2018)
Zhenchuan Li
Lei Sun
Qinghua Cao

Directors' interests

No director has held or currently holds any options over ordinary shares.

Corporate Governance

The directors recognise the value of the Combined Code on Corporate Governance that was issued in September 2012 by the Financial Reporting Council. As the Company has delisted from AIM, compliance with the Combined Code is not required. Therefore the Company has not adopted the Combined Code 2012, but the directors recognise the good principles that are set out within the Code and hence have chosen to follow some of principles which are relevant to the Company, the directors believe that the Company applies the Main Principles insofar as is practicable and appropriate for a public company of its size.

Political and charitable donations

The Company made no charitable or political donations during the year (2016: £nil).

Policy on payment of creditors

The Company seeks to maintain good terms with all of its trading partners. It does not follow any specific code or standard on payment practice. However, it is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers, to ensure that the suppliers are made aware of those terms and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end payables is therefore not meaningful.

Related Party Transactions

Details of related party transactions during the year are set out at note 15 to the financial statements.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the *Business Review* section of this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition note 14 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and details of its financial instruments and its exposure to credit and liquidity risk.

In assessing the Company's going concern the Directors have taken into account the above factors, including the financial position of the Company and in particular its cash position, and the Company's capital expenditure and financing plans.

The Directors note the losses that the Company has made for the Year Ended 31 December 2017. The Directors have prepared cash flow forecasts for the period ending 30 September 2019 which take account of the current cost and operational structure of the Company.

The Company's forecasts and projections, show that the Company should be able to operate using its current financing facilities, and support from the ultimate parent company, Zhongrun. The cost structure of the Company itself, comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future at least for a period of twelve months from the approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors note the Net Liability position in the Statement of Financial Position, and the liquidity of the Company has been addressed by way of a guarantee of financing from Zhongrun, without this guarantee from Zhongrun, the Company would be considered insolvent and not able to continue as a going concern.

Zhongrun have confirmed in writing to the Company that it remains willing and able continue to support the Company as becomes required, and will continue to make the required repayments on the Euro Term Loan from the Bank of China.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Chapman Davis LLP be re-appointed will be put to the forthcoming Annual General Meeting.

Directors' responsibilities in the preparation of financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing the financial statements, directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable, comparable, understandable and prudent,
- state whether IFRS as adopted by the European Union have been followed subject to any material departure disclosed and explained in the financial statements,
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to conclude the impact of particular transactions, other events and condition of the entities' financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Company's website on the internet. However, information is accessible in many different countries where legislation governing preparation and documentation of financial statements may differ from that applicable in the United Kingdom.

Disclosure of information to auditors

Each of the directors in office at the date of approval of the annual report confirms that so far as they are aware there is no relevant audit information of which the Company's auditor is unaware and that each director has taken all the steps which they ought to have taken as directors in order to make themselves aware of that information.



Yinghin Ian He
Director
20 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VATUKOULA GOLD MINES PLC

OPINION

We have audited the financial statements of Vatukoula Gold Mines Plc (the 'Company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the *Company's losses for the year then ended*;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the financial statements, which indicates that the Company incurred a net loss of £7,060,000 during the year ended 31 December 2017 and, as of that date, the Company's current liabilities exceeded its current assets by £20,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit. Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

CARRYING VALUE OF COMPANY BORROWINGS

The Company's Borrowings represent the most significant liability on its statement of financial position totalling £40.8m as at 31 December 2017.

The carrying value of the Company's Borrowings represents significant liabilities of the company and assessing whether facts or circumstances exist to suggest understatement of the liabilities was present, was considered key to the audit.

How the Matter was addressed in the Audit

The procedures included, but were not limited to:

- Obtaining independent confirmation and statements from Bank of China,
- Review and agreement of Zhongrun Resources Investment Corporation's balances and accounts therewith,

We also assessed the disclosures included in the financial statements.

The materiality for the financial statements as a whole was set at £400,000, being 1% of Net Assets, with a lower materiality set for individual income statement categories.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) or ISA IAASB will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Keith Fulton
(Senior Statutory Auditor)
For and on behalf of Chapman Davis LLP, Statutory Auditor
London
Chapman Davis LLP is a limited liability partnership registered in England and Wales (with registered number OC306037).

Date: 20 September 2018

Vatukoula Gold Mines plc.
Statement of Comprehensive Income
For the period ended 31 December 2017

	Notes	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Turnover		-	-
Gross profit		-	-
Operating expenses			
Administrative expenses		(76)	(94)
Foreign exchange (loss)/gain		(733)	(1,454)
Underlying operating (loss)		(809)	(1,548)
Impairment charge	8,9	(3,309)	(11,538)
Operating (loss)	4	(4,118)	(13,086)
Interest receivable and other income	6	-	5,850
Interest payable and similar charges	6	(2,942)	(2,433)
(Loss) before taxation		(7,060)	(9,669)
Taxation	7	-	-
(Loss) for the period attributable to equity holders of the Company		(7,060)	(9,669)
Other comprehensive income			
Currency translation loss		(101)	(2,282)
Other comprehensive income net of taxation		(101)	(2,282)
Total comprehensive (loss) attributable to equity holders of the Company		(7,161)	(11,951)

All activities relate to continuing operations.

The notes form an integral part of these financial statements

Vatukoula Gold Mines plc.
Statement of Financial Position
As at 31 December 2017

Company Registration No. 5059077

	Notes	31 Dec 2017 £'000	31 Dec 2016 £'000
Assets			
Non-current assets			
Trade and other receivables	9	-	-
Investment in subsidiary companies	8	-	-
Total non-current assets		-	-
Current assets			
Trade and other receivables	9	17	27
Cash and cash equivalents	10	-	-
Total current assets		17	27
Total Assets		17	27
Equity & Liabilities			
Current liabilities			
Trade and other payables	12	37	44
Total Current Liabilities		37	44
Non-current Liabilities			
Borrowings	13	40,825	33,667
Total Non-current liabilities		40,825	33,667
Total Liabilities		40,862	33,711
Shareholders' Equity			
Share capital	11	17,213	17,213
Share premium account	11	94,711	94,711
Share based payment reserve		-	98
Foreign currency reserve		(3,290)	(3,189)
Accumulated losses		(149,479)	(142,517)
Total shareholders' equity		(40,845)	(33,684)
Total liabilities and shareholders' equity		17	27

Approved by the Board and authorised for issue on 20 September 2018 and signed on behalf of the Board of Directors by



Yingbin lan He
Director
20 September 2018

The notes form an integral part of these financial statements

Vatukoula Gold Mines plc.
Statement of Changes in Shareholders' Equity
As at 31 December 2017

	Ordinary share capital £'000	Share premium £'000	Share based payment reserve £'000	Foreign currency reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 January 2016	17,213	94,711	791	(907)	(133,541)	(21,733)
Loss for the year	-	-	-	-	(9,669)	(9,669)
Currency translation loss	-	-	-	(2,282)	-	(2,282)
Total comprehensive income	-	-	-	(2,282)	(9,669)	(11,951)
Issue of shares	-	-	-	-	-	-
Share options expired	-	-	(693)	-	693	-
Balance at 31 December 2016	17,213	94,711	98	(3,189)	(142,517)	(33,684)

	Ordinary share capital £'000	Share premium £'000	Share based payment reserve £'000	Foreign currency reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 January 2017	17,213	94,711	98	(3,189)	(142,517)	(33,684)
Loss for the year	-	-	-	-	(7,060)	(7,060)
Currency translation loss	-	-	-	(101)	-	(101)
Total comprehensive income	-	-	-	(101)	(7,060)	(7,161)
Issue of shares	-	-	-	-	-	-
Share options expired	-	-	(98)	-	98	-
Balance at 31 December 2017	17,213	94,711	-	(3,290)	(149,479)	(40,845)

Share premium: The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of new ordinary share capital.

Share based payment reserve: The share-based payment reserve represents cumulative amounts charged to the Statement of Comprehensive Income in respect of share based payment arrangements, where it has not yet been settled by means of an award of shares

Foreign currency reserve: The reserve represents the unrealised currency gains or (losses) on translation of balances at the year end

Accumulated losses: The accumulated losses represent profits and losses retained in previous and current period.

The notes form an integral part of these financial statements

Vatukoula Gold Mines plc.
Statement of Cash Flows
For the period ended 31 December 2017

	Notes	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Cash flows from operating activities			
Operating loss for the year:		(4,118)	(13,085)
Adjustments for			
Impairment		3,309	11,538
Foreign exchange loss		733	1,453
Provision for bad debts			
Net operating income before changes in working capital		(76)	(94)
Decrease/(increase) in receivables	9	10	10
(Decrease) accounts payable	12	(7)	(13)
Net cash used in operating activities		(73)	(97)
Cash flows from investing activities			
Interest received		-	-
Net cash used in investing activities		-	-
Cash flows before financing		(73)	(97)
Cash flows from financing activities			
Interest paid		-	-
Net Proceeds from borrowings		73	97
Net cash provided by financing activities		73	97
Net (decrease)/increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year	10	-	-
Cash and cash equivalents at the end of the year	10	-	-

The notes on pages 46 to 86 form an integral part of these financial statements

1. General information

Vatukoula Gold Mines plc. is registered in England and Wales under number 5059077. The Company is governed by its articles of association and the principal statute governing the Company is the Companies Act 2006. The Company's registered office is situated at Level 5, 2 More London Riverside, London, SE1 2AR.

The Company delisted from AIM on 1 July 2014, and its ordinary shares are no longer listed on any stock market.

The nature of the Company's operations and principal activities are set out in the Directors' Report on page 3.

The financial statements of Vatukoula Gold Mines Plc for the year ended 31 December 2017 were authorised for issue by the Board on 20 September 2018 and the balance sheets signed on the Board's behalf by Yingbin Ian He

2. Basis of preparation

The financial statements of Vatukoula Gold Mines plc. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Pounds Sterling (GBP) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The principal accounting policies adopted by the Company in the preparation of the financial statements are set out below.

The Board has reviewed the accounting policies set out in the financial statements and considers them to be most appropriate to the Company's business.

Statement of Compliance with IFRS

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and interpretations) as adopted by the European Union.

New standards, amendments and interpretations adopted by the Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Summary of significant accounting policies

(a) Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review section of this report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition note 14 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and details of its financial instruments and its exposure to credit and liquidity risk.

In assessing the Company's going concern the Directors have taken into account the above factors, including the financial position of the Company and in particular its cash position, and the Company's capital expenditure and financing plans.

The Directors note the losses that the Company has made for the Year Ended 31 December 2017. The Directors have prepared cash flow forecasts for the period ending 30 September 2019 which take account of the current cost and operational structure of the Company

The Company's forecasts and projections, show that the Company should be able to operate using its current financing facilities, and a guarantee of support from the ultimate parent company, Zhongrun. The cost structure of the Company itself, comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future at least for a period of twelve months from the approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors note the Net Liability position in the Statement of Financial Position, and the liquidity of the Company has been addressed by way of a guarantee of financing from Zhongrun, without this guarantee from Zhongrun, the Company would be considered insolvent and not able to continue as a going concern.

Zhongrun have confirmed in writing to the Company that it remains willing and able continue to support the Company as becomes required, and will continue to make the required repayments on the Euro Term Loan from the Bank of China.

3. Summary of significant accounting policies (continued)

(b) Significant accounting judgements, estimates and assumptions

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) *Provisions and Contingent Liabilities (note 16)*

Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Several of these factors are a source of estimation uncertainty.

Estimates and Assumptions

The preparation of financial statements requires the application of estimates and assumptions on future events, which affects assets and liabilities at the reporting date and income and expenditure for the period. 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.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(ii) Share-based payment transactions (see note 11)

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. The Black-Scholes model is particularly sensitive to expected volatility. Therefore any change in the methodology of the calculation of volatility will impact the amount expensed as share based payments on the statement of comprehensive income.

The value expensed in the statement of comprehensive income is £nil (2016: £nil).

(vi) Allowance for doubtful debts (see note 9)

Each receivable balance is assessed to determine recoverability. Provisions are made for those debtors where evidence indicates that recoverability is doubtful. Amounts are written off when they are deemed irrecoverable. Any changes to estimates made in relation to debtors' recoverability may result in materially different amounts being reported by the Company's financial statements. In particular any changes will affect trade and other receivable as well as the statement of comprehensive income.

The carrying value at the reporting date of the provision for doubtful debts is £1,602,000 (2016: £1,602,000).

(d) Revenue recognition

Revenue is recognised when persuasive evidence exists that all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Finance revenue

Interest revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

3. Summary of significant accounting policies (continued)

(e) Turnover and Segmental Analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. Other than the segment information below, there is currently considered to be no useful disclosure of any other segmental information.

The Company is operating as a single UK based segment with a single primary activity act as a corporate administrative holding company. The revenue from this segment, generated from management services in the UK, was £nil (2016 - £nil). The non-current assets of the segment is £nil (2016 - £nil).

(f) The Company's investments in subsidiaries

The Company recognises its investments in subsidiaries at cost, less any provision for impairment. Differences arising from changes in fair values of intercompany loans receivable at below market rates of interest are treated as an increase in the investment in the subsidiary.

(g) Foreign currency

The financial statements are presented in Pounds Sterling ("£"), which is the Company's functional and presentation currency.

All differences arising on translation are included in the profit or loss except for exchange differences arising on non-monetary assets and liabilities where the changes in fair values are recognised directly in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Company's contractual rights to future cash flows from the financial asset expire or when the Company transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

a. Trade and other receivables and other assets

Trade and other receivables and other assets are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

b. Cash and cash equivalents

For purposes of the statement of financial position and statement of cash flows, the Company considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less, all of which are available for use by the Company unless otherwise stated.

3. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

c. Investments

Investments included as financial assets are valued at fair value and are held as available for sale. When available for sale assets are considered to be impaired, cumulative gains or losses previously recognised in equity are reclassified to the profit or loss in the period.

d. Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's financial liabilities include trade and other payables, bank loans, other borrowings, convertible loans and obligations under finance leases. All financial liabilities, are recognised initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

e. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

f. Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

g. Trade payables, provisions and other payables

Trade payables are not interest-bearing and are stated at cost. Other payables which are interest-bearing are measured at fair value. Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are measured at fair value. Provision has been made in the financial statements for benefits accruing in respect of sick leave, annual leave, and long service leave.

h. Compound financial instruments

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry

(i) Financing costs and interest income

Financing costs comprise interest payable on borrowings and interest income which is calculated using the effective interest rate method.

(j) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates

3. Summary of significant accounting policies (continued)

(k) Share Capital

Ordinary shares are recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly relating to the issue of shares are accounted for as a deduction from share premium, otherwise they are charged to the Statement of Comprehensive Income.

(l) Taxation

Tax on profit or loss for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(m) Share-based payments

The Company operates a share option scheme for granting share options, for the purpose of providing incentives and rewards to eligible employees of the Company. The cost of share options granted is measured by reference to the fair value at the date at which they are granted.

Non-market performance and service conditions are included in the assumptions about the number of options expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimate, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

4. Operating loss

	31 Dec 2017 £'000	31 Dec 2016 £'000
Operating (loss) is stated after charging		
– Auditors' remuneration		
Audit-related assurance services - Current year	6	5
Taxation compliance services	-	-
– Foreign exchange (gain)/loss	733	1,454

5. Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	31 Dec 2017 Number	31 Dec 2016 Number
Office and management	5	5
Employment costs:	2017 £'000	2016 £'000
Wages and salaries (excluding directors')	-	-
Social security	-	-
Share based payments expense	-	-
	-	-
Directors' remuneration:	2017 £'000	2016 £'000
Yingbin Ian He	-	5
Yeung Ng (resigned 27 August 2018)	-	-
	-	5

Directors' remuneration in 2017 and 2016 solely consisted of salaries, and as at 31 December 2017 (2016: nil) there were no directors accruing benefits under a money pension scheme. No options were granted to directors during the year (2016: nil), and no options (2016: Nil) were exercised by the directors.

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6. Interest receivable/payable and similar charges

Interest receivable and other income:	31 Dec 2017 £'000	31 Dec 2016 £'000
Bank interest	-	6
Unwinding of discount on loans to subsidiaries	-	5,850
	-	5,850
Interest payable and similar charges:	2017	2016
	£'000	£'000
Interest and bank charges	2,942	2,433
	2,942	2,433

7. Taxation

	31 Dec 2017 £'000	31 Dec 2016 £'000
Current taxation	-	-
Factors affecting tax charge:		
Loss before tax	(7,060)	(9,669)
Tax at 19% (2016: 19.25%)	(1,341)	(1,934)
Effects of:		
- Non deductible expenses	-	-
- Tax losses for which no deferred income tax was recognised	1,341	1,934
	-	-

The Company has tax benefits in respect of tax losses which have not been recognised as a deferred tax asset.

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8. Investment in subsidiary companies

	31 Dec 2017 £'000	31 Dec 2016 £'000
Cost		
As at 1 January	57,836	57,836
Additions in the year. Equity capital contribution	-	-
Balance as at 31 December	57,836	57,836
Impairment		
As at 1 January	57,836	57,836
Charge for the year	-	-
Balance as at 31 December	57,836	57,836
Net book value		
Balance as at 31 December	-	-

Details of the subsidiaries.

Name of business	Country of incorporation	Principal activities	% held
Viso Gero International Inc	BVI	Holding company	100
Vatukoula Gold Pty Ltd	Australia	Holding company	100
Vatukoula Australia	Australia	Holding company	100
Vatukoula Finance Pty Ltd	Australia	Holding company	100
Koula Mining Company	Fiji	Dormant	100
Jubilee Mining Company	Fiji	Dormant	100
Vatukoula Gold Mine Ltd	Fiji	Mining	100
River Diamonds UK Ltd	England & Wales	Holding Company	100
Panguma Diamonds Ltd	Sierra Leone	Dormant	100
São Carlos Mineração Limitada *	Brazil	Exploration	100

* The investment in this entity is held by River Diamonds UK Ltd, a 100% owned subsidiary of the Company.

Investments in subsidiary companies are measured at cost, less accumulated provisions for impairments.

The directors have assessed that the investment in subsidiaries remain fully impaired as at 31 December 2017. The balance has been impaired during the period by £nil (2016: £nil). The impairment was calculated based on the expected return from the subsidiary over the period that it is expected to make distributable profits.

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9. Trade and other receivables

	31 Dec 2017 £'000	31 Dec 2016 £'000
Current		
Trade receivables	-	-
Amounts owed by group undertakings	1,102	1,102
Other receivables	500	500
	1,602	1,602
Less: Provision for doubtful debts	(1,602)	(1,602)
Prepayments	17	27
Less: Provision for doubtful debts	-	-
Total Current	17	27
Non Current		
Amounts owed by group undertakings	98,263	94,954
Less: Net Provision for Impairment	(98,263)	(94,954)
Total Non Current	-	-

The following table provides an analysis of current trade and other receivables that were past due as at 31 December 2017, but not provided for, followed by those past due and impaired.

	31 Dec 2017 £'000	31 Dec 2016 £'000
Current trade and other receivables		
Not impaired		
Due 0-31 days	-	-
Past due 32-62 days	-	-
Past due 63 – 92 days	-	-
Past due more than 93 days	-	-
	-	-
Impaired		
Due 0-31 days	-	-
Past due more than 93 days	1,602	1,602
Provision for doubtful debts	(1,602)	(1,602)
	-	-
	-	-

The movement in provision for doubtful debts has been debited to the Statement of Comprehensive Income

The Company has fully provided for the loans due from subsidiaries on the basis of the expected return from subsidiaries over the period not being in positions with distributable profits or cash flows.

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10. Cash and cash equivalents

	31 Dec 2017 £'000	31 Dec 2016 £'000
Cash at bank and in hand	-	-

11. Share capital

(a) Share capital

	31 Dec 2017 £'000	31 Dec 2016 £'000
Allotted, issued and fully paid		
344,255,339 ordinary shares of 5p each (31 December 2016: 344,255,339 ordinary shares of 5p each)	17,213	17,213

(b) Share issues during the year

No Shares were issued during the years ended 31 December 2017 and 31 December 2016.

(c) Warrants and options

During the year ended 31 December 2017 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines plc.

Exercise price	Average exercise price per share	Number of options	Number of options	Number of options	Total
		£0.70	£0.97	£1.39	
Balance at 1 January 2016	1.1	180,000	500,000	484,112	1,164,112
Granted during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired during the period	1.2	-	(500,000)	(484,112)	(984,112)
Balance at 31 December 2016	0.7	180,000	-	-	180,000

Exercise price	Average exercise price per share	Number of options	Number of options	Number of options	Total
		£0.70	£0.97	£1.39	
Balance at 1 January 2017	0.7	180,000	-	-	180,000
Granted during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired during the period	0.7	(180,000)	-	-	(180,000)
Balance at 31 December 2017	-	-	-	-	-

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11. Share capital (continued)

(d) Warrants and options

During the year ended 31 December 2017 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines plc.

	Average exercise price per share	Number of options	Number of options	Number of options	Total
Exercise price		£0.70	£0.97	£1.39	
Balance at 1 January 2016	1.1	180,000	500,000	484,112	1,164,112
Granted during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired during the period	1.2	-	(500,000)	(484,112)	(984,112)
Balance at 31 December 2016	0.7	180,000	-	-	180,000

	Average exercise price per share	Number of options	Number of options	Number of options	Total
Exercise price		£0.70	£0.97	£1.39	
Balance at 1 January 2017	0.7	180,000	-	-	180,000
Granted during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired during the period	0.7	(180,000)	-	-	(180,000)
Balance at 31 December 2017	-	-	-	-	-

No share options were issued during the current year (2016: nil).

The following main conditions applied to all options and warrants previously in issue and outstanding as at 31 December 2017:

Management options vest over 3 years from date of grant, however should the grantee resign or be dismissed prior to the first anniversary of his or her employment the options will cease. Directors' options vest immediately and there are no performance conditions associated with the options.

The total share-based payment expense in the year for the Company was £nil (2016: £nil), and nil (2016: 180,000) options are exercisable at the year end. 180,000 options were forfeited during the year (2016: 984,112)

The weighted average remaining contractual life of the nil options outstanding at the balance sheet date is nil years (2016: 0.1 years). The weighted average share price during the period is not applicable as the Company de-listed from AIM on 1 July 2014.

The share option scheme and the warrants on issue is an equity settled plan and fair value is measured at the grant date of the option.

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12. Trade and other payables

	31 Dec 2017 £'000	31 Dec 2016 £'000
Trade payables	25	23
Accruals and other payables	12	21
	37	44

13. Borrowings

	31 Dec 2017 £'000	31 Dec 2016 £'000
Opening Balance	33,667	21,713
Drawdown on facility	4,684	11,538
Repayments made	(3,481)	(2,548)
Interest & fees charged	2,942	1,755
Foreign exchange differences	3,013	1,209
	40,825	33,667
Represented by;		
Loan due to parent company	28,996	18,677
Loan due to Bank of China	11,829	14,990
	40,825	33,667

Zhongrun International Mining Co Ltd USD loan

The loan was repayable in 12 quarterly instalments commencing on 15 April 2017, however this has been extended for a further 24 months. Interest is being charged at the rate of 13% per annum. During the year, the Company repaid £nil of the loan from Zhongrun.

Bank of China, Term Euro Loan

The Company took a term loan of Euros 20,500,000 with the Bank of China in May 2015. The Loan is a 3 year term, with interest being charged at 1.8% per annum, payable quarterly, with the Capital to be settled in three annual instalments, the first being due on 16 March 2016, and two further instalments annually thereafter. Zhongrun, are to pay the loan instalments on the Company's behalf, and the first payment of Euro 3,075,000 was made by Zhongrun in March 2016, and a second payment of Euro 4,100,000 in March 2017.

14. Financial instruments and risk management objectives and policies

The accounting policies for financial instruments have been applied to the line items below:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Loans and receivables		
Trade and other receivables	17	27
Cash and cash equivalents	-	-
	17	27
	£'000	£'000
Financial liabilities measured at amortised cost		
Trade and other payables	37	44
Convertible loan notes	-	-
	37	44

Loans and receivables are measured using the amortised cost method. Available for sale financial instruments are initially recognised at fair value and subsequently remeasured to fair value at each year end, with any change in value recognised directly in equity, unless the instruments are unable to be reliably fair valued, in which case they are stated at cost. The carrying amounts of the Available for sale investments at 31 December 2017 is £nil (2016: £Nil).

The Company's activities expose it to a variety of financial risks; currency risk, interest rate risk, credit risk, liquidity risk and capital risk. The policies for managing these risks are regularly reviewed and agreed by the Board. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments should be undertaken.

(i) Currency rate risk

Loans between the company and its subsidiaries are made in the functional currency of the lending company. In all other respects, the policy for all Company is that they only trade in their principal operating currency, except in exceptional circumstances from time to time.

The Company's expenses are incurred in pound sterling respectively. The Company's exposure to Currency risk is in regards to loans between Subsidiary Companies and its Ultimate parent Company. The Company also has exposure to Euro rate changes as a result of its current Bank of China Term Loan originally denominated in Euro's, however the direct exposure has been transferred to Zhongrun, as the Company's parent is responsible for meeting the repayment instalments, and the Company itself will then only be exposed via its loan from the parent company.

For currency rate risk, the Company's exposure is considered to not be significant because as it does not hold any financial instruments denominated in foreign currencies, and there is no current repayments due within the next 12 months of any loan between a group company, and therefore quantitative information has not been provided

14. Financial instruments and risk management objectives and policies (continued)

(ii) Interest rate risk

Interest rate exposure arises mainly from cash holdings. Contractual agreements entered into at floating rates expose the entity to cash flow risk whilst the fixed rate borrowings expose the entity to fair value risk.

The table below shows the Company's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

Class/categories	2017			2016		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Trade receivables	-	-	1,102	-	-	1,102
Other receivables	-	-	500	-	-	500
Cash and cash equivalents	-	-	-	-	-	-
Financial liabilities						
Trade payables	-	-	25	-	-	23
Accruals	-	-	12	-	-	21
Borrowings	-	40,825	-	-	33,667	-
Convertible loan notes	-	-	-	-	-	-

The fair value of all financial instruments is approximately equal to book value due to their short term nature and the fact that they bear interest at floating rates based on the local bank rate.

For interest rate risk, the Company's exposure is considered to not be significant as it only holds cash and cash equivalents at a floating rate and therefore quantitative information has not been provided.

(iii) Credit risk

Credit risk arises from trade receivables and cash and cash equivalents. The Company's maximum exposure to credit risk relating to its financial assets is given in Note 9.

14. Financial instruments and risk management objectives and policies (continued)

(iv) Liquidity risk

Responsibility for liquidity risk management rests with the board of directors, which has established appropriate liquidity risk frameworks for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching maturity profiles of financial assets and liabilities.

The following table details the Company's maturity profiles of its financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principle cash flows:

	2017		2016	
	Less than one year £'000	More than one year £'000	Less than one year £'000	More than one year £'000
Financial Assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	17	-	27	-
	17	-	27	-
Financial Liabilities				
Borrowings	11,829	28,996	3,511	30,156
Trade and other payables	25	-	23	-
Convertible loan notes	-	-	-	-
	11,854	28,996	3,534	30,156

For liquidity risk, the Company's exposure is considered to not be significant as its only non-current financial liability is the loan note from its ultimate parent company, and no call on the loan note is due for over 12 months. The maturity profile information is provided within the Company's analysis above. The Term loan from the Bank of China, although with an initial settlement due in 2018, is being settled by the parent company, as a loan due therefrom.

(v) Capital risk

The Company's capital management objectives (defined as net debt plus equity) are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, while maintaining a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The Company manages its capital structure and makes adjustments to it, in light of changes to economic conditions and the strategic objectives of the Company. Given the nature of early stage mining operations, the Company has been predominantly funded by equity. However once the mining operations are at a sufficiently advanced stage the Company may fund further expansion via debt. The Company includes within net debt borrowings, convertible loans, trade and other payables, less cash and short term deposits.

	31 Dec 2017 £'000	31 Dec 2016 £'001
Borrowings	40,825	33,667
Convertible loan	-	-
Trade and other payables	37	44
Less: Cash and cash equivalents	-	-
Net debt	40,862	33,711
Equity	(40,845)	(33,684)
Net debt plus Equity	17	27

To maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the periods ending 31 December 2017 and 31 December 2016.

15. Related party transactions

Transactions and balances between related parties are set out below:

In order to fund the expansion of the operations at the Vatukoula Gold Mine, during the current year the Company has loaned an additional £448,000 (2016: £11,538,000) to the wholly owned Fijian subsidiary Vatukoula Gold Mines Ltd. The total loan has been discounted to the net present value of the future cash flows by £nil (2016: £nil), resulting in a total balance as at 31 December 2017 of £97,979,000 (2016: £93,600,000). The loan charges interest at 0.5% with effect from 1 September 2012 (2016: 0.5%) and is repayable on demand. The Company has also charged fees for management services to the subsidiary during the year, amounting to £nil (2016: £nil). Total fees outstanding for management services was £1,102,000 (2016: £1,102,000) as at 31 December. Management fees outstanding are repayable on demand and carry no interest. All amounts due from Vatukoula Gold Mines Ltd have been fully provided against.

The net present value of the loan to Viso Gero International Inc as at 31 December 2017 is £1,236,000 (2016: £1,236,000). The loan has been discounted to the net present value of the future cash flows by £nil (2016: £nil). The loan charges interest at 0.5% with effect from 1 September 2011 (2016: 0.5%) and is repayable in full on demand. The loan has been fully provided against.

During the current year, the Company has loaned an additional amount to River Diamonds (UK) Limited, a wholly owned subsidiary, of £nil (2016: £nil), of which River Diamonds (UK) Limited repaid £nil (2016: £nil). The total balance as at 31 December 2017 is £118,000 (2016: £118,000). The Company has written off £nil during the year ended 31 December 2017 (2016: £nil). The loan is interest free and does not have any fixed repayment period, but has been fully provided against.

The Company deems key management personnel to be both the executive and non-executive directors. Remuneration paid to the executive directors is disclosed in note 5.

16. Commitments and Contingencies

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2017.

17. Events after the end of the reporting period

There are no events after the end of the reporting period to disclose.

18. Ultimate Controlling Party

The ultimate controlling entity is Zhongrun Resources Investment Corporation a Chinese incorporated company listed on the Shenzhen Stock Exchange. The immediate parent company is Zhongrun International Mining Co. Ltd, who owns 79.5% of VGM's share capital. During the year ended 31 December 2017, Zhongrun International Mining Co. Ltd increased its total holding from 79.5% to approximately 79.5% of the enlarged share capital of the Company.

Zhongrun Resources Investment Corporation, as stated is incorporated outside the EEA and in accordance with the exemptions stated in Section 401 of the Companies Act 2006, VGM is not required to produce, and publish consolidated accounts, and takes advantage of this exemption accordingly.

Vatukoula Gold Mines plc.
Corporate Information

Secretary

Laytons Secretaries Limited
Level 5
2 More London Riverside
London, SE2 2AP

Registered office

Level 5
2 More London Riverside
London, SE2 2AP

Auditor

Chapman Davis LLP
2 Chapel Court
London, SE1 1HH

Solicitors

Laytons
Level 5
2 More London Riverside
London, SE2 2AP

Registrars

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent, BR3 4T

Submitted by [unclear]

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Zhongrun Resources Investment Corporation

Annual Report for 2017

April 2018

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Section 1 Important Notice, Table of Contents and Notes

The Board of Directors, Board of Supervisors, directors and top management of Zhongrun Resources Investment Corporation (hereinafter referred to as ZRC) warrant that the content of the Annual Report for 2017 is authentic, accurate and complete and here is no false recordation, misleading statement or material omission in the Annual Report for 2017; otherwise, they agree to assume joint and several liability.

Li Mingji (Legal representative) and Li Xiaojin (Accounting leader and the head of accounting office) warrant that the content of the Financial Report herein is authentic, accurate and complete.

All directors are present at the board meeting that reviews the Annual Report for 2017.

Zhonghui Certified Public Accountants (special general partnership) issued an audit report for the company with regard to qualified opinion. The board of directors, board of supervisors, and independent directors of the company have provided detailed explanations on related issues. Investors are advised to read them carefully.

Zhonghui Certified Public Accountants (special general partnership) issued a negative internal control audit report for the company and considered that there were major internal defects in the company. Section 9 "Corporate Governance" has already explained the related issues in detail. ZRC would sincerely like the investors to beware the investment risks.

ZRC declares that future plans as forward-looking statement herein will not constitute any substantive commitment to the investors. The company has described in detail for the major risks that may adversely affect the company's future development strategy and business objectives. Please refer to the discussion of the company's future development and analysis in "Possible Risks" of section 4 "Business Performance and Management Analysis for 2017". Investors are advised to pay attention to investment risk.

ZRC decides not to distribute any cash bonus, grant bonus shares or transfer capital reserves to equity capital.

Section 2 Company Profile, Summary on Accounting Data and Financial Indexes

I. Overview of ZRC

Stock abbreviation	ZRC	Stock code	000506
Securities exchange	Shenzhen Stock Exchange		
Company name in Chinese	中润资源投资股份有限公司		
Abbreviated company name in Chinese	中润资源		
Company name	Zhongrun Resources Investment Corporation		
Abbreviated company name (if available)	ZRC		
Legal representative	Li Mingli		
Registered address	Building 17, Zhongrun Century Plaza, No.13777, Jingshi Road, Jinan City		
Postcode of registered address	250014		
Business address	Building 17, Zhongrun Century Plaza, No.13777, Jingshi Road, Jinan City		
Postcode of business address	250014		
Official Website	http://www.sdzr.com		
E-mail	zhongrun ziyuan@163.com		

II. Contact information

	Secretary of the Board of Directors	Stock representative
Name	Yi Tain (proxy)	
Contact address	Building 17, Zhongrun Century Plaza, No.13777, Jingshi Road, Jinan City	Building 17, Zhongrun Century Plaza, No.13777, Jingshi Road, Jinan City
Tel	0531 - 81665777	0531 - 81665777
Fax	0531 - 81665888	0531 - 81665888
E-mail	zhongrun ziyuan@163.com	zhongrun ziyuan@163.com

III. Information disclosure and inquiry place

Available newspapers for information disclosure	<i>Securities Times, China Securities Journal, Securities Daily and Shanghai Securities News</i>
Website for publishing the annual report specified by CSRC	http://www.cninfo.com.cn
Available-for-inquiry place	Building 17, Zhongrun Century Plaza, No.13777, Jingshi Road, Jinan City

VI. Changes in registrations

Organization Code	91370000206951100B
Changes in main business since the listing of ZRC (if available)	ZRC initially specialized in salt maiting, it has been restructured several times. In December 2008, ZRC completed major asset restructuring, shifting the main business to real estate development and operation. Since 2011, ZRC has shifted its main business from real estate development, exploration and investment of mineral resources.
Changes in the controlling shareholder (if available)	In September 2006, Huibang Investment and Development Co. Ltd became the largest shareholder of ZRC. In December 2008, ZRC issued 364,570,000 shares to Jin'an Investment Co. Ltd (referred as Jin'an), thus turning Jin'an into the largest shareholder of ZRC. In June and September 2013, Jin'an transferred the held 278,000,000 ZRC shares to Zhongrun Futai Investment Co. Ltd (referred as Zhongrun Futai, whose actual controller was Zhong Qiang) in the form of negotiating transfer, thus turning Zhongrun into the largest shareholder of ZRC. In December 2013, Huibang Investment and Development Co. Ltd transferred and decreased ZRC shares held by itself via share buy-back. As a result Zheng Qiang became the actual controller of ZRC. At 26 th April 2015, Zhongrun Futai and the person acting in concert Jin'an signed an equity investment agreement with Shenzhen Nanwu Beian Asset Management Ltd. (referred as Nanwu Beian). Zhongrun Futai transferred 174,000,000 shares, and Jin'an transferred 59,000,000 shares to Nanwu Beian. In total, 233,000,000 shares are transferred and this enabled Nanwu Beian to control 25.08% of the ZRC's shares. Consequently, Nanwu Beian became ZRC's controlling shareholders, and the Lady Lu Fen who was the actual controller of Nanwu Beian became the actual controller of ZRC. At 27 December 2016, Nanwu Beian and Ningbo Ransheng Shengyuan Investment Management Partnership Co. Ltd (Limited Partnership) signed an equity transfer agreement and transferred all the 233,000,000 shares to Ransheng Shengyuan. At 17 January 2017, the change registration of the transfer of shares was completed. Ransheng Shengyuan holds 233,000,000 shares of the company, which represents 25.08% of the total share capital of the company. It is the controlling shareholder of the company and Mr Guo Changwei is the actual controller of the company.

V. Related data

Accounting office engaged by ZRC

Name of the accounting office	Zhonghui Certified Public Accountants (special general partnership)
Business address	Room 601, Flat A, Hualian Time Building, No.8 Xinye Road, Jiangnan District, Hangzhou
Signatory accountants	Shen Dazhi, Ma Jingyu

The sponsor institution that is engaged by ZRC to perform the responsibility of consistent supervision during the reporting period

Applicable Not Applicable

The financial consultant that is engaged by ZRC to perform the responsibility of consistent supervision during the reporting period

Applicable Not Applicable

VI. Summary on accounting data and financial indexes

ZRC will retroactively adjust or restate the accounting data of previous years

Applicable Not Applicable

	2017	2016	Year on Year increase	2015
Operating income	769,082,244.46	812,133,013.52	-5.30%	1,387,828,476.86
Net profit attributable to the shareholders	-449,133,780.73	8,789,257.54	-5210.03%	21,734,437.33
Net profit excluding the nonrecurring profit and loss that is attributable to the shareholders	-431,660,055.65	537,985.16	-80336.42%	21,848,916.72
Net cash flow from operating activities	110,721,661.70	-270,652,860.90	140.91%	-101,367,928.34
Basic earnings per share (per share)	-0.4835	0.0095	-5189.47%	0.0234
Diluted earnings per share (per share)	-0.4835	0.0095	-5189.47%	0.0234
Weighted average return-on-equity ratio	-36.13%	0.60%	-36.73%	1.41%
Total assets	End of 2017 2,547,377,342.20	End of 2016 3,228,908,784.53	Year on Year increase -21.11%	End of 2015 3,240,346,396.95
Net assets attributable to the shareholders	1,009,520,206.12	1,476,661,179.59	-31.63%	1,435,241,532.86

Unit: Chinese Yuan

VII. Differences of accounting data between international accounting standards and Chinese accounting standards

1. Differences of net profit and net assets in the financial report disclosed in accordance with international accounting standards and Chinese accounting standards

Applicable Not Applicable

The financial report does not involve any differences of net profit or net assets disclosed in accordance with international accounting standards and Chinese accounting standards

2. Differences of net profit and net assets in the financial report disclosed in accordance with foreign accounting standards and Chinese accounting standards

Applicable Not Applicable

The financial report does not involve any differences of net profit or net assets disclosed in accordance with foreign accounting standards and Chinese accounting standards

VIII. Quarterly accounting data and financial indexes

Unit: Chinese Yuan

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Operating income	54,167,517.71	217,020,921.10	302,565,868.14	195,327,937.51
Net profit attributable to the shareholders	-37,639,065.65	-96,882,363.36	-5,143,459.42	-309,468,892.30
Net profit excluding the nonrecurring profit and loss that is attributable to the shareholders	-37,738,528.44	-95,900,980.62	40,072.88	-298,060,619.47
Net cost flow from operating activities	22,709,576.49	-7,963,355.16	106,560,256.80	-10,584,816.53

Do indexes or the sum of data above involve any differences between relevant indexes from semi-annual and quarterly reports that the company has revealed?

Yes No

IX. Items and amounts of nonrecurring profit and loss

Applicable Not Applicable

Unit: Chinese Yuan

	2017	2016	2015	Notes
Profit and loss from the disposal of non-current assets (including the amount of write-down of assets)	-3,023,856.62	3,657.00	-579,737.63	
Funds occupation fees charged to non-financial enterprises recorded in the profit and loss of current period	4,028,199.55	7,905,855.28		

Other non-operating incomes and expenses	-19,074,781.73	460,740.38	376,884.09	
Minus influence of income tax		108,669.45	126,386.62	
influence of minority interest (after tax)	-596,713.72	10,310.83	-214,760.77	
Grand total	-17,473,725.08	8,251,272.38	-114,479.39	--

ZRC shall account for the nonrecurring profit and loss items defined in accordance with *Explanatory bulletin I on information disclosure by the company publicly issuing securities – extraordinary profit and loss*, and account for why such nonrecurring profit and loss items are defined as recurring profit and loss items.
 Applicable Not Applicable

In the reporting period, no nonrecurring profit and loss items listed in accordance with *Explanatory bulletin I on information disclosure by the company publicly issuing securities – nonrecurring profit and loss* were defined as recurring profit and loss items.

Section 3 Business Summary

I. Core business during the period of reporting

Does the company need to comply with the disclosure requirements of a particular industry

Yes

Solid Mineral Resources Industry; Real Estate Industry.

During the reporting period, ZRC specializes in open mining investment and real estate.

1. Mineral resources:

The company's main product is gold. During the reporting period, the company's subsidiaries Sichuan Pingwuzhongjin Mining Co. Ltd is mainly engaged in gold exploration. Vatukoula Gold Mines Co. Ltd is mainly engaged in gold exploration, mining, processing, drilling, and sales of gold related products.

(1) Main products and uses

The company's main product is gold, which is sold externally. The main uses of gold are reserve funds for the national currency, instruments for investment and preservation of personal assets, and raw materials for industrial and medical applications, etc.

The company belongs to the non-ferrous metal mining industry, and the product price is the main factor affecting the company's performance. The company has a complete industrial chain and procurement sales system, the main business model is:

Production:

The company's production links mainly include metal exploration, mining, mineral processing, smelting. Metal exploration, mining, mineral processing and smelting are mainly to deal with its own mine resources, handle self-produced materials and purchased raw materials.

The company's main production process is as follows:

- ① Metal exploration: The company's mine exploration mainly uses the combined exploration methods of prospecting and drilling.
- ② Mining: The production technology of underground mining is artificial rock blasting, trackless mechanized shoveling transportation and lifting of shafts; surface oxidation ore and tailings mining are mainly direct excavations.
- ③ Mineral processing: The processes used in primary ore are crushing, grinding, flotation, roasting, cyanide leaching and zinc powder replacement; the processes used for tailings processing are grinding, carbon leaching, analysis and zinc powder replacement.
- ④ Smelting: The main technological process is acid leaching, pyrometallurgical smelting and casting gold bullion.

Sales:

The gold bullion produced by the Vatucora Gold Mine Company is transported to the Mint Refinery Factory in Perth, Australia and sold at market prices.

(2) Mineral Exploration Activities in 2017

During the reporting period, the Vatucora gold mine in Fiji completed a total of 17,451 meters of drilling, including 2937 meters of surface drilling, 14,515 meters of drilled holes, completed 23,517 sampling inspections, and invested a total of 323.28 million Fiji coins (about 10.3 million yuan) for resource exploration purpose. While upgrading the reserves of existing resources, several important prospecting clues were discovered in the deep and peripheral areas of the mining area. At the reporting period, Fiji's project reserves a total of 116 tons of gold reserves (3.73 million ounces), including 99 tons of gold metal (3.18 million ounces) of raw mineral resources at the mine, with an average grade of 10.71 grams/ton.

During the reporting period, a total of 7.49 million exploration funds were invested in domestic mining projects.

As of the end of the reporting period, the resource reserves (metals) held by the company's affiliated projects (excluding the Canadian Zinc Corporation project) were 193.9 tons of gold, 260 tons of silver, 195,000 tons of copper, and 218,000 tons of lead and zinc.

2. Real estate:

The main Real Estate project of ZRC is the 'OCT Zibo'. During the reporting period, the policy environment of real estate industry become difficult after the improvement under multiple government policy superpositions

ZRC focuses on the crucial objectives put forward at the beginning of the year, especially on 'Construction and Sales'. It enhances the construction management real estate sales, and ensure the company's operation objectives are achieved.

II. Significant changes of main assets

Main Assets	Significant changes
Fixed assets	The increase in fixed assets for the current period was 107,573,099.26, which was transferred from construction in progress.
Intangible assets	In this period, the provision of 79,514,811.22 yuan in mining value impairment is due to the estimated recoverable amount of the mining rights of the East Ujimqin Banner Lemago Mountain silver lead zinc mine held by the subsidiary Inner Mongolia Huiyin Mining Co., Ltd. is lower than the book value.
Construction in progress	The construction in progress decreased in this period, transferred to fixed assets 107,573,099.26.

Significant changes of main overseas assets

Applicable Not Applicable

III. Core competitiveness analysis

Does the company need to comply with the disclosure requirements of a particular industry

Yes

Solid Mineral Resources Industry; Real Estate Industry.

The board of directors of ZRC is very experienced in investment and mine management field. In terms of mining operation and administration, ZRC have attracted advanced mining talents from both domestic and international areas. These people formed a professional management team and set the foundation of ZRC's human resource sustainability.

ZRC has numerous experiences in real estate development and operations. It has a professional real estate development team, which formed a mature model of business operation. Additionally, the good images in the market will also bring benefits to ZRC in the real estate business development.

Section 4 Business performance and management analysis for 2017

I. Overview

1. Market environment and top management analysis

Real estate industry

In 2017, the real estate policy adhered to the principle that “houses are used to live, not used for speculation.” Local governments use the urban agglomerations as a control site, restricting purchases, restricting mortgage and restricting sales to optimize the supply structure. It gradually exerting effects. The government vigorously nurture and develop the house leasing market, deepen the development of joint ownership housing pilots. At the same time of controlling the price level, it improves the multi-level housing supply system, and promote the establishment of long-term mechanisms.

In 2017, the national commercial housing sales reached 13.4 trillion yuan, a year-on-year increase of 13.7%. The annual sales of commercial housing reached 1.69 billion square meters, an year-on-year increase of 7.7%. Both the year-on-year growth rates have declined.

In 2017, the concentration of the real estate industry continued to increase and new changes took place in the corporate development landscape. The performance of big real estate enterprises has grown at a rapid rate. The sales performance of branded real estate companies has reached new heights. The market share has become higher and higher, and the industrial scale effect has been continuously fermented.

The differentiation trend of medium-sized housing enterprises has become increasingly obvious in a complex competitive environment. Mergers and reorganizations have become a trend. At the same time, the business model and service mode of the real estate industry have undergone tremendous changes. The industry has entered a new cycle of development. The business model and service mode of the real estate industry have yet to be restructured, and branded enterprises have maintained scale growth through the composite layout of the entire industry chain. The co-development of traditional real estate development in the main industry and innovative business, the active development of leasing, industrial real estate and culture will provide long-term driving force for sustainable development of the company through coordinated development.

In the future, the real estate policy will adhere to the regulation and control targets and will not loosen its intensity. In the short term, it will maintain the continuity and stability of the regulation and control policies, and will stabilize the real estate market and resolve the bubble risk as a top priority and guide market expectations. At the same time, the convergence of short-term regulation and long-term mechanism will be closer, and the implementation and refinement of relevant long-term mechanism policies will be further accelerated. While maintaining the stability of the real estate market, it will also improve the multi-level housing supply system. This will also have a far-reaching impact on the real estate market in the future, promote changes in housing concepts and strengthen the housing habitability, and establish a more stable foundation for the stability of the real estate market.

Precious metals industry

In 2017, the recovery of the world economy accelerated, and China's economy was improving steadily. Overall, it was better than expected. The employment market has continued to improve, global price levels have risen moderately, and the growth rate of international trade has increased. At the same time, the growth of international direct investment has been slow, global debt has continued to accumulate, and financial markets have seen a certain bubble.

With the global economy further improving and the marginal tightening of monetary liquidity still being loose, the bulk commodity prices represented by minerals generally oscillated upward in 2017. The demand for mineral products exceeded expectations, and supply-side restrictions increased, resulting in an increase in the shortage of most

commodities, supporting market prices ushering in the general increase, and driving the performance of mining companies to significantly improve and the confidence of the capital market to rise.

According to the data from the World Gold Council, the global gold production in 2017 was 3,268.7 tons, which was basically the same as 2016; the total global gold demand was 4,071.7 tons, with 7% year-on-year decrease; China produced 426.142 tons of gold, with a year-on-year decrease of 6.03%, and for the first time in many years there was a drop in output; The consumption of gold was 1,089.07 tons, an year-on-year increase of 9.41%. The price of gold rose about 13.3% throughout the year, with an amplitude of about 18%.

Looking into 2018, the global economic growth is expected to remain strong. The mining market is expected to maintain a balanced pattern and the overall situation will continue to improve compared to 2017. However, due to the end of the phased price recovery and the lack of follow-up growth momentum, the prices of major mineral products will remain high and volatile. It is expected that the price of gold will show a range-bound shock and an overall upward trend.

II. Company's performance and management analysis

In 2017, in the face of a complex and ever-changing external environment, the company actively optimized and upgraded existing projects and management, steadily promoted technological transformation of mine infrastructure, strengthened property development and sales, actively promoted the company's asset restructuring, and maintained the company's stable development.

As of December 31, 2017, the total assets of the company was 2,547.3773 million yuan, a decrease of 21.11% over the same period of last year, and the total liabilities were 1,468.8945 million yuan, a decrease of 11.06% over the same period of last year. The company's asset-liability ratio was 57.66%, an increase of 6.51% over the same period of last year. Including advance payments of 196.7274 million yuan, it accounted for 13.39% of total liabilities. The liabilities of financial institutions were 533.0720 million yuan, accounting for 36.29% of the total liabilities.

The company's operating income for the current period was 769.0822 million yuan, a decrease of 5.30% over the same period of the previous year; the company's net profit attributable to the shareholders of the listed company was 449.1338 million yuan in this period; the basic earnings per share for the current period was -0.4835, which was substantially lower than the same period of last year. The owner's equity attributable to the shareholders of the listed company was 1,009.5202 million yuan, a decrease of 31.63% over the same period of the previous year.

The decrease in net profit and net assets during the reporting period was mainly due to the decrease in the main business income and profits during the reporting period; The loss of capital value has reduced substantially, and bad debts have been significantly increased according to the ageing method. The subsidiary, Inner Mongolia Huiyin Mining Co., Ltd., has a relatively large impairment loss.

The specific business analysis is as follows:

1. Completion of major business indicators

In the current period, the company completed a total output of 45,000 ounces of gold, achieved a mining operating income of 375,9209 million yuan, and real estate operating income of 393.1613 million yuan. Total operating revenue was 769,0822 yuan, a decrease of 5.30% over the same period last year.

2. Development of production and operation

① Integrate key resources such as technology, capital and management to actively promote the optimization and upgrading of existing mining projects

The Vatucora Gold Mine in Fiji:

(a) During the reporting period, the mine completed the construction of two new pumping stations in the 16 northern district and 17 southern district. The efficiency of downhole drainage was greatly increased, and the separation of hot water and sewage was realized. Combined with the upgrading of downhole ventilation systems, downhole operating conditions have significantly improved. The completion of the overhaul of the concentrating plant, especially the putting into use of the new crusher, will further improve the overall equipment availability, utilization and production stability of the plant. The heavy oil power plant project was completed and generated on schedule. While ensuring electricity safety, the cost of electricity for mining was effectively reduced.

(b) The safety management of mines has been further strengthened through a series of measures such as strengthening safety training and warning education, strengthening night shift inspections, and deepening the implementation of the safety production responsibility system. While deepening the implementation of the piece-rate wage system for underground workers, a new performance-based wage system has been implemented for major management and technical personnel, and the mine incentive mechanism has been further improved.

(c) Introduce strategic investors through multiple channels, conduct in-depth cooperation in risk exploration, tailings reuse, new plant construction, etc., and actively solve the shortcomings of capital and technology development. It is expected that the new plant and tailings plant will be completed and put into operation in the first half of 2019 with the cooperation of the strategic partners.

Pingwu Zhongjin Project:

During the reporting period, the mine further strengthened the construction of green mines and actively promoted the continuation of the mining rights. At the same time, the mine accelerated the review and filing of resource reserves and consolidated the results of exploration.

During the year, the company obtained the evaluation opinion certificate and record proof for silver prospecting rights (16.7 tons of gold metal, average grade of 5.63 g/ton), and obtained the evaluation opinion certificate for silver prospecting rights in the lower part and the bottom blank areas (16.9 tons of gold metal), with pending record proof after obtain new mining warrants. As of the end of 2017, the Pingwu Project maintains (333) 38.99 tons of gold resources (gold metal, the same below) with an average grade of 5.05 grams/ton, and another forecast (334) of 38.87 tons of gold resources with 77.86 tons of total resources. Prospective resources are expected to exceed 100 tons.

Inner Mongolia Huiyin Project: During the reporting period, it actively promoted the processing of mining licenses for Lemagoshan silver-lead-zinc mine, and obtained the certificate of "Leading rights for the Lemagu Mountain Silver-lead-zinc Mine in Last Ujumqin Banner, Inner Mongolia Autonomous Region" in July. It laid the foundation for the subsequent development and construction of the project and related operations.

② Accelerate the sales of real estate products

The company always adheres to the "high standard, high quality" operation concept for development projects. It makes full use of the branding effects of OCT, continuously optimizes the marketing network, and fully stimulates the sales potential. In 2017, the total real estate sales revenue was 393 million yuan.

(a) Zibo Real Estate Zhongrun OCT has a total area of 1,800 acres and a total construction area of approximately 1.2 million square meters. The community has more than 300 buildings, more than 8,400 houses, and can accommodate nearly 30,000 people. In the layout planning of the project, the concept of "eco-city building" was put forward according to the geographical environment and cultural characteristics of Zibo. The eco-environmental protection technology was adopted on the nine systems of sound, light, electricity, water, and new building materials, and was environmentally-friendly in Shandong Province. The bureau was named "Ecological Residential Community in Shandong Province".

(b) The Company's real estate reserves: There is no new land area to be developed in the report period, and the accumulated land to be developed is only the Zhongrun OCT Villa III project in Zibo High-tech Industrial Development Zone of Shandong Zhongrun Group Zibo Real Estate Co., Ltd. The land area to be developed at the end of the

project (planned land area) is 65,500 square meters. The land license for Villa III project and the East District kindergarten is Ziguoyong (2013) No. F03612, certificate area 120,219.38 square meters, and the Villa III project allows a planning area of 21,196.10 square meters.

(c) Sales of the company's real estate: During the reporting period, the proportion of equity of the company's newly started projects and projects under construction was 100%. During the reporting period, the company's newly started supporting commercial comprehensive building was No. 4 Commercial Comprehensive Building, North District, Zhongrun OCT. The capacity of No. 4 commercial comprehensive building allows a building area of 6,850 square meters; the newly started supporting projects was Zhongrun OCT East kindergarten project. The capacity planning building area is 2775.41 square meters; the projects under construction are Zhongrun Overseas Chinese Town North District Commercial Complex No. 2 and No. 3. The planning area of No. 2 commercial complex building is of 9053 square meters, No. 3 commercial complex building area is 10560 square meters. During the reporting period, the company did not have new-finished projects.

(d) The sales of the real estate business: During the reporting period, the company's main sales project was Zhongrun OCT's residential project. The annual sales of the company's projects were all independently developed by the company. Among them, 6,7 group residential projects have 180,343.88 square meters of building area available for sale and 116,453.94 square meters of pre-sale permits. The carrying amount of this year's carry-over was 34,303.5 square meters.

(e) The rental of the real estate business: In the report period, the company leased its own real estate for the 1-10 axis of No. 1 Commercial Building in the North District of Overseas Chinese Town, Zhongrun, with a total construction area of 33,782.09 square meters, a floor area of 33,592.53 square meters, and a roof top equipment room with an area of 189.56 square meters. The occupancy rate is 100%; Zhongrun Comprehensive Building, a total construction area of 24,799.26 square meters, real estate rental area of 23,591.3 square meters, the remaining construction area of 1207.96 square meters. For the underground parking area, the occupancy rate is of 100%.

(f) In 2018, the new construction of Zhongrun Overseas Chinese Town's foreign-related community is planned to begin. The planned start-up area is 21,196.1 square meters.

(g) Balance of various types of financing, financing cost range and term structure at the end of the reporting period: The financing balance of bank financial institutions of the Company at the end of the reporting period was RMB 533,072,000. The loan period did not exceed December 31, 2018, and the annual interest rate for financing did not exceed 5.655%. Financing the natural person to 170 million yuan, the loan period does not exceed June 30, 2018, and the annual interest rate for financing is 12.00%. Financing of corporate entities is 50 million yuan. The borrowing period does not exceed June 30, 2018. The annual interest rate for financing is 12.00%.

③ Improve the planning and performance assessment mechanism and continue to deepen the basic management work
Adhere to the goal-oriented, continuous implementation of the plan and performance appraisal mechanism. Through in-depth project and multiple rounds of discussion, the company has made the plan more scientific and reasonable. It ensures the realization of the objectives and ensure that the objectives are fully linked to the performance assessment. Thus to promote a planned, targeted, measured, implemented, inspected, and assessed work for the whole year as well as improves employee enthusiasm and work efficiency, and improves corporate management efficiency. It further strengthens the establishment of enterprise management systems, revise and improve work processes, and improve the level of refined management.

④ Actively promote asset restructuring at the company level
Given that Zibo Real Estate's project has entered the late-stage sales, and under the influence of the state's intensive policy control over the real estate market, the company plans to transfer the controlling share held by Zibo Real Estate. Mr. Guo Changzhao, the actual controller of the company, intends to acquire 60% of the equity of Shandong Zhongrun Group Zibo Real Estate Co., Ltd. through its controlled enterprise, Ningbo Meishan Bonded Port Zone, Ransheng Shengrun Investment Management Partnership (Limited Partnership). This major asset restructuring is a related party transaction. This transfer is in line with the company's long-term development strategy, which is conducive to activating the company's assets, optimizing the company's industrial structure, and increasing the company's operating funds. At present, this matter is advancing.

In addition, during the reporting period, the company actively inspected quality projects for merger acquisition purpose under the planning and promotion of the controlling shareholder in order to speed up the transformation and upgrading of the company's business, but no significant progress was made.

III. Analysis of main business

1. Overview

See "I. Overview" in "Operational Discussion and Analysis".

2. Revenue and costs

(1) Operating income

	2017		2016		Year-on-year change
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Total operating income	769,082,244.46	100%	812,133,013.52	100%	-5.30%
By industries					
Real estate	393,161,355.97	51.12%	416,618,828.00	51.30%	-5.63%
Mining	375,920,888.49	48.88%	395,514,185.52	48.70%	-4.95%
By products					
Sales of real estate	393,161,355.97	51.12%	416,618,828.00	51.30%	-5.63%
Sales of gold	375,920,888.49	48.88%	395,514,185.52	48.70%	-4.95%
By regions					
Zibo	393,161,355.97	51.12%	416,618,828.00	51.30%	-5.63%
Fiji	375,632,145.35	48.84%	395,502,976.97	48.70%	-5.02%
Pingwu, Sichuan	288,743.14	0.04%	11,208.55	0.00%	2,476.10%

Unit yuan

(2) Industries, products and areas that occupied over 10% of ZRC's revenue or operating income

Unit: yuan

	Operating income	Operating costs	Gross profit	Y2Y changes on operating income	Y2Y changes on operating costs	Y2Y changes on gross profit
By industries						
Real estate	393,161,355.97	367,783,725.65	6.45%	-5.63%	60.13%	-38.42%
Mining	375,920,888.49	320,351,061.22	14.78%	-4.95%	15.37%	-15.02%
By products						
Sales of real estate	393,161,355.97	367,783,725.65	6.45%	-5.63%	60.13%	-38.42%
Sales of gold	375,920,888.49	320,351,061.22	14.78%	-4.95%	15.37%	-15.02%
By regions						
Zibo	393,161,355.97	367,783,725.65	6.45%	-5.63%	60.13%	-38.42%
Fiji	375,632,145.35	320,230,660.42	14.75%	-5.02%	15.36%	-15.06%
Pingwu, Sichuan	288,743.14	120,400.80	58.30%	2,476.10%	75.58%	570.08%

The company's main business data statistics are adjusted during the reporting period, and the company's main business data after the adjustment at the end of the reporting period in the latest one year

Applicable Not Applicable

(3) Whether the company's physical sales revenue is greater than the labour income

Industries	Items	Units	2017		2016		Y2Y changes
			Amount	Proportion to operating income	Amount	Proportion to operating income	
Mining	Sales	ounce	45,013.15		48,217		-6.64%
	Production	ounce	45,013.15		48,217		-6.64%
	Inventory	ounce	0		0		0.00%

The reason why the relevant data has changed by more than 30% year-on-year

Applicable Not Applicable

(4) Performance of major sales contracts signed by the company as of the reporting period

Applicable Not Applicable

(5) Operating costs by industry and product classifications

Unit: yuan

Industries	Items	2017		2016		Y2Y changes
		Amount	Proportion to operating income	Amount	Proportion to operating income	
Real estate	Engineering Fee	250,065,166.49	67.99%	175,012,535.26	76.20%	42.88%
	Relocation compensation	26,710,540.25	7.26%	10,476,094.75	4.56%	154.97%
	Initial expenses	28,379,064.03	7.72%	18,465,750.91	8.04%	53.68%
	Infrastructure	38,851,899.05	10.56%	7,028,324.14	3.06%	452.79%
	Public facilities	12,326,562.36	3.35%	8,728,628.16	3.80%	41.22%
	Indirect development	11,450,493.46	3.11%	8,130,550.33	3.54%	40.83%
	Other	0.00	0.00%	1,838,032.84	0.80%	-100.00%
	Total	367,783,725.65	100.00%	229,679,916.40	100.00%	60.13%
	Raw materials	34,401,065.06	10.74%	43,666,399.88	15.73%	-21.22%
	Labor	50,513,183.56	15.77%	36,344,623.50	13.09%	38.98%
Mining						

Depreciation and amortization	49,728,286.00	15.52%	36,595,930.59	13.18%	35.88%
Energy and power	108,569,038.05	33.89%	98,108,135.44	35.33%	10.66%
Repair and maintenance	77,139,488.55	24.08%	62,946,811.14	22.67%	22.55%
Total	320,351,061.22	100.00%	277,661,900.54	100.00%	15.37%

Instructions

The operating cost of real estate in this period increased by 60.13% over the previous year, which was mainly due to the operating costs of the products developed by Zibo Real Estate in the current period.

(6) Whether the scope of consolidation has changed during the reporting period

Yes No

(7) Major changes to the company's business, products, or services during the reporting period or adjustments to the situation

Applicable Not Applicable

(8) Main clients and supplies

Main Clients

Total sales amount for top five customers (yuan)	410,112,725.34
The total sales amount of the top five customers accounts for the proportion of total annual sales	53.31%
The sales of related parties in the top five customers accounted for the proportion of total annual sales	0.00%

Top 5 clients details

Number	Name of Clients	Sales (Chinese Yuan)	% of Total sales
1	The Perth Mint Refinery	375,632,145.35	48.84%
2	Client	12,533,189.52	1.63%
3	Client	12,034,838.09	1.56%
4	Client	6,188,120.00	0.80%
5	Client	3,724,432.38	0.48%
Total	-	410,112,725.34	53.31%

Other details of main clients

Applicable Not Applicable

Main suppliers

Total purchases from top 5 suppliers (Chinese Yuan)	221,247,300.86
Purchases from top 5 suppliers/Total purchases	24.59%
The proportion of purchases of related parties in the top five suppliers' purchases accounts for the proportion of total annual purchases	0.00%

Top 5 suppliers details

Number	Name of Suppliers	Sales (Chinese Yuan)	% of Total sales
1	PACIFIC ENERGY SWP LTD (Fuel Consignment)	80,633,981.57	8.96%
2	PDV INTERNATIONAL (HK) LTD	66,456,767.92	7.38%
3	Su Tong Construction Group Co., Ltd. Zibo Branch	35,074,705.14	3.90%
4	Shandong Huicheng Construction Co. Ltd. Zibo Branch	24,449,431.57	2.72%
5	HANWHA CORPORATION	14,632,414.66	1.63%
Total		221,247,300.86	24.59%

Other details of main clients

Applicable Not Applicable

3. Expenses

	2017	2016	Year to year increase	Crucial changes
Cost of sales	15,901,340.96	17,497,517.13	-9.12%	
Administration costs	101,397,463.77	102,148,712.61	-0.74%	
Financial costs	89,781,555.31	8,148,778.74	1,001.78%	Mainly due to increase in exchange losses due to 1:1 Xiaoming In addition to the increase in interest expense on external borrowings

Unit Chinese Yuan

4. Research and Development

Applicable Not Applicable

5. Cash flows

Unit: Chinese Yuan

Item	2017	2016	Year to year increase
Total cash inflow from operating activities	616,336,325.65	872,349,247.09	-29.35%
Total cash outflow from operating activities	505,614,663.95	1,143,002,107.99	-55.76%
Net cash flow from operating activities	110,721,661.70	-270,652,860.90	140.91%
Total cash inflow in investment activities	85,120,103.00	210,010,140.00	-59.47%
Total cash outflow in investment activities	169,802,444.63	468,236,111.61	-63.74%
Net cash flow from investment activities	-84,682,341.63	-258,225,971.61	67.21%
Total cash inflow from financing activities	449,019,292.69	700,000,000.00	-35.85%
Total cash outflow from financing activities	463,055,221.26	200,437,734.79	131.02%
Net cash flow from financing activities	-14,035,928.57	499,562,265.21	-102.81%
Net increase in cash and cash equivalents	11,684,097.61	-29,356,657.73	139.80%

Notes on crucial changes between relevant statistics and on large year-to-year increases

Applicable Not Applicable

The net cash flow from operating activities increased by 140.91% over the same period of the previous year, which was mainly due to the decrease in other cash related to operating activities as compared with the same period of last year; the net cash flow from investing activities increased over the same period of last year 67.21%, mainly due to the decrease in cash outflow from investing activities in the current period as compared to the same period of last year; net cash flow from financing activities decreased by 102.81% from the same period of last year, mainly due to the decrease in cash inflows from financing activities in the current period compared to the same period of last year. The reason for the great differences between the cash flow from operating activities of the reporting period and net profit of current year.

Applicable Not Applicable

During the reporting period, the company's operating activities generated net cash flow of 111 million yuan and net profit of -475 million yuan. The difference was mainly due to provision for impairment of assets of 305 million yuan and depreciation of fixed assets 88.41 million yuan during the year. Intangible assets were amortized 19.29 million yuan, etc.

III. Analysis of non-core business

Applicable Not Applicable

IV. Assets and Liabilities

(1) Assets and crucial changes

	The End of 2017		The End of 2016		Year-to-year increase
	Amount	% of total assets	Amount	% of total assets	
Cash	104,668,890.25	4.11%	122,958,514.02	3.81%	0.30%
Account receivable	9,366,920.90	0.37%	7,828,885.34	0.24%	0.13%
Inventory	517,305,733.17	20.31%	811,382,492.56	25.13%	-4.82%
Investment property	163,277,527.18	6.41%	167,075,064.01	5.17%	1.24%
Fixed assets	566,067,114.89	22.22%	449,162,504.14	13.91%	8.31%
Construction in progress	13,255,249.03	0.52%	21,377,387.59	0.66%	-0.14%
Short-term debts	407,626,947.78	16.00%	300,000,000.00	9.29%	6.71%
Long-term debts	0	0.00%	97,362,663.59	3.02%	-3.02%

(2) Assets and liabilities at fair value
 Applicable Not Applicable

(3) Limitation of asset rights as of the end of the reporting period

Unit: Chinese Yuan

Items	Book value at the end of period	Restricted reasons		Note
		Environmental governance deposit	Mortgage deposit	
Cash	1,254,602.97			
Cash	3,421,622.96		Mortgage deposit	
Cash	4,044,884.10		Guaranteed deposits	Vatucora Gold Mining Company, Fiji, for environmental protection, industrial injury compensation and other guarantees
Cash	31,288,125.00		Letter of credit deposit	Vatukoula Gold Mines Plc, a subsidiary of the Company, borrowed EUR 205.0 million from the Cayman Sub-branch of Bank of China Co., Ltd., and used Shandong Zhongrun Group Zibo Real Estate Co., Ltd. Zibo Xinnai Real Estate Project and land use rights to mortgage the company. The company provided credit guarantees.
Investment real estate	163,277,527.18		Borrowing collateral	
Total	203,286,762.21			

V. Investment profile

1. Main profile

Applicable Not Applicable

2. Significant equity investments acquired during the reporting period

Applicable Not Applicable

Name of invested company	Main Business	Investment method	Investment amount	Shareholding ratio	Sources of funds	Progress as of the balance sheet date	Disclosure date (if any)	Disclosure index (if any)
Hangzhou Tengnu Network Technology Co., Ltd.	Online game	Acquisition	165,000,000.00	55.00%	Self-raised funds	As of December 31, 2017, Fujiki Network has completed the industrial and commercial registration procedures for equity changes. On January 10, 2018, the company paid part of the equity transfer funds of 45 million yuan to the counterparty. Due to changes in operating performance and financing environment, the parties agreed to cancel the Asset Purchase Agreement. On April 20, 2018, the thirty-eighth meeting of the Eighth Board of Directors of the Company reviewed and approved the "Proposal on the Lifting of the Asset Purchase Agreement."	November 16, 2017	http://www.cninfo.com.cn
Total	--	--	165,000,000.00	--	--	--	--	--

3. Significant progress of non-equity investments during the reporting period

Applicable Not Applicable

4. Investment in financial assets

1). Investment in securities

Applicable Not Applicable

Investment in securities does not exist during the current reporting period.

2). Investment in derivatives

Applicable Not Applicable

Investment in derivatives does not exist during the current reporting period.

5. Use of raised funds

Applicable Not Applicable

Use of raised funds does not exist during the current reporting period.

VI. Sales of major asset and equity

1. Sales of major assets

Applicable Not Applicable

ZRC does not sell major assets during the current reporting period.

2. Sales of major equity

Applicable Not Applicable

VII. The analysis of main holding companies

Applicable Not Applicable

Main subsidiaries and holding companies that cause over 10% of impact to the profits of ZRC

Name of companies	Companies types	Main business	Register Capital	Total assets	Net assets	Revenue	Operating income	Net profit
Shandong Zhongrun Group Zibo Properties Limited	Subsidiary	Residence, commercial and real estate	100,000,000.00	909,697,714.29	476,396,943.32	393,161,355.97	-51,267,900.64	-45,491,971.99
Zhongrun Mining Development Co., Ltd.	Subsidiary	Mining investment	500,000,000.00	862,758,312.74	450,286,381.18		-34,276,873.32	-34,276,873.32
Zhongrun International Mining Co., Ltd.	Subsidiary	Mining investment	\$ 50,000.00	537,490,088.59	-21,443,841.35		8,314,259.51	8,314,259.51
Sichuan Pingwu Zhongjin Gold Mines Ltd.	Subsidiary	Gold mining	40,000,000.00	105,514,032.68	-71,417,898.92	288,743.14	-13,851,797.83	-13,865,296.30
Tibet Zhongjin Gold Mines Ltd.	Subsidiary	Copper ore mining	50,000,000.00	36,057,280.32	36,057,280.32		-251,654.10	-251,654.10
Inner Mongolia Huiyin Mines Ltd.	Subsidiary	Lead-zinc silver mining	39,090,000.00	82,105,727.10	78,607,452.66		-85,040,910.15	-85,040,910.15
British Vaukoura Gold Mines Plc	Subsidiary	Gold mining	£ 17,212,767.16	778,275,046.24	274,960,140.31	375,632,145.35	-6,056,626.46	-8,954,167.64

Unit: Chinese Yuan

Acquire subsidiaries during the reporting period
 Applicable Not Applicable

VIII. The structured entity under company's control
 Applicable Not Applicable

IX. Prospect of the company

In 2018, the company will continue to strengthen the optimization and upgrading of the mineral business, speed up the sales of real estate business, promote the asset restructuring and business optimization, and further strengthen the company's capital, technology, management platform construction, and enhance the competitiveness of enterprises.

(1) Mining segment: Promote the upgrade of existing projects, actively acquire large-scale production projects, and adjust and optimize the portfolio of assets. In-depth promotion of project upgrading. The Vatucora gold mine shall fully complete the renovation and transformation of mining and production systems, accelerate underground development, strengthen the management of mining technology and economic indicators, actively implement the objectives of "expanding production, reducing costs, and increasing efficiency", and carry out prospecting and deep prospecting. Continue to increase mineral reserves. The Pingwu Zhongjin Project must implement a new mining right permit as soon as possible (influenced by Sichuan Province's pilot program for the giant panda national park system, as of the date of this report, the Yinchang Gold Mining Rights (right certificate number: C5100002009084120033612) has expired. After obtaining the postponement, complete the record, registration and data exchange of the reserve of resources in the lower part of the mining right and its "blank area", and do a good job in the preparation of green mines and preliminary preparation for the infrastructure. Actively promote project investment promotion.

Actively plan and implement corporate asset mergers and acquisitions and restructuring. Strengthen the research on national industry policies and industrial situations, combine the company's strategic development requirements, assess the company's existing assets, and dispose of relevant assets in a timely manner. At the same time, it actively inspected and acquired new quality projects, further expanded the company's mineral resources reserves, improved the company's asset structure and profitability, and ensured the company's sustained and healthy development.

(2) Real Estate Sector: Accelerate sales and return capital
In 2018, it will focus on promoting the construction and construction of the third phase of Villa Island as well as the completion acceptance of construction projects. It will continue to increase the sales of homes and accelerate sales, and actively promote equity transfer and reorganization, striving to quickly withdraw funds.

(3) Systematic promotion of corporate capital, technology, and management platform construction
According to the company's strategic requirements, the system will strengthen the construction of the headquarters' mining development platform and enhance the company's resource integration, operation management capabilities and actively introduce outstanding talents.

Possible risks

(1) Business Risk

The company's main business is real estate development and mining investment. Real estate sales, mining product selection and sales are the main sources of profit for the company. The following issues will have an important impact on the company's future business objectives: national policies adjusted, product market price fluctuates, and the rate of recovery declines, sales revenue decreases, production costs increase, or technology and environment emerge during mining. The company will actively follow the policy and market changes, establish a sound technology research and development, market research and product sales system, and improve operating efficiency through the continuous technological transformation and management optimization.

(2) Policy Risk

National policies, such as mining rights policies, safety and environmental protection policies, land policies, and real estate control policies, have a major impact on the company's operations. Mining rights are the foundation for the survival and development of the mining projects to which the company belongs. Safety and environmental protection policies have a major impact on the production costs and profitability of mining projects. The company will keep abreast of relevant policy changes, take timely response measures, avoid and prevent related risks, and ensure the company's legal operation and steady development.

(3) Product Market Price Fluctuation Risk

Gold sales are one of the major sources of company's operating income. The fluctuation of gold prices and changes in supply and demand will have a significant impact on the company's profitability. The international gold price is affected by many factors such as inflation expectation, dollar trend, interest rate, supply and demand in the gold market, economic development trend, and financial market stability. The volatility of the gold price will lead to uncertainty in the company's operating performance. In 2018, due to the end of phased price recovery and lack of follow-up growth momentum in the mining market, the prices of major mineral products will remain high and fluctuate. In order to stabilize the company's production and operating results, the company will strengthen the study and judgment of the economic situation at home and abroad, strengthen the basic management work, and strive to increase production capacity, energy conservation and consumption reduction.

(4) Safety and Environmental Protection Risks

Natural disasters, equipment failures, and human errors all bring hidden dangers to safe production and environmental protection. They may even have a major impact on the company's operations. The company will continue to strengthen investment in safety and environmental protection resources, and further establish and improve safety production and environmental protection related management. System, implement post responsibility system, pay close attention to safety production, environmental protection, energy conservation and emission reduction, and strictly prevent risks related to safety and environmental protection.

(5) Credit Risk

The company's books and other receivables have a relatively large amount, which mainly include the receivables for the disposal of subsidiaries, the earnest money for mining, and external borrowings. In respect of the above-mentioned payments, the Company adopted safeguard measures including, but not limited to, third-party guarantees, pledges, judicial seizure of assets, and debt arrears on commercial properties held by debtors, to ensure that the company's credit risk is within a controllable range. However, due to the huge sum of money mentioned above, some of the debtors failed to fully implement the repayment agreement, and the company's other receivables are subject to certain credit risks.

(6) Exchange Rate Risk

The company's main gold mining and smelting business is located in Fiji, and its business operations are settled in Fiji and US dollars. The company's other receivables from Li Xiaoming are settled in U.S. dollars. Changes in the exchange rate will have a significant impact on the company's performance.

(7) Risks of international business operations

During the implementation of the internationalization strategy, the company's overseas business is affected by many factors such as the local industrial environment, policy environment, community environment, and international exchange rates. The company will continue to strengthen the integration of related businesses, resources, systems and culture, explore and improve the international management system, actively develop personnel training and exchanges, optimize business management processes, and reduce the risk of international business operations

X. Reception of research, communication and interview activities

1. Reception of research, communication and interview activities during the period of accounting

Applicable Not Applicable

No any research, communication and interview activities occur during the accounting period.

Section 5 Important matters

I. Ordinary shares profit distribution and Capital reserve capitalization

Ordinary shares of profit distribution policy, particularly the cash dividend policy formulation, implementation or adjustments

Applicable Not Applicable

The company's common stock dividend distribution plan (preplan) and the plan for converting capital reserve into share capital (preplan) in the past three years (including the reporting period)

At the end of 2015, the net profit attributable to the shareholders of the listed company within the consolidated scope of the company was 21,734,437.33 yuan, and the parent company realized a net profit of -75,728,608.63 yuan. In view of the overall situation of the company's real estate and mining industry, in order to further improve the operation and management of mines, it is necessary to invest continuously in the mines to achieve long-term and stable development of the company. The company decided not to distribute profits in 2015, neither capitalize capital reserves to increase share capital.

At the end of 2016, the net profit attributable to the shareholders of the listed company within the consolidated scope of the company was RMB 8,789,257.54, but the net cash flow from operating activities was negative. In view of the fact that the villa project in the company's real estate business will start construction in 2017, the power plant construction project at the Vatu Kira Company in Fiji will need to continue to be invested. In order to meet the funding needs of the above projects, the company decided not to distribute profits in 2016 or convert capital reserve into share capital.

At the end of 2017, the net profit attributable to the shareholders of the listed company within the scope of company consolidation was -449,133,780.73 yuan, and the undistributed profit was -44,394,785.25 yuan. The undistributed profit of the parent company is -214,665,404.15 yuan. The company decided not to make profit distribution in 2017 or convert capital reserve into share capital.

Common stock cash dividend distribution in recent three years (including current period)

Unit: Chinese Yuan

Year	Amount of cash dividends (Including tax)	Net profit attributed to common shareholders of listed companies in the consolidated income statement	Ratio between net profit attributed to common shareholders of listed companies to the total profit in the consolidated income statement	Cash dividends distributed in other ways	Ratio between Cash dividends distributed in other ways and total profits in the consolidated income statement
2017	0.00	-449,133,780.73	0.00%	0.00	0.00%
2016	0.00	8,789,257.54	0.00%	0.00	0.00%
2015	0.00	21,734,437.33	0.00%	0.00	0.00%

The parent company does not make common share cash dividend distribution plan although the company earns profits during the current period and the net profit attributed to common shareholders of listed companies in the consolidated income statement is positive.

Applicable Not Applicable

II. The pre-plan of profit distribution and capital reserve capitalization in the current period

Applicable Not Applicable
 The company does not distribute cash and bonus shares, and does not capitalize capital reserve.

III. Implementation of commitments

1. Commitments that the company, shareholders, actual controller of shares, directors, supervisors, senior management or other relevant parties have fulfilled at the current period or have not fulfilled yet at the end of the current period
 Applicable Not Applicable

Commitments	Commitment party	Commitment type	Commitment details	Commitment time	Term of Commitment	Fulfillment
Commitments made in acquisition report or change in equity report	Ningbo Ransheng Shengyuan Investment Management Partnership (Limited Partnership)	Equity change share commitment	The shares of China Resources Resources held by it will not be transferred within 12 months from the completion of the change in equity.	December 28, 2016	Twelve months	On going
Other commitments made to minority shareholders	Ningbo Hansheng Shengyuan Investment Management Partnership (Limited Partnership) Ningbo Meishan Bonded Port Area Haosheng Shengchang Investment Management Partnership (Limited)	Increased holdings of shares of commitment	In the six months from February 20, 2017, it is planned to use the Shenzhen Stock Exchange's securities trading system (including but not limited to centralized bidding and block trading) to increase its holdings at a price of no more than RMB13 per share. Resource stocks, the number of shares to be increased to 36.42 million shares, accounting for 3.92% of the company's total share capital.	February 20, 2017	Six months	Completed

	Partnership)								
If fulfilled the commitment on time									
Yes									

2. There is a profit forecast for the company's assets or projects, and the report period is still in the profit forecast period. The company makes an explanation on the prediction of the original profit of the asset or project and its reasons.

Applicable Not Applicable

IV. Non-operational capital occupation of listed companies by controlling shareholders and their related parties

Applicable Not Applicable

During the reporting period, the company did not have the non-operating funds used by the controlling shareholder and its related parties for the listed company.

V. Board of Directors, Board of Supervisors, and Independent Directors (if any) explain the "non-standard audit report" of the accounting firm during the reporting period

Applicable Not Applicable

The Board of Directors issued a special explanation on the matters involved in the audit report issued by the accounting firm

Zhonghui Certified Public Accountants (Special General Partnership) audited the company's 2017 financial statements and issued an audit report with qualified opinion. Except for the impact of the matters described in the "Formation of the basis for qualified opinion" section, the accompanying financial statements were prepared in accordance with the requirements of the Accounting Standards for Business Enterprises in all material aspects, which fairly reflected the merger of China Resources Resources Corporation on December 31, 2017 and Parent company financial status and 2017 merger and parent company operating results and cash flows.

1. The basis for forming a qualified opinion

(1) As stated in Note 13(3)1 to the financial statements, as of December 31, 2017, the transfer of equity and debentures from Shandong Ansheng Asset Management Group Co., Ltd. (hereinafter referred to as Ansheng Assets) amounted to 369.30 million yuan. The acquisition of bad debts accrued according to aging method was 147.72 million yuan and the book value was 221.58 million yuan. Ansheng Assets did not fulfill its payment obligations in accordance with the contract. On October 24, 2017, Zhongrun Resources Corporation and AXA Assets signed the Letter of Intent for the Transfer Price of Commercial Property against the Creditor's Board of Directors, and Ansheng Asset planned to use the commercial property held by its subsidiary to offset the amount owed to the company. As of the date of the audit report, the company has not yet signed a formal agreement with AXA Assets for commercial property credits. We are unable to obtain sufficient and adequate audit evidence on the recoverable amount of the above-mentioned receivables from AXA Assets. It is not possible to determine whether it is necessary to make adjustments to the balance of the assets of AXA Assets and the provision for bad debts.

(2) As stated in Note 13(3) 2 of the Financial Statements, as of December 31, 2017, Zhongrun Resources Corporation was entitled to 229,322 million yuan in transfer of shares of Qilu Real Estate Co., Ltd. (hereinafter referred to as Qilu Real Estate). It incurred a provisional for bad debts amounted to 229,322 million yuan, with book

value of 0 yuan. Qilu Real Estate did not fulfil its payment obligations in accordance with the contract. As of the date of this report, some properties under the name of Shandong Shengji Investment Co., Ltd. have been legally sealed. However, due to the submission of objections and the actual ownership of the relevant real estate, it is impossible to reasonably estimate the recoverable amount of credits. As of the date of the audit report, we were unable to obtain adequate and appropriate audit evidence on the recoverable amount of Qilu Real Estate receivable, and it was not possible to determine whether it was necessary to adjust the balance of Qilu Real Estate and the bad debt provisions.

(3) As stated in Note 13(3) 3 to the financial statements, as of December 31, 2017, China Resources Resources Corporation should receive Li Xiaoming's gold credit right of \$80.0 million US dollar, equivalent to 52.274 million yuan, and the bad debt loss was 52.274 million yuan by ageing method. As of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence on the provision for bad debts of Li Xiaoming's debts, such as Li Xiaoming's assets solvency, and information on the enforceability of repayment plans. It is not certain that whether it is necessary to adjust Li Xiaoming's earnest credit balance and bad debt provision accordingly.

We conducted the audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborated our responsibilities under these guidelines. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of Zhongrun Resources Corporation and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for expressing qualified opinion.

2. Explanation of the Board of Directors on the Matters Concerning the Qualified Opinion of the Audit Report

After careful discussion by the board of directors, we believe that the audit report issued by Zhonghui Certified Public Accountants (special general partnership) on the financial statements of the company for the year 2017 objectively reflects the status of the matters involved. In addition, the statements are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises in all material respects, and they fairly reflect the company's consolidated financial position as of December 31, 2017 and the merger, the parent company's operating results and cash flows as of year 2017. In response to the audit opinion, the company's board of directors stated as follows:

(1) Due to the need of strategic adjustment, in May 2013, the company transferred its 100% equity interest in Shandong Zhongrun Real Estate Co., Ltd. (hereinafter referred to as "Zhongrun Real Estate") and its claim against Zhongrun Real Estate to Shandong Jianbang Real Estate Co., Ltd. (hereinafter referred to as "Jianbang Real Estate"), the transfer price amounted to 1076.8672 million yuan. According to the "Equity Transaction Contract" agreement, Shandong Anbang Taihe Industrial Co., Ltd. (hereinafter referred to as "Anbang Taihe"), a wholly-owned subsidiary of Jianbang Real Estate, acquired 100% of Zhongrun Real Estate. In June 2014, the company, Jianbang Real Estate and Shandong Ansheng Asset Management Group Co., Ltd. (hereinafter referred to as "AXA Assets") signed an agreement. In view of Anson Assets' acquisition of 100% equity of Anbang Taihe, the agreement was agreed by An Sheng Asset Assumptions Jianbang Real Estate shall pay the Company an obligation to transfer equity and debts of China Resources Real Estate. After the expiration of the contract, the company sent the other party a dunning letter requesting it to repay the debt, and requested the debtor to provide additional guarantee measures. As of December 31, 2017, the company's assets should be 369.30 million yuan. The debt arrears company has provided bad debt reserves according to the ageing method. Due to the tight funding of AXA Asset, it is proposed to make use of the commercial property held by its subsidiary company to make up the amount owed to the company.

On October 24, 2017, the 32nd meeting of the 8th Board of Directors of the Company reviewed and passed the Proposal on Signing of the Letter of Intent for the Transfer of Commercial Buildings' Price of Credit, and agreed that the assets held by Ansheng Assets will be held in No.13777. The western portion of the Zhongrun Century City commercial property (tentatively 2 floors), Jingshi Road, Lixia District, Jinan City, was used as a compensation for the amount owed to the company. At present, the relevant asset assessment report has been issued. The company is negotiating with AXA Assets the formal agreement for the transfer price of the commercial property.

After the agreement is signed, the relevant review procedures will be fulfilled as soon as possible and the ownership transfer procedure will be completed.

(2) Due to the need of strategic adjustment, in August 2012, the company held 100% equity of Shandong Shengji Investment Co., Ltd. (hereinafter referred to as "Shengji Investment") and its claims to Shengji Investment. And transferred to Qilu Real Estate Co., Ltd., the transfer amounted to 490,26234869 million yuan. After the expiration of the contract, the company sent the other party a dunning letter requesting it to repay the debt, and requested the debtor to provide additional guarantee measures. As of December 31, 2017, the company was entitled to RMB 229,32234869 million of Qilu Property Co., Ltd. The company has initiated judicial procedures and seized the assets related to Shengji Investment Land and Real Estate, etc., and is evaluating the seized assets. However, due to the situation of objection, the actual ownership of the relevant real estate, etc., it is still impossible to reasonably estimate the recoverable amount of the debt. In view of the current slow progress in the disposal of assets, there is a flaw in the property rights of the seizure assets. For prudence, the company provided a total provision for bad debts in accordance with the ageing method. The company will actively cooperate with the judiciary to promote the disposal of assets for recovery of arrears as soon as possible.

(3) In 2015, the company plans to purchase 100% shares of iron ore International (Mongolia) Co., Ltd., Mingsheng Co., Ltd. and Mongolian New Lahalgotte Iron Mine Co., Ltd. held by Li Xiaoming through non-public offering of shares, and paid 80 million US dollars. Dollar's earnest money. Since the company submitted the non-public offering documents to the China Securities Regulatory Commission, the state capital market environment and refinancing, mergers and acquisitions and restructuring policies as well as the domestic and foreign mining markets have undergone major changes. At the same time, the validity period of the shareholders' general meeting has expired. Acquired the approval of the China Securities Regulatory Commission, in order to effectively safeguard the interests of the company and the investors, Mr. Li Xiaoming, the company's and project partner, decided to terminate the non-public offering of shares. On July 24, 2017, the 30th meeting of the 8th Board of Directors of the Company reviewed and passed the Proposal on Termination of Non-Public Issuance of Stocks. Mr. Li Xiaoming promised to return the 80 million USD in earnest money in full on November 12, 2017, the company. Shengjie (Beijing) Investment Consulting Co., Ltd. issued a declaration letter to provide unconditional and joint guarantee responsibility for Mr. Li Xiaoming's return of the US\$80 million earnest money. After the promises expired, the company and company lawyers sent Mr. Li Xiaoming a dunning letter asking him to repay the debts, and he had communicated and negotiated solutions with Li Xiaoming. As of now, the amount has not yet been recovered. The company will adopt various measures including legal measures to recover the arrears.

Opinions of the Board of Supervisors on the "Special Explanation of the Board of Directors on the Matters Concerning the Opinion Audit Report"

The 2017 annual financial report of the company was audited by Zhonghui Certified Public Accountants (special general partnership). The audit report issued by the company for the company retained opinions. The board of supervisors believes that the audit report objectively reflects the company's financial status and operating conditions. Agreed to the Board of Directors for the special explanation of the audit report of the qualified opinion issued by Zhonghui Certified Public Accountants (special general partnership). The board of supervisors hopes that the board of directors and management can take practical measures and measures on the matters involved in the qualified opinion matters to effectively reduce or resolve the risks. The board of supervisors will continue to pay attention to the promotion of related work by the board of directors and effectively safeguard the interests of the company and all shareholders.

Independent opinions of independent directors on matters involved in the qualified opinion audit report

We reviewed the "Special Explanation on the Granting of Auditing Opinions on China Resources Resources Investment Co., Ltd." by Zhonghui Certified Public Accountants (Special General Partnership) and the "Special Explanation of the Board of Directors on the Matters Concerning the Auditing Report Provided by Certified Public Accountants." On this basis, publish the following independent opinions:

(1). The audit report on retention opinions issued by Zhonghui Certified Public Accountants objectively reflects the company's financial status and operations in 2017. The qualified opinion contained in the 2017 annual audit report objectively reflects the actual conditions of the matters involved.

(2). We agree to the "Special Explanation of the Board of Directors on the Matters Arising out of the Certified Public Accountants Auditing Report." We will continue to monitor and supervise company directors to take corresponding measures to resolve the relevant issues involved in the qualified opinion as soon as possible, to better promote the development of the company and to protect the interests of the minority shareholders.

VI. Comparing to last year's accounting report, there are changes of the accounting policies, accounting evaluations and accounting method

Applicable Not Applicable

There are no changes of the accounting policies, accounting evaluations and accounting methods at the current period.

VII. There are significant accounting errors in the case of requiring restatement description

Applicable Not Applicable

There are no significant accounting errors in the case of requiring restatement description.

VIII. Comparing to reports last year, consolidated statements scope changes.

Applicable Not Applicable

There are no changes of consolidated statements scope at the current period.

IX. Engagement of Dismissal of accounting office

Current accounting office engaged by ZRC:

Name of domestic office		Zhonghui Certified Public Accountants (Special general partnership)
Remuneration to domestic accounting office (unit: 10,000 Chinese Yuan)	90	
Continuous years of audit service by domestic accounting office	2	
Certified public account of domestic accounting office		Shen Dazhi, Ma Jingu
Continuous years of audit service by overseas accounting (if available)	1	

Was an accounting office re-engaged during the reporting period?

Yes No

To hire internal control auditing accounting firm, financial advisor or sponsor

Applicable Not Applicable

The company engaged Zhonghui Certified Public Accountants (special general partnership) as the company's 2017 audit agency, responsible for the company's 2017 annual internal control audit work, and the internal control audit fee was RMB 300,000. The matter was reviewed and approved by the company's first extraordinary shareholders meeting in 2018. In 2017, the company hired Industrial Securities Co., Ltd. as a financial advisor for a major asset restructuring and paid a total of 1 million yuan in financial advisory fees during the period.

X. Suspension of listing and termination of listing after disclosure of annual report

Applicable Not Applicable

XI. Bankruptcy restructuring

Applicable Not Applicable

During the reporting period, ZRC did not undergo any bankruptcy restructuring.

XII. Major lawsuits and arbitrations

Applicable Not Applicable

During the reporting period, ZRC had no major lawsuit or arbitration.

XIII. Punishments and rectifications

Applicable Not Applicable

During the reporting period, ZEC was not subjected to any punishments, nor did it make any rectifications.

XIV. The integrity status of the company, the controlling shareholders and the actual controller

Applicable Not Applicable

During the reporting period, there were no cases in which the company's controlling shareholder and actual controller did not fulfil the judgment of the court's entry into force and the amount of debt that was in large amount was overdue.

XV. The implementation of equity incentive plan, employee stock ownership plans or other employee incentives

Applicable Not Applicable

During the reporting period, there is no equity incentive plan, employee stock ownership plans or other employee incentives.

XVI. Substantive affiliated transactions

1. Affiliated transactions in daily operations

Applicable Not Applicable

During the reporting period, ZRC did not make any affiliated transactions in daily operations.

2. Affiliated transactions arising from asset acquisition and sales

Applicable Not Applicable

During the reporting period, ZRC did not involve any affiliated transactions arising from asset acquisition and sales

3. Affiliated transactions of joint external investment

Applicable Not Applicable

During the reporting period, ZRC did not involve any affiliated transactions of joint external investments

4. Creditor's rights and debts with affiliated parties

Applicable Not Applicable

During the reporting period, no non-operating rights or debts were involved between ZRC and affiliated parties.

5. Other affiliated transactions

Applicable Not Applicable

(1). In May 2015, in order to acquire the shares of Iron Ore International (Mongolia) Co., Ltd., Ming Sheng Co., Ltd. and Mongolian New Lahgaote Iron Mine Co., Ltd., the company and the actual controller of the above-mentioned company, Mr. Li Xiaoming, signed the "intention contract.", And to pay \$ 80 million in earnest money in order for the contracting parties to promote project cooperation in accordance with the contract. Shengjie (Beijing) Investment Co., Ltd. voluntarily to be the joint liability guarantor of Li Xiaoming to perform the contract. As of the date of this report, Mr. Li Pusheng, the company's director, is the legal representative of Shengjie Company. On July 24, 2017, the 30th meeting of the 8th Board of Directors of the company reviewed and passed the Proposal on Termination of Non-Public Issuance of Stocks. The company and its project partner Mr. Li Xiaoming decided to terminate the non-public offering of shares and the aforementioned cooperation. The project partner, Mr. Li Xiaoming, issued a confirmation letter to confirm and agreed to refund the full amount of 80 million US dollars in earnest money to the company. Shengjie (Beijing) Investment Consulting Co., Ltd. issued a declaration letter to provide unconditional and joint guarantee responsibility for Mr. Li Xiaoming's return of the US\$80 million earnest money. As of the date of this report, the above earnest money has not yet been recovered. The company will take various measures including legal measures to recover the arrears.

(2). In August 2015, the company's board of directors resolved that in order to support the implementation of the Irohe Iron Mine Co., Ltd. (hereinafter referred to as "Iro River") mine project, the company signed a loan contract with Ero River 300 million yuan was allocated to Iro River for the preliminary investigation and design of the company's iron ore project. Shenzhen Nanwu Beian Asset Management Co., Ltd.'s wholly-owned subsidiary, Nanhua Beian Wealth Management Co., Ltd., unconditionally assumes joint liability guarantees. On December 27, 2016, Shenzhen Nanwu Beian Asset Management Co., Ltd. signed a share transfer agreement with Ningbo Ransheng Shengyuan Investment Management Co., Ltd. (Limited Partnership) to transfer all of its 233 million shares to Ningbo Ransheng Shengyuan Investment Management Partnership (Limited Partnership).

(3). On October 24, 2017, after the reviewed and approved at the 32nd meeting of the 8th Board of Directors of the Company, the company signed a contract with Ransheng Shengrun Investment Management Partnership Enterprise (Limited Partnership) of Ningbo Meishan Bonded Port Area (hereinafter referred to as "Yongsheng Shengrun"). Under the Equity Transfer Framework Agreement, the company intends to transfer 60% of the equity held by Shandong Zhongrun Group Zibo Real Estate Co., Ltd. to Ransheng Shengrun. The actual controller of Ransheng Shengrun is Mr. Guo Changwei, who belongs to the same actual controller as the company. At present, this major asset reorganization is in progress.

Affiliated transactions interim report disclosure website

Name of interim report	Disclosure date	Disclosure website
Announcement on the signing of the loan contract	12 May, 2015	http://www.cninfo.com.cn
Announcement on signing the "Intent Contract"	21 Aug, 2015	http://www.cninfo.com.cn
Announcement on signing the "Equity Transfer Framework Agreement"	25 Oct, 2017	http://www.cninfo.com.cn

XVII. Major contracts and their performance

1. Trusteeship, contracting and leasing

(1). Trusteeship

Applicable Not Applicable

During the reporting period, ZRC was not involved in any trusteeship.

(2) Contracting

Applicable Not Applicable

During the reporting period, ZRC was not involved in any contracting project.

(3) Leasing

Applicable Not Applicable

During the reporting period, ZRC was not involved in any leasing project.

2. Guarantee

Applicable Not Applicable

(1) Guarantee

Unit: 10,000 Chinese Yuan

External guarantee (Excluding the guarantee provided for its subsidiaries)									
Guaranteed object	Date of announcing the guarantee limit	Guarantee limit	Date of occurrence (date of signing)	Guaranteed amount	Guarantee type	Term of guarantee	Performed	Guarantee for affiliated party	
Shandong Xinchao Energy Shareholding Company	06 Feb, 2016	50,000	13 June, 2017	12,000	Joint and several guarantee	2 years	No	No	
			30 Aug, 2017	30,000	Joint and several guarantee	3 years	No	No	
			27 April, 2016	8,000	Joint and several guarantee	1.5 years	Yes	No	
Total guarantee limit for its subsidiaries approved during the reporting period (A1)			42,000	Total actual guaranteed amount for its subsidiaries during the reporting period (A2)				42,000	
Total guarantee limit for its subsidiaries approved by the end of the reporting period (A3)			50,000	Total actual guaranteed amount for its subsidiaries by the end of the reporting period (A4)				42,000	
Guarantee from company to subsidiaries									
Guaranteed object	Date of announcing the guarantee limit	Guarantee limit	Date of occurrence (date of signing)	Guaranteed amount	Guarantee type	Term of guarantee	Performed	Guarantee for affiliated party	
Vatukoula Gold Mines Plc	28 April 2015	15,000	05 June 2015	10,396.56	Joint and several guarantee	3 years	No	Yes	

Total guarantee limit for its subsidiaries approved during the reporting period (B1)		0	Total actual guaranteed amount for its subsidiaries during the reporting period (B2)		0			
Total guarantee limit for its subsidiaries approved by the end of the reporting period (B3)	15,000	Total actual guaranteed amount for its subsidiaries by the end of the reporting period (B4)		10,396.56				
Guarantee from subsidiaries to subsidiaries								
Guaranteed object	Date of announcing the guarantee limit	Guarantee limit	Date of occurrence (date of signing)	Guaranteed amount	Guarantee type	Term of guarantee	Performed	Guarantee for affiliated party
Total guaranteed amount								
Total guarantee limit approved during the reporting period (A1+B1+C1)	42,000	Total actual guaranteed amount for its subsidiaries during the reporting period (A2+B2+C2)		42,000				
Total guarantee limit for its subsidiaries approved by the end of the reporting period (A3+B3+C3)		Total actual guaranteed amount for its subsidiaries by the end of the reporting period (A4+B4+C4)						
Proportion of total actual guaranteed amount to ZRC's net assets								
Including:								
The balance of guarantees provided to shareholders, actual controllers and their related parties (D)								
Debt guarantee balance directly or indirectly for guaranteed objects with a debt ratio of more than 70% (E)								
Total amount of guarantee exceeds 50% of net assets (F)								
Total amount (D+E+F)								
1,920.55								
1,920.55								

(2). Rule-breaking external guarantees

Applicable Not Applicable
During the reporting period, ZRC did not provide any rule-breaking external guarantees.

3. Entrust others to manage cash assets

(1). Entrusted financing

Applicable Not Applicable

During the reporting period, CIRC was not involved in any entrusted financing.

(2) Entrusted Loans

Applicable Not Applicable

During the reporting period, CIRC was not involved in any entrusted loans.

4. Other substantive contracts

Applicable Not Applicable

ZRC was not involved in any other substantive contracts during the reporting period.

XVIII. Social responsibility

1. Social responsibility

(1). Protect the rights and interests of the staff

ZRC promotes people-oriented employment concept and build a harmonious and stable labor relations. It in strict accordance with national laws and regulations of labor relations management through the improvement of labor contracts, fair treatment of all employees, pay "five risks and one gold" to employees, to promote the employees to publish reasonable recommendations to ensure the realization of democratic rights of employees; improve salary policy, deepen performance appraisal, emphasis on employee career development and training, so that the company's interests are closely linked with the interests of employees.

The company pays attention to the construction of corporate culture and advocates employees with "integrity management, pragmatic innovation, and value reflection". It cares about the physical and mental health of employees, enhances employees' awareness of health care through the annual full-time examination, and enhances employees' sense of belonging and centripetal force to the company; ZRC emphasizes on the employee's training, actively create a good career development space for employees, and achieve a co-growth of employees and companies.

(2). The company insists on building green mines to achieve sustainable development

The company always adheres to the unity of economic benefits, social benefits and ecological benefits, and strives to strengthen the construction of "green mines" for its own projects, and continues to carry out energy conservation, emission reduction, cost reduction and efficiency enhancement activities. We will pay attention to technological transformation and innovation in the mining production process, actively develop new technologies such as mining, metallurgy, energy saving and emission reduction, and explore solutions for improving the utilization of mineral resources and developing environmental protection. In the construction of mines, strict

compliance with the national safety and environmental laws and regulations and the company's "safety production responsibility system", "downhole, open pit mining safety management" and other safety rules and regulations, basically formed a long-term mechanism for the operation of safe production norms. Pay attention to the construction of ecological civilization in the plant and mining areas and firmly establish the awareness of sustainable development.

(3). Perform tax obligation

The company strictly implements the national tax policy, actively fulfils its tax liability, and earnestly fulfils the corporate social responsibility of paying taxes and giving back to society.

The company will continue to support and implement the national industrial policy, abide by social morality, safeguard the rights and interests of shareholders and stakeholders, and sincerely accept the supervision of the government and the public, and strive to achieve corporate value and fulfil its social responsibilities.

2. Fulfilling Social Responsibility of Accurate Poverty Alleviation

Applicable Not Applicable

During the reporting period, the company did not carry out accurate poverty alleviation activities and there was no follow-up accurate poverty reduction plan.

3. Do ZRC and its subsidiaries fall within a heavy pollution industry specified by national environmental protection administration

Yes No Not applicable

XIX. Explanation of other major issues

Applicable Not Applicable

1. In 2015, the company plans to purchase non-publicly issued shares to purchase 100% equity of overseas iron ore companies such as Iron Ore (International) Co., Ltd., Mingsheng Co., Ltd. and Mongolian New Gallagher Iron Mines Co., Ltd. On July 24, 2015, the company applied for the non-public offering of shares application documents to the China Securities Regulatory Commission and received the Notice of Acceptance on August 4, 2015. On January 4, 2016, the company obtained China Securities Regulatory Commission No. 152302 "Feedback of Opinions on Examination Approval of China Securities Regulatory Commission for Administrative Licensing Projects". On March 15, 2016, the company submitted written feedback on the feedback to the China Securities Regulatory Commission. Since the company submitted the non-public offering documents to the China Securities Regulatory Commission, the state capital market environment and refinancing, mergers and acquisitions and restructuring policies as well as the domestic and foreign mining markets have undergone major changes. At the same time, the validity period of the shareholders' general meeting has expired before acquired the approval of the China Securities Regulatory Commission. In order to effectively safeguard the interests of the company and the investors, Mr. Li Xiaoming, the company's and project partner, decided to terminate the non-public offering of shares.

On July 24, 2017, the 30th meeting of the 8th Board of Directors of the company reviewed and passed the Proposal on Termination of Non-Public Issuance of Stocks. Mr.

Li Xiaoming promised to return the 80 million USD in earnest money in full on November 12, 2017, the company. Shengjie (Beijing) Investment Consulting Co., Ltd. issued a declaration letter to provide unconditional and joint guarantee responsibility for Mr. Li Xiaoming's return of the US\$80 million earnest money. After the promises expired, the company and company lawyers sent Mr. Li Xiaoming a dunning letter asking him to repay the debts, and he had communicated and negotiated solutions with Li Xiaoming. As of now, the amount has not yet been recovered. The company will take various measures including legal measures to recover the arrears.

2. On February 28, 2018, the controlling shareholder of the company, Ransheng Shengyuan, planned to promote a major reorganization and the company's shares were suspended. The company plans to acquire the equity of Shanxi Shuozhou Pinglu District Sentai Coal Industry Co., Ltd. by means of asset replacement and cash purchase. During the suspension period, the company and related parties proceeded in an orderly manner in the various tasks of this reorganization. The company and its controlling shareholders and the counterparty will sort out the underlying assets involved in the reorganization and negotiate and negotiate the proposed transaction plan and details of the transaction. As of the date of this report, relevant work has not yet been completed and there is still uncertainty in this matter.

3. On November 15, 2017, the Board of Directors of the company reviewed and passed the "Proposal on Foreign Investment of the Company". The company plans to acquire 55% of the shares of Hangzhou Ratan Network Technology Co., Ltd. (hereinafter referred to as "Rawwood Network") by means of cash payment. Both parties signed the Asset Purchase Agreement. On December 28, 2017, Fujiki Network completed the corresponding formalities for the change of business registration. On January 10, 2018, the company paid part of the equity transfer funds of 45 million yuan to the counterparty. Due to changes in operating performance and financing environment, the parties agreed to cancel the Asset Purchase Agreement. On April 20, 2018, the thirty-eighth meeting of the Eighth Board of Directors of the Company reviewed and approved the "Proposal on the Lifting of the Asset Purchase Agreement."

XX. Major events for subsidiary company

applicable not applicable

Section 6 Changes in equity and profile of shareholders

1. Equity Changes

1. Equity changes

Unit: share

	Before this Change		Amount of Change				After this Change		
	Quantity	%	New issue	Share donation	Transfer of reserve funds to equity capital	Others	Total	Quantity	%
1. Restricted shares	706,800	0.08%				-360,000	-360,000	346,800	0.04%
(3). Other shares held by domestic capital	706,800	0.08%				-360,000	-360,000	346,800	0.04%
Including shares held by domestic legal persons	346,800	0.04%						346,800	0.04%
shares held by domestic natural persons						-360,000	-360,000		0.00%
2. Unrestricted shares	928,310,961	99.92%				360,000	360,000	928,670,961	99.96%
(1). Chinese Yuan common shares	928,310,961	99.92%				360,000	360,000	928,670,961	99.96%
3. Total number of shares	929,017,761	100.00%				0	0	929,017,761	100.00%

Reasons for changes in shares

Applicable Not Applicable

On January 9, 2017, a total of 360,000 shares were traded in restricted-tradable shares held by Fu Jianrong and Miao Shitong.

Approval of the changes in shares

Applicable Not Applicable

Transfer of shares

Applicable Not Applicable

Influences of the changes in shares upon financial indexes (including the basic earnings per share, diluted earnings per share and net asset value per share in one recent year and one recent period)

Applicable Not Applicable

Other content to be disclosed as deemed necessary by ZRC or required by the securities regulatory body
 Applicable Not Applicable

2. Changes in restricted shares
 Applicable Not Applicable

Unit: Shares

Shareholder Name	Restricted shares at the beginning of the period	The number of shares lifted for sale in this period	Increased number of restricted shares in the current period	Restricted shares at the end of the period	Restricted sales reasons	Restricted sales date
Jianrong Fu	36,000	36,000	0	0	Split share reform	9 Jan, 2017
Shitong Miao	324,000	324,000	0	0	Split share reform	9 Jan, 2017
Total	360,000	360,000	0	0	--	--

II. Securities issuing and listing

1. Issuance of securities (excluding preferred shares) during the reporting period
 Applicable Not Applicable

2. Changes in total number of shares, shareholder structure, and debt-asset structure
 Applicable Not Applicable

3. Existing staff shares
 Applicable Not Applicable

III. Profile of shareholders and the actual controller

1. Number of shareholders and holding profile

Total number of common shareholders by the end of the reporting period	40,172	Total number of common shareholders by 1 month prior to the date of disclosing the annual	51,891	Total number of preferred shareholders voted by the end of the reporting period (if applicable) (See	0	Total number of shareholders voted by 1 month prior to the end of the reporting period (if applicable) (See	0

		report	note 8)				note 8)	
Shareholders with a shareholding ratio of 5% (or higher) or top 10 shareholders								
Shareholders name	Nature of shareholders	Shareholding ratio	Number of shares held by the end of the reporting period	Changes during the reporting period	Number of restricted shares held by the shareholders	Numbers of unrestricted shares held by the shareholder	Fledge or freezing	
							Status of shares	Quantity
Ningbo Ransheng Shengyuan Investment Management Company	Domestic non-state-owned legal person	25.08%	233,000,000			233,000,000	Pledge	233,000,000
Zheng Qiang	Domestic natural person	7.09%	65,869,034			65,869,034	Pledge	45,634,921
Xingye International Trust Company	Other	4.99%	46,357,800			46,357,800		
Ningbo Meishan Baoshuigang District Ransheng Shengchang Investment Management Partnership	Domestic non-state-owned legal person	4.91%	45,612,401			45,612,401		
Yunnan International Trust Company	Other	3.89%	36,159,146			36,159,146		
Shanxi International Trust shareholding company	Other	2.67%	24,781,200			24,781,200		
Zhongxin Securities Co., Ltd.	Domestic non-state-owned legal person	1.55%	14,397,655			14,397,655		
Huang Yongbo	Domestic natural person	1.32%	12,302,200			12,302,200		
Changan International Trust company	Others	1.10%	10,250,654			10,250,654		
China International Finance corporation	Other	0.97%	9,004,169			9,004,169		
Strategic investors or legal persons become top 10 shareholders due to the placing of new shares (if any) (see Note 3)								
Association between the preceding shareholders or concerted action								
The company's largest shareholder, Ningbo Ransheng Shengyuan Investment Management Partnership (Limited Partnership), and Ningbo Meishan Bonded Port Area Ransheng Shengchang Investment Management Partnership (Limited Partnership) have an associated relationship, which belongs to the "Measures for the Administration of Information Disclosure of Changes in Shareholders' Shareholding in Listed Companies". Stipulated people acting in concert. It is not known whether there is an associated relationship between other corporate shareholders, other legal person shares and								

tradable shareholders, and tradable shareholders.		Shareholding by top 10 shareholders of unrestricted shares	
Shareholder name	Number of unrestricted shares held by the shareholder	Type of share	
		Type of share	Quantity
Ningbo Ransheng Shengyuan Investment Management Company	233,000,000	RMB common share	233,000,000
Zheng Qiang	65,869,034	RMB common share	65,869,034
Xingye International Trust Company	46,357,800	RMB common share	46,357,800
Ningbo Meishan Baoshuigang District Ransheng Shengchang Investment Management Partnership	45,612,401	RMB common share	45,612,401
Yunnan International Trust Company	36,159,146	RMB common share	36,159,146
Shanxi International Trust shareholding company	24,781,200	RMB common share	24,781,200
Zhongxin Securities Co., Ltd.	14,397,655	RMB common share	14,397,655
Huang Yongbo	12,302,200	RMB common share	12,302,200
Changan International Trust company	10,250,654	RMB common share	10,250,654
China International Finance corporation	9,004,169	RMB common share	9,004,169
Note on the association relationship or concerted action between the Top 10 shareholders of unrestricted shares, and between the top 10 shareholders of unrestricted shares and the top 10 shareholders.	The company's largest shareholder, Ningbo Ransheng Shengyuan Investment Management Partnership (Limited Partnership), and Ningbo Meishan Bonded Port Area Haosheng Shengchang Investment Management Partnership (Limited Partnership) have an associated relationship, which belongs to the "Measures for the Administration of Information Disclosure of Changes in Shareholders' Shareholding in Listed Companies". Stipulated people acting in concert. It is unknown whether there is any relationship between other corporate shareholders, other legal person shares and tradable shareholders, and tradable shareholders.		
Note on the Top 10 common shareholders participating in the business of securities margin trading (if available) (refer to note 4)	Shareholder Huang Yongbo holds 12,302,200 shares of the company through investor credit securities accounts.		

Did the top 10 common shareholders or top 10 common shareholders of unrestricted shares conduct any agreed buy-back transaction during the reporting period?

Yes No

The top 10 common shareholders or top 10 common shareholders of unrestricted shares did not conduct any agreed buy-back transaction during the reporting period.

2. Profile of ZEC's controlling shareholder

On December 27, 2016, Shenzhen Nanwu Beian Asset Management Co., Ltd. and Ningbo Ransheng Shengyuan Investment Management Partnership Co., Ltd. (Limited Partnership) signed an equity transfer agreement, transferring all of its 233 million shares held by Zhongrun Resources to Ningbo Ransheng Shengyuan Investment Management Partnership (Limited Partnership). On January 17, 2017, the transfer of share transfer registration procedures was completed. Ningbo Ransheng Shengyuan

Investment Management Partnership (Limited Partnership) became the controlling shareholder of the Company, and Mr. Guo Changwei was the actual controller of the Company.

Type of shareholding: Legal Persons

Name of controlling shareholder	Legal representative or person in charge	Date of founding	Organization code	Main Business
Ningbo Ransheng Shengyuan Investment Management Partnership company (Limited partnership)	Hui Zhang	19 May, 2016	91330206MA2822YN94	Investment management. (Not allowed to engage in financial business such as deposit absorption, financing guarantees, financial management for customers, and financing (collection) to the public without the approval of financial and regulatory authorities)
Shareholdings of other domestic and foreign listed companies controlled and held by controlling shareholders during the reporting period	Except for holding equity in China Resources Resources, the controlling shareholder does not have any equity in the domestic or overseas listed companies that meets or exceeds 5% of the company's issued shares. Mr. Guo Changjun, the actual controller of the controlling shareholder, indirectly held 24.04% of the shares of Zhong Ying Interlink (stock code: 002464) during the reporting period. In addition, Mr. Guo Changjun does not have any other shares in other domestic or overseas listed companies that have interests that reach or exceed 5% of the company's issued shares.			

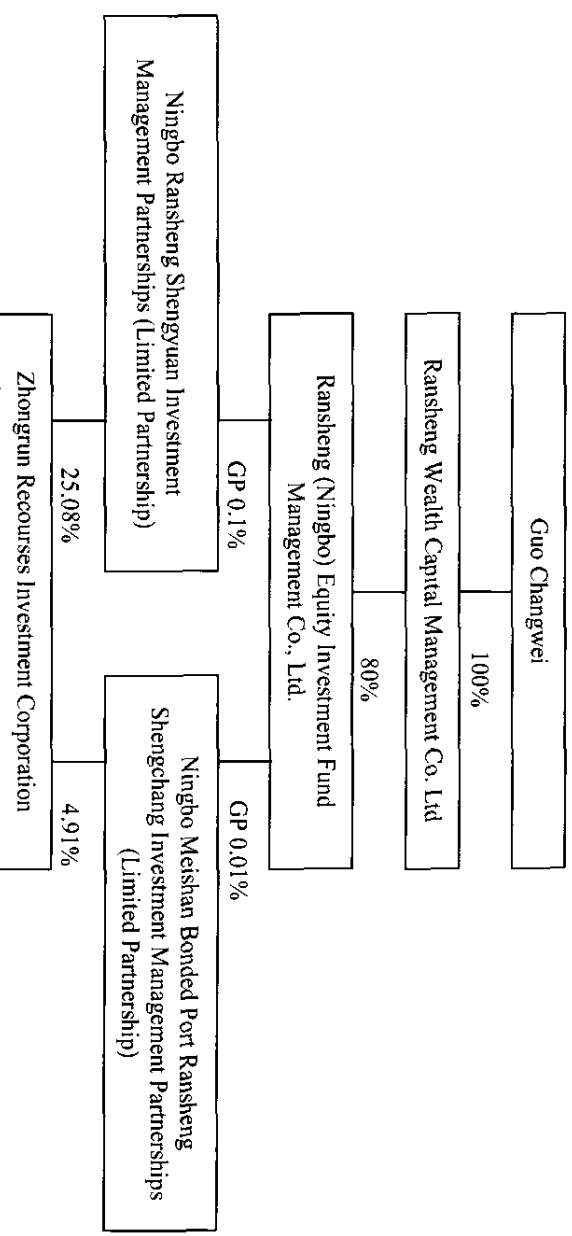
3. The actual controller of the company

The actual controller: domestic natural person

Type of Actual controller: Natural person

Name of the actual controller	Nationality	Right of abode in other countries or regions
Changwei Guo	China	No
The main occupations and duties	Mr. Guo Changzheng is principally engaged in investment business, asset management and investment management; Mr. Guo Changxin serves as the chairman of Haosheng (Ningbo) Equity Investment Fund Management Co., Ltd. and an executive director of Zhuhai Hengqin New District Changshi Capital Management Co., Ltd., Haosheng Wealth Capital Management Co., Ltd. Executive Director, Chairman of Haosheng Changshi (Ningbo) Asset Management Co., Ltd., Manager of Beijing Haosheng Asset Management Co., Ltd.	
Over the past 10 years, controlled other listed companies both domestically and internationally	Mr. Guo Changzheng was the actual controller of All Connected (stock code: 002464).	

Block diagram on property and control relationship between ZRC and actual controller



The actual controller controls ZRC through trusteeship or other asset management method

Applicable Not Applicable

4. Other legal -person shareholders with a shareholding of 10% or higher

Applicable Not Applicable

5. The decreasing holding of the controlling shareholder, actual controller, restructuring parties and other commitments entities are limited

Applicable Not Applicable

Section 7 Overview of preferred shares

Applicable Not Applicable

No preferred shares were involved during the reporting period.

Section 8 Profile of directors, supervisors, top management and employees

I. Changes in shareholding by directors, supervisors and top management

Name	Title	Status	Gender	Age	Start date	End date	Number of shares held at the beginning of the reporting period	Increase in shares held during the reporting period	Decrease in shares held during the reporting period	Number of shares held at the end of the accounting period
Li Mingji	Chairman of the Board	Incumbent	M	53	29 Aug 2013		0	0	0	0
Li Zhenchuan	Director and General manager	Incumbent	M	60	29 Aug 2013		0	0	0	0
Fu Xuesheng	Director	Incumbent	M	62	29 Aug 2013		0	0	0	0
He Yingbin	Director	Incumbent	M	53	29 Aug 2013		0	0	0	0
Shi Peng	Director, Financial Director	Outgoing	M	46	29 Aug 2013	4 April 2018	83,800	0	0	83,800
Li Pusheng	Director	Incumbent	M	64	07 Sep 2015		0	0	0	0
Xiao Suning	Independent director	Incumbent	M	70	29 Aug 2013		0	0	0	0
Wang Quanxi	Independent director	Incumbent	M	63	29 Aug 2013		0	0	0	0
Wei Junhao	Independent director	Incumbent	M	57	07 Sep 2015		0	0	0	0
Zhang Shijin	Chairman of the Board of Supervisors	Incumbent	M	54	29 Aug 2013		0	0	0	0
Guo Mingcheng	Supervisor	Incumbent	M	49	29 Aug 2013		0	0	0	0
Bian Lin	Supervisor	Incumbent	F	31	29 Aug 2013		0	0	0	0
Li Xiaolin	Financial Director	Incumbent	F	41	24 Aug 2017		0	0	0	0
He Ming	Secretary of the Board	Incumbent	F	41	29 Aug 2013	4 April 2018	0	0	0	0
Summary	-	-	-	-	-	-	83,800	-	-	83,800

II. Changes in directors, supervisors and senior managements

Applicable Not Applicable

Name	Title	Type	Date	Reasons
Shi Peng	Financial Director	Outgoing	24 Aug 2017	Personal reason
Shi Peng	Director	Outgoing	4 April 2017	Personal reason
He Ming	Secretary of the Board	Outgoing	4 April 2017	Personal reason

III. Professional experience

Main working experience and current liabilities of the incumbent directors, supervisors and top management of ZRC

Li Mingji: Chairman of the Board of Directors, male, born in 1965, Bachelor's degree

He has successively acted as Deputy General Manager of Shandong Construction Real Estate Development Corporation, General Manager of Zhongrun Real Estate Group Co, Ltd and Director General Manager and Financial Director of ZRC.

Li Zhenchuan: Director and General Manager, Male, born in 1958, major in management of mining engineering and mineral resources, senior engineer

He has successively acted as Mine Manager of Shandong Yinan Gold Mine, General Manager of Ghana Enchaonan Gold Mine, Manager of Shandong Gold Industrial Corporation, and General Manager of Mining Development Co. Ltd, affiliated to Shandong Gold Group, Board Chairman and Secretary of CPC Committee of Shandong Gold Mineral Resource Group Co., Ltd. and General Manager Assistant of Shandong Gold Group Co, Ltd and Board Chairman and Secretary of CPC Committee of Shandong Gold Mineral Resource Group Co. Ltd concurrently.

He Yingbin: Director, male, born in 1956, Canadian, PhD in mineral processing sensor engineer, a member of the Canadian Institute of Mining, Metallurgy and Petroleum. Mr He is successively served as Senior Engineer of Vancouver based Process Research Associates, and Director and President of Spur Ventures Inc. Mr. He is currently acting as independent Director of China Gold International Resources Corp. Ltd Director and President of Tri-River Ventures Inc, Director of Huaxing Machinery Corp, end non-Executive Chairman of Vatukoula Gold Mines Plc.

Fu Xuesheng: Director, male, born in 1956, Master's degree Researcher of Application of Engineering Technology, national senior gold analyst, expert of Shandong Engineering Consultancy Expert Committee certified by International Project Management Professional (IPMP) in 2002.

He has successively acted as Division Chief of Production Revision of Shandong Gold Bureau. Mine Director of Jiaojia Gold Mine affiliated to Shandong Gold Mining Co Ltd, General Manager and Board Chairman of Mining Development Co, Ltd affiliated to Shandong Gold Group, Board Chairman of Geological and Mineral Exploration Co Ltd affiliated to Shandong Gold Group, Chief Engineer, Chief Scientist and Technical Centre Director of Shandong Gold Group Co Ltd. and Board Chairman of Technology Co Ltd affiliated to Shandong Gold Group.

Shi Peng: Director and Financial Director, male, born in 1972, Master of Business Administration.

He has successively acted as Vice Section Chief and Section Chief of Finance Section of Tatan Renewable Resources Corporation of Shandong Province Vice Director of Audit Department of Shandong Zhengyuan Hexin Accounting Office, Vice Manager and Audit Director of Beijing Tianhua Accounting Office, Director, Financial Director and Secretary of the Board of Directors of Sichuan Dongtan Holding Group Co. Ltd, Director and Financial Director of Shandong Zhongrun Investment Group Co. Ltd and Deputy General Manager, Financial Director and Secretary of the Board of Directors of Jingya Food Co, Ltd.

Li Pusheng: Directors, male, born in 1972, US citizen, Master of Business and Administration, Master of Finance.

He has successively acted as manager of US Morgan Stanley Tianhui Boleyn, financial analyst of US financial services company Thomson, Vice President of the European Monetary Management Group in New York, CEO of Gathersun Hong Kong Investment Co., and CEO of Beijing An Investment Co., Ltd. He is currently acting as the President and Chairman of Shengjie (Beijing) Investment Co., Ltd.

Xiao Suning: Independent Director, male, born in 1948, senior economist.

He has successively acted as Vice Chief Engineer, Vice Chief Economist and Vice Chief Accountant of Yunnan Electric Power Design Institute General Manager Assistant, Deputy General Manager and a member of CPC Leadership Group of Chongqing Branch of Bank of Communications General Manager of a real estate development company, President and Secretary of CPC Committee of Zhuhai Branch of Bank of Communications. President and Secretary of CPC Committee of Shenzhen Branch of Bank of Communications and president and board chairman of the head office of Shenzhen development bank (renamed Ping An Bank during the reporting period). He is currently acting as a consultant of the head office of Ping An Bank, Independent Director of Beijing Dianqinxin Environmental Protection Technology Co, Ltd, and Independent Director of Haitong Securities Co. Ltd.

Wang Quanxi: Independent Director, male, born in 1955, professor

He has successively acted as Vice Director of Nankai Institute of Economics, Assistant to the Dean of Business School of Nankai University, Director of EMBA Centre of Nankai University, Secretary General of Tianjin Management Association, Special researcher of the research institute under State Administration of Taxation, Independent director of Hainan Huandao, Independent Director of Yanzhou Coal Mining Company and Independent Director of Silver Plaza Group.

He is currently acting as a professor of Business School of Nankai University, Director of Enterprise Research Centre of Nankai University, Independent Director of Shandong Haitua Co, Ltd., independent director of Leshan Electric Power AG, and Independent Director of Shandong Hualu-Hengsheng Chemical Co., Ltd.

Wei Junhao: Independent Director, male, born in 1961, China University of Geosciences (Wuhan) Professor / Ph.D Tutor, Post-doctoral degree deposit.

He has long been engaged in large-scale metallic mineral prospecting metallogenic prediction and research and teaching, and he is acting as the Chinese mining rights assessor Association executive director, mine geology professional committee member and the National Science and Technology Award evaluation experts. He acted as the independent Director Gold AG, and right now he is the Independent Director of Chifeng Gold Corporation and Guangdong Rong Sheng AMD Wire Co., Ltd.

Zhang Shijin: Chairman of the Board of Supervisors, male, born in 1964, Master's degree.

He has successively acted as Division Chief of Rear Service Division, Detachment Head, and Vice Chief of Rear Service Department of Shandong People's Armed Police Corps, Deputy General Manager of Shandong Zhongrun Real Estate Co., Ltd, and Deputy General Manager of Pingwu Zhongjin Mining Co., Ltd of Sichuan Province.

Guo Mingcheng: Supervisor, male, born in 1969

He has successively acted as Structural Designer of Building Office of Zibo Urban Planning and Design Institute of Shandong Province Chief Engineer of Building Office of Zibo Planning information centre of Shandong Province, and General Manager and Chief Engineer of Zibo Tongji Real Estate development Co., Ltd of Shandong Province. He is currently acting as General Manager of Zibo Real Estate Co Ltd of Shandong Zhongrun Group.

Bian Lin: Supervisor, female, born in 1987, Bachelor's degree.

She is currently acting as an accountant of Zhongrun Futai Investment Co., Ltd

Yi Tai An: Deputy General Manager of the company, acting as the Secretary of the Board of Directors, male, born in 1975, bachelor degree.

He was General Manager, Investment Management Center, China Resources Resources Investment Co., Ltd.

Incumbency in the shareholder organisations:

✓ Applicable Not Applicable

Name	Name of shareholder organization	Position assumed in shareholder organization	Start date of office incumbency	End date of the incumbency	Obtain remunerations or allowance from the shareholder organisation
Bian Lin	Zhongrun Futai Investment Co. Ltd	Accountant	1 Feb 2013		Yes

Incumbency in other organisations
 Applicable Not Applicable

Name	Shareholder name	Position assumed in shareholder organisation	Start date of the incumbency	End date of the incumbency	Obtain remunerations or allowance from the shareholder organisation
He Yingbin	China Gold International Resources Corp. Ltd.	Independent director	31 May 2000		Yes
	Canada Sanjiang Investment Co., Ltd.	Director, CEO	19 July 2007		
	Vaikoula Gold Mines Plc	Director	25 March 2013		
Wang Qianxi	Nankai University	Professor	1 January 2001		Yes
	Tianjin Guifaxiang Food Production Co., Ltd.	Independent director	25 September 2015	22 April 2018	
	Shandong Hualu Hengsheng Chemical Co., Ltd.	Independent director	02 April 2012	24 October 2019	
	Tianjin Baocheng Machine Co., Ltd.	Independent director	01 November 2016	19 June 2017	
	Leshan Electric Power Co., Ltd.	Independent director	31 October 2014	25 September 2018	
Xiao Sunling	Beijing Qingxin Environmental Technology Co.	Independent director	10 Aug 2016	09 Aug 2019	Yes
	Haitong Securities Co., Ltd.	Independent director	30 December 2014	30 December 2017	
	Nanhai shareholding Limited	Independent Non-Executive Director	27 April 2016		
	China Digital Information Co., Ltd	Independent Non-Executive Director	27 April 2016		
	Taimeng Investment Group	Chairman	01 Nov 2013		
Wei Junhao	Inner Mongolia Chifeng Gold AG	Independent director	14 December 2012	24 February 2019	Yes
Li Pusheng	Shengjie (Beijing) Investment Advisory Management Ltd.	Chairman of the board	01 April 2014		Yes
Shi Peng	Hainan Mining Co., Ltd	Secretary of the Board	29 Aug 2017		
Fu Xuesheng	Beijing Haofeng United Technology Co., Ltd.	Director of General Manager	10 May 2017		

The securities regulatory authorities' punishments to outgoing directors who left during the accounting period, supervisors, and senior management in nearly three years
 Applicable Not Applicable

IV. Remuneration of directors, supervisors and top management

Decision-making procedure basis and actual payment of remunerations for directors, supervisors and top management.

According to the positions of the directors, supervisors and senior management personnel in the company, they are paid according to the company's salary system and enjoy corresponding benefits. In addition, they no longer provide other compensation and benefits.

In accordance with the related stipulation of *Guiding Opinions on Establishment of Independent Director System in Listed Companies and Code of Corporate Governance for Listed Companies in China* together with the actual conditions of ZRC, ZRC pays each independent director in the 8th term of Board of Directors an annual allowance of 120,000 Chinese yuan (Tax-inclusive), and the necessary expenses incurred for attending the General Meeting of Shareholders and Board of Directors or for exercising other power pursuant to elated laws and regulations and *Articles of Incorporation*.

Remuneration of directors, supervisors and top management during the reporting period

Unit: 10,000 Chinese Yuan

Name	Title	Gender	Age	Status	Total remunerations obtained from ZEC	Get paid from affiliated parties
Li Mingji	Chairman of the Board	Male	53	Incumbent	69.58	No
Li Zhenchuan	Director and General manager	Male	59	Incumbent	140.08	No
Fu Xuesheng	Director	Male	61	Incumbent	0	No
He Yingbin	Director	Male	53	Incumbent	0	No
Shi Peng	Director, Financial Director	Male	46	Incumbent	29.07	No
Li Pusheng	Director	Male	64	Incumbent	0	No
Xiao Suting	Independent director	Male	70	Incumbent	12	No
Wang Qianxi	Independent director	Male	63	Incumbent	12	No
Wei Junhao	Independent director	Male	57	Incumbent	12	No
Zhang Shijin	Chairman of the Board of Supervisors	Male	54	Incumbent	45.25	No
Guo Mingcheng	Supervisor	Male	49	Incumbent	74.76	No
Bian Lin	Supervisor	Female	31	Incumbent	0	Yes
He Ming	Secretary of the Board	Female	42	Incumbent	35.07	No
Li Xiaogin	Financial Director	Female	42	Incumbent	17.23	No
Total					447.04	

Stock options granted to ZRC's directors, supervisors and top management during the reporting period

Applicable Not Applicable

V. Profile of staff composition

1. Number of staff, Professional composition and level of education

<i>Number of employees of the parent company</i>		28
<i>Number of employees of the main subsidiaries company</i>		1,622
<i>Total number of employees</i>		1,650
<i>The current total number of employees to receive payment</i>		1,650
<i>Number of retired workers who will be paid by the main subsidiaries and the parent company</i>		0
<i>Professional composition</i>		
<i>Type of professionals</i>		<i>Numbers of people</i>
Production		778
Sales		9
Technology		513
Financial staff		20
Administration and operation		170
Other		160
Total		1,650
<i>Level of Education</i>		
<i>Type of education level</i>		<i>Number of people</i>
Master degree and above		11
Bachelor's degree		61
Specialist qualifications		81
Secondary education level and below		1,497
Total		1,650

2. Remuneration policy

Based on National laws on labour, personnel policy, combined with the actual situation of the company philosophy and management mode, ZRC does everything in accordance with the principle of distribution according to work. Refer to job responsibilities, job performance, job skills and other indicators, ZRC determined to apply the company's growth rate to the wage increase system.

3. Training plan

In order to completely, systematically provide training to staff, ZRC will gradually open various training workshops, mainly including new staff training, department transaction training, corporate culture, financial management, PLC information regulation etc. The evaluation of training effectiveness will be exam or essay depending on different courses.

4. Outsourcing services

Applicable Not Applicable

Section 9 Corporate Governance

I. Status quo

ZRC constantly improves the corporate governance structure, information disclosure and standardizes corporate operation in accordance with the relevant stipulations of *Corporation law securities Law, Share Listing Rules in Shenzhen Stock Exchange* and *Code of Corporate Governance for Listed Companies in China*.

1. Shareholders and general meeting of shareholders

During the reporting period, ZRC held the annual and extraordinary general meetings of shareholders strictly in accordance with the related stipulations of *Articles of Incorporation Rules for the General Meeting of shareholders of Listed Companies and Rules of Procedure of Shareholders Meeting* thus maintaining the legal rights and interests of ZRC and all shareholders.

2. Directors and Board of Directors

During the reporting period ZRC convened the Board of Directors twelve times, and the directors all performed the duties specified by the *Articles of Incorporation* with due diligence actively attended the meeting of directors, reviewed various motions made in the Board of Directors and General Meeting of Shareholders, familiarised themselves with the latest operation and management status in a timely manner and put forward professional advice, thus providing powerful support for the scientific decision-making of ZRC.

3. Supervisors and Board of Supervisors

During the reporting period ZRC convened the Board of Supervisors five times, and the supervisors all performed the duties specified by the *Articles of Incorporation* with earnest good faith and diligence, effectively supervising the legitimacy and compliance of financial affairs major events and performance of duties by directors and top management.

4. Information disclosure and transparency

In accordance with the related stipulations of *Corporation Law and Rules for Listed Companies* ZRC assigns special personnel to conduct information disclosure and deal with the inquiries from shareholders and surveys from institutions. They disclose the related information faithfully, accurately, completely and in a timely manner, and ensure information secrecy on the principles of openness fairness and justice thus ensuring that all shareholders obtain information equally.

Are there significant differences between the actual status of ZRC's corporate governance and regulatory documents for listed companies issued by China Securities Regulatory Commission on corporate governance?
 Yes No

There are no significant differences between the actual status of ZRC's corporate governance and regulatory documents for listed companies issued by China Securities Regulatory Commission on corporate governance.

II. The Independence of company with respect to the controlling shareholder in business, personnel, assets, organization and finance

1. Business: The Company has independent and integrated business system in real estate development and mining management system, with independent and complete business segment, does not involve any same-industry competition with other companies controlled by the actual controller.
2. Personnel: The Company has independent labor insurance, staffing and payroll management; senior management all receive remuneration from the Company.
3. Assets: The Company's assets are independent and complete, all belonging to the company and are all legally owned and used, there is no controlling shareholder. No assets and capital are controlled by the actual controller or shareholders.
4. Organization: The Company established General meeting of shareholders, board of directors and board of supervisors by law. According to the needs of their own development strategy, company established an independent internal organization, perfect functions and supervision system at all levels. All departments have duty segregation, coordination, mutual supervision, and formed a fully independent operational system.
5. Finance: The Company established independent financial department and independent financial accounting system, makes independent financial decisions, opened a separate bank account, and is independent for tax registration and tax declaration.

III. Horizontal competition

Applicable Not Applicable

IV. Annual and extraordinary general meetings (EGM) of shareholders during the reporting period

1. Annual general meeting of shareholders during the reporting period

Session of the Conference	Type of the meeting	Investor participation ratio	Meeting time	Disclosure time	Disclosure reference
First EGM in 2017	EGM	42.18%	17/03/2017	18/03/2017	http://www.cninfo.com.cn
2016 Annual general meeting	AGM	7.09%	28/06/2017	29/06/2017	http://www.cninfo.com.cn
Second EGM in 2017	EGM	32.29%	24/07/2017	25/07/2017	http://www.cninfo.com.cn

2. The preferred shareholders with a resumed voting power request to hold an extraordinary general meeting of shareholders
 Applicable Not Applicable

V. Performance of duties by independent directors during the reporting period

1. Presence at the board of directors and general meeting of shareholders by independent directors

Name of independent director	Required attendance times during the reporting period	Attendance of the board of directors by independent directors					Absent from the meeting twice consecutively
		On-site attendance times	Attendance times by Teleconference	Entrusted attendance times	Absence times		
Xiao Suning	12	0	12	0	0	No	
Wang Quanyi	12	1	11	0	0	No	
Wei Junhao	12	1	12	0	0	No	

2. Objection against related matters of ZRC made by independent directors

Did independent directors make any objections to the related matters of ZRC?

Yes No

During the reporting period, independent directors did not make any objections to the related matters of ZRC.

3. Performance of duties by independent directors

Were the suggestions of independent directors adopted?

Yes No

Whether the suggestions of independent directors were adopted

In accordance with the related stipulation of *Corporation Law*, *Securities Law*, *Rule of Share Listing* and *Independent Director Work System*, independent directors perform their duties earnestly and with diligence and offer reasonable suggestions on system optimisation, regular reports and daily management, thus playing a due role in perfecting the supervision mechanism and maintaining the legal rights and interests of ZRC and all shareholders.

VI. Performance of duties by the special committee under the Board of Directors during the reporting period

The Audit Committee under the Board of Directors performs its duties earnestly in accordance with the *Code of Corporate Governance for Listed Companies in China*.

The Audit Committee actively promoted the financial audit and internal control audit for 2017. The Audit Committee holds the annual field audit meeting, communicates with the annual audit accountants, reviews the financial statements, surveys the internal control work, listens to the audit work plan, and urges the chief auditor to complete the audit work as planned in accordance with accounting standards and independent auditing standards. The Audit Committee sums up the annual audit work for 2017 completed by Zhonghui Accounting Office (special general partnership) as follows.

1. Preparations for the audit

(1). Audit plan and arrangement

At the end of the reporting period, the accountants repeatedly communicated with ZRC's financial and managerial personnel, so as to know ZRC's financial and operation

status fully. Before the auditors began the audit work, the accountants communicated fully with the Audit Committee by holding a field meeting and submitted an Audit Plan to the Audit Committee, defining the audit objectives, audit scope and audit emphasis.

(2). Review of the un-reviewed financial statements

The Audit Committee carefully reviewed the financial statements prepared by ZRC, and developed written opinions.

2. Audit process

After the auditors entered the audit site, different audit teams were assigned to conduct comprehensive audits for the headquarters and different subsidiaries.

The Audit Committee urged and instructed the auditors to arrange their audit work strictly according to the audit plan and tried to understand the problems encountered during the audit process and how to handle the results of such problems.

3. Audit results

Zhonghui Accounting Office (special general partnership) issued an audit report with a standard qualified opinion to ZRC. The Audit Committee believes that Zhonghui Accounting Office (special general partnership) has dutifully completed the audit work entrusted to it by ZRC.

During the reporting period, the Special Committee kept steady communication with top management with respect to corporation development, internal management and production and operation listened to the work report made by top management, and exchanged views on project investment and enterprise management.

VII. Work of the Board of Supervisors

Did the Board of Supervisors find any risks in the supervision activities during the reporting period?

Yes No

The Board of Directors has no objection to the supervision matters during the reporting period

VIII. Performance appraisal and incentive mechanism for top management

According to the annual business objectives, ZRC defines the managerial responsibilities of top management and department heads and the performance appraisal indices oriented toward them. Then ZRC conducts year-end performance appraisal for the managerial personnel according to the fulfillment of annual objectives and monthly objectives and decides to reward or punish the managerial personnel according to the results of the year-end performance appraisal. ZRC will constantly perfect the appraisal and incentive mechanism and determine the remuneration of managerial personnel based on their managerial competence and business performance, so as to arouse their work enthusiasm fully.

IX. Internal control

1. The specific circumstances of significant deficiencies which are found in the internal control in the accounting period

Yes No

The specific conditions of major internal control defects discovered during the reporting period

During the reporting period, the company had one major defect in internal control of financial reporting:

1) The internal control of financial reporting in August 2012, the company and Qilu Real Estate Co., Ltd. (signed the "Equity Transaction Contract"), the company held

Due to the need of strategic adjustment in August 2012, the company and Qilu Real Estate Co., Ltd. and its interest in Shengji Investment. The creditor's rights were transferred to Qilu Property together

100% of its shares in Shandong Shengji Investment Co., Ltd. and its interest in Shengji Investment. The creditor's rights were transferred to Qilu Property together

with a total amount of RMB 490,262,386.9 million.

On October 10, 2013, the company signed a supplementary agreement with Qilu Property, and Shandong Pengcheng Asset Management Co., Ltd. (hereinafter referred

to as "Pengcheng Assets") provided unconditional and joint guarantee responsibility for the above amount. In April 2015, the company, Qilu Real Estate, Pengcheng

Assets, Kunlun Jiangyuan Industry & Trade Co., Ltd. (hereinafter referred to as "Jiangyuan Industry and Trade") and Shengji Investment agreed to provide unconditional

and agreed to pay off the arrears on December 10, 2015. Pengcheng Assets, Jiangyuan Industry and Trade and Shengji Investment agreed to provide unconditional

joint and several liability guarantees for Qilu Property to fulfill its loan repayment obligations to the company, pledged 100% equity of Shengji Investment, and

Shengji Investment voluntarily adopted all of its assets as all of Qilu Property. Repayment obligations provide joint liability guarantees. After the expiration of the

contract, the company sent the other party a dunning letter requesting it to repay the debt, and requested the debtor to provide additional guarantee measures. As of

December 31, 2017, the company was entitled to RMB 229,322,348.69 million of Qilu Property Co., Ltd. The company has initiated judicial procedures and seized the

assets related to Shengji Investment Land and Real Estate, etc., and is evaluating the recoverable amount of the debt. In view of the current slow progress in the ageing

the relevant real estate, etc., it is still impossible to reasonably estimate the recoverable amount of the debt. In view of the current slow progress in accordance with the ageing

assets, there is a flaw in the property rights of the seizure assets. For prudence, the company provided a total provision for bad debts in accordance with the ageing

method.

In May 2013, the company and Shandong Jianhang Real Estate Co., Ltd. (hereinafter referred to as "Jianhang Real Estate") signed the "Property Rights Transaction

Contract". The company will hold its Shandong Zhongrun Real Estate Co., Ltd. (hereinafter referred to as "Zhongrun Real Estate"). The 100% equity and its claim on

China Resources Real Estate stipulation, Shandong Anbang Real Estate and Ansheng Assets shall pay to the Company to transfer Zhongrun Real Estate Equity and

"Equity Transaction Contract" stipulation, the company, Jianhang Real Estate and Ansheng Assets signed an agreement with Ansheng Assets and Shandong Bangcheng Industrial Co., Ltd. (hereinafter

referred to as "Bangcheng Industry") and agreed that the assets of Ansheng should be liquidated by Party A before September 30, 2016. The equity transfer price was

RMB 425.3 million, and Bangcheng Industrial provided the joint guarantee responsibility for the above creditor's rights.

As of December 31, 2017, the company should receive RMB 369,300,000 of Ansheng Assets, and the company in arrears has made provision for bad debts according

to the ageing method. After the expiration of the contract, the company sent the other party a dunning letter requesting it to repay the debt, and requested the debtor to

provide additional guarantee measures. Due to the tight funding of AXA Asset, it is proposed to use the commercial property held by its own company to make the

premium against the amount owed to the company. On October 24, 2017, the 32nd meeting of the 8th Board of Directors of the Company reviewed and passed the

Proposal on Signing of the Letter of Intent for the Transfer of Commercial Buildings' Price of Credit, and agreed that the assets held by Ansheng Assets will be held in

Shandong At the western section of the Zhongrun Century City commercial property at No. 13777 Jingshi Road in Lixia District, Jinan City, Jihua City, the

province's Jinan City, the temporary two floors of the commercial building were used to make up for the amount owed to Party A. This part of the commercial property ownership certificate number: No. 169149 of the Jiāngquān Lǐzhè, Land No.: Lǐxià Guóguo (2010) No. 0100047. At present, the relevant asset assessment report has been issued.

In 2015, the company plans to purchase 100% shares of Iron Ore International (Mongolia) Co., Ltd., Mingsheng Co., Ltd., and Mongolian New Galateo Iron Mine Co., Ltd. held by Li Xiaoming through non-public offering of stocks, and paid \$80 million in sincerity, gold. Since the company submitted the non-public offering documents to the China Securities Regulatory Commission, the state capital market environment and refinancing, mergers and acquisitions and restructuring policies as well as the domestic and foreign mining markets have undergone major changes. At the same time, the validity period of the shareholders' general meeting has expired. Acquired the approval of the China Securities Regulatory Commission, in order to effectively safeguard the interests of the company and the investors, Mr. Li Xiaoming, the company's and project partner, decided to terminate the non-public offering of shares. On July 24, 2017, the 30th meeting of the 8th Board of Directors of the Company reviewed and passed the Proposal on Termination of Non-Public Issuance of Stocks. Mr. Li Xiaoming promised to return the 80 million USD in earnest money in full on November 12, 2017, the company, Shengjie (Beijing) Investment Consulting Co., Ltd. issued a declaration letter to provide unconditional and joint guarantee responsibility for Mr. Li Xiaoming's return of the US\$80 million earnest money. After the promises expired, the company and company lawyers sent Mr. Li Xiaoming a dunning letter asking him to repay the debts, and he had communicated and negotiated solutions with Li Xiaoming. As of now, the amount has not yet been recovered.

The company's outstanding equity and debts receivable from Ansheng Assets in the other receivables amounted to RMB 369.30 million and the transfer receivables from Qilu Real Estate 229,322.3 million yuan is a reasonable estimate of the present value of future cash flows, and does not correspond to the acceptance of Li Xiaoming's \$80 million in earnest gold creditor's rights to implement effective measures to ensure the safety of assets. It is reasonable to expect the current value of future cash flows from Li Xiaoming's earnest gold credits to be unfairly and reasonably reflected. The influence of bad debt provision of other receivables mentioned above on 2017's asset status and operating results.

2) Corrective measures

1. In response to the arrears of Qilu Home Ownership, the company has initiated judicial procedures to seize certain assets related to Shengji Investment Land and Real Estate, and is evaluating the seized assets.

However, due to the situation of objection, the actual ownership of the relevant real estate, etc., it is still impossible to reasonably estimate the recoverable amount of the debt. In view of the current slow progress in the disposal of assets, there is a flaw in the property rights of the seizure assets. For prudence, the company provided a total provision for bad debts in accordance with the ageing method. The company will actively cooperate with the judiciary to promote the disposal of assets for recovery of arrears as soon as possible.

2. The company is negotiating with AXA Assets on the arrears of the transfer price of the commercial property for the arrears of AXA Assets. After the agreement is signed, the relevant deliberation procedures will be fulfilled as soon as possible, and the procedures for transfer of ownership will be handled.

3. In response to Li Xiaoming's arrears, the company's and company's lawyers sent Mr. Li Xiaoming a letter of dunning that required him to repay the debt after his promise had expired, and he had communicated and negotiated with Li Xiaoming's solution. As of now, the amount has not yet been recovered. The company will take various measures including legal measures to recover the arrears.

2. Self-assessment of internal control

The disclosure date of the internal control assessment report			27 April 2018
Disclosure reference of the internal control assessment report			http://www.cninfo.com.cn
Assets that are included in the assessment range / total assets			100.00%
Profits that are included in the assessment / Total profits			100.00%
Deficiencies recognized criteria			
Type	Financial reports	Non-financial reports	
Qualitative criteria	<p>Identified as Material deficiencies of internal control of financial reporting if any of the following circumstances appears, in other cases, respectively identified as Important deficiencies or General deficiencies according to the degree of influence other cases:</p> <p>Material deficiencies:</p> <ol style="list-style-type: none"> (1) Ineffective control environment (2) Detect any fraud of company directors, supervisors and senior management personnel (3) There are material misstatements in the current financial reports and internal control failed to detect those misstatement (4) Supervision of the Audit Committee and the internal Audit to the internal control is invalid. 	<p>Identified as Material deficiencies of internal control of financial reporting if any of the following circumstances appears, in other cases, respectively identified as Important deficiencies or General deficiencies according to the degree of influence other cases:</p> <ol style="list-style-type: none"> (1) in violation of state laws, administrative regulations and normative documents (2) No institutional control system or control system failure exist in critical business system that refer to the company's operation (3) the internal control system of information disclosure fails and the company thereby was publicly condemned by regulatory authorities (4) The results of internal control assessment particularly are Material deficiencies or there is no rectification of Material deficiencies. (5) Other circumstances that significantly impacts on the company 	
Quantitative criteria	<p>The quantitative identified assessment criteria of financial reporting internal control deficiencies:</p> <p>Major deficiencies: Potential mistakes of ownership interest – mistakes $\geq 1\%$ of the total owners' equity in the consolidated financial statements</p> <p>Important deficiencies: 0.5% of the total owners' equity in the consolidated financial statements \leq mistakes < 1% of the total owners' equity in the</p>	<p>The quantitative identified assessment criteria of non-financial reporting internal control deficiencies:</p> <p>deficiencies identified: the amount of direct property loss resulted from the potential risk.</p> <p>Major deficiencies: Direct property loss $\geq 1\%$ of the total owners' equity in the consolidated financial statements</p> <p>Important deficiencies: 0.5% of the total owners' equity in the consolidated financial statements \leq direct property loss</p>	

	consolidated financial statements General deficiencies: mistakes < 0.5% of the total owners' equity in the consolidated financial statements	< 1% of the total owners' equity in the consolidated financial statements General deficiencies: direct property loss < 0.5% of the total owners' equity in the consolidated financial statements
Financial reports material deficiencies	1	
Non-Financial reports material deficiencies	0	
Financial reports important deficiencies	0	
Non-Financial reports important deficiencies	0	

X. Internal control audit report

Applicable Not Applicable

Review comments in the audit report on internal control	
In our opinion, Zhongrun Resources Investment Corporation has maintained effective internal control of the financial report in all material respects as of 31 December 2017, in accordance with Basic Norms for Internal Control in Enterprises and related stipulations.	Disclosed
Circumstance of disclosing of the full audit reporting	
Date of disclosing the full text of the audit report on internal control	27 April 2018
Index of disclosing the full text of the audit reporting on control	http://www.cninfo.com.cn
Internal audit report's opinion	Standard and qualified
significant deficiencies in non-financial reports	No

Did the accounting office issue an audit report on internal control with nonstandard opinion?

Yes No

An explanation of the internal control audit report issued by a certified public accounting firm

A material defect is a combination of a control defect or multiple control defects that exist in internal control that may prevent timely prevention or detection and correction of material misstatements in the financial statements.

Zhongrun Resources Corporation did not accrue any other receivables from Shandong Ansheng Asset Management Group Co., Ltd. for equity and debts of RMB 369.3 million, and Qilu Real Estate Co., Ltd. received RMB 229,322.3 million in equity transfer payments and receivables for Li Xiaoming's earnest gold claims. The USD 80 million was used to implement effective measures to ensure the safety of assets. This material defect affects the accuracy of the book value of some other receivables as of December 31, 2017 in the financial statements.

Effective internal control can provide reasonable assurance for the truthfulness and completeness of financial reports and related information. The above major deficiencies have caused the internal control of Zhongrun Resources Corporation to lose this function.

The management of Zhongrun Resources has identified the above major defects and included them in the internal control evaluation report of the company. The above defects are fairly reflected in all major aspects. In the 2017 annual financial statement audit of China Resources Resources Corporation, we have considered the impact of the above major defects on the nature, timing and scope of the audit process, except for the 2017 annual financial report Zhongrun Resources Corporation on April 25, 2018. Apart from the matters mentioned in the "Formation of the basis for retaining opinions" in the audit report issued, the report did not affect the audit report of 2017 of Zhongrun Resources's annual financial statements.

Is the audit report issued by the accounting firm consistent with the opinion of the board of directors?

Yes No

Section 10 Corporate Bonds

Is there a corporate bond that has been publicly issued and listed on the stock exchange and that has not been fully paid or has not been due on the date of approval of the annual report?
No.

Section 11 Financial Reports

I. Audit report

Type of audit opinion	Standard qualified audit opinion
Date of signing the audit report	27 April 2018
Audit institution	Zhonghui Certified Public Accountants (special general partnership)

Audit report

All shareholders of Zhonghui Resources Investment Co., Ltd. in the [2018] No. 2581 Meeting

1. Qualified audit opinion

We have audited the attached financial statements of Zhongrun Resources Investment Corporation (ZRC), including the Consolidated Balance Sheet (dated 31 December 2017), Balance Sheet of Parent Company (dated 31 December 2017), Consolidated Profit Statement, Profit Statement of Parent Company, Consolidated Cash Flow Statement, Cash Flow Statement of Parent Company, Consolidated Statement of Changes in Owner's Equity, Statement of Changes in Owner's Equity of Parent Company, and Notes to Financial Statement.

We believe that in addition to the impact of the matters described in the "Formation of the basis for qualified opinions" section, the accompanying financial statements were prepared in accordance with the requirements of the Accounting Standards for Business Enterprises in all material respects, and they fairly reflected Zhongrun Resources Corporation on December 31, 2017. The merger and parent company's financial position and 2017 merger and parent company operating results and cash flow.

2. The foundation of forming qualified audit opinion

(1) As stated in Note 13(3)1 to the financial statements, as of December 31 2017, the transfer of equity and debentures from Shandong Ansheng Asset Management Group Co., Ltd. (hereinafter referred to as Ansheng Assets) amounted to RMB 369.30 million. The acquisition of bad debts accrued according to aging method was RMB 147.72 million and the book value was RMB 221,580,000. Ansheng Assets did not fulfil its payment obligations in accordance with the contract. On October 24, 2017, Zhongrun Resources Corporation and AXA Assets signed the Letter of Intent for the Transfer Price of Commercial Property against the Creditor's Board of Directors, and Ansheng Asset planned to use the commercial property held by its subsidiary to offset the amount owed to the company. As of the date of the audit report, the company has not yet signed a formal agreement with AXA Assets for commercial property credits. We are unable to obtain sufficient and adequate audit evidence on the recoverable amount of the above-mentioned receivables from AXA Assets. It is not possible to determine whether it is necessary to make adjustments to the balance of the assets of AXA Assets and the provision for bad debts.

(2) As stated in Note 13(3)2 of the Financial Statements, as of December 31, 2017, Zhongrun Resources Corporation was entitled to RMB 22,932.23 million in transfer of shares of Qilu Real Estate Co., Ltd. (hereinafter referred to as Qilu Real Estate) according to the accounts. The loss of bad debts amounted to RMB 229,322,300, with book value of RMB 0. Qilu Real Estate did not fulfil its payment obligations in accordance with the contract. As of the date of this report, some properties under the name of Shandong Shengji Investment Co., Ltd. have been legally sealed. However, due to the submission of objections and the actual ownership of the relevant real estate, it is

impossible to reasonably estimate the recoverable amount of credits. As of the date of the audit report, we were unable to obtain adequate and appropriate audit evidence on the recoverable amount of the receivables from Qiliu Real Estate. We cannot determine whether it is necessary to adjust the balance of Qiliu Real Estate and the provision for bad debts.

(3) As stated in Note 13(3)3 of the financial statements, as of December 31, 2017, Zhongrun Resources Corporation should receive Li Xiaoming's gold credit right of US\$80.0 million, which is equivalent to RMB 52,273,600. The bad debt loss was RMB 52,273,600. As of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence on the provision for bad debts of Li Xiaoming, such as the assets solvency, and information on the enforceability of repayment plans. It is necessary to adjust Li Xiaoming's earnest credit balance and bad debt provision accordingly.

We conducted the audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborated our responsibilities under these guidelines. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of Zhongrun Resources Corporation and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for expressing qualified opinions.

3. Management is responsible for other information

Other information includes information covered in 2017 annual report of Zhongrun Resources Corporation, but does not include financial statements and our audit report. Our audit opinions published in the financial statements do not cover other information and we do not publish any form of assurance conclusion on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information. In the process, we consider whether there is significant inconsistency or other material misstatement of other information whether it is in the financial statements or what we have learned during the audit process.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. As stated above in "The foundation of forming qualified audit opinion" section, we are unable to obtain adequate and appropriate audit evidence on the recoverable amount of these other receivables, and it is not possible to determine whether it is necessary to make adjustments to the above balance of other receivables and provision for bad debts. Therefore, in addition to the impact of the matters described in the "The foundation of forming qualified audit opinion" section above on the related amount or other items in the 2017 Annual Report of Zhongrun Resources, no material information has been found to be materially misrepresented.

In our opinion, the audit evidence obtained by us is adequate and proper to provide a reasonable basis for our audit opinion.

4. Key audit matters

The key audit matters are the matters that we believe are most important for the audit of the current financial statements based on professional judgment. The response to these matters is based on the overall audit of the financial statements and the formation of an audit opinion. We do not comment on these matters separately. In addition to the matters described in the "Formation of the basis for retaining opinions" section, we determined that the following matters are the key audit matters that need to be communicated in the audit report.

Recognition of impairment of intangible assets

(1). Description of the matter

As described in Note 5 (XI), as of December 31, 2017, Zhongrun Resources' intangible assets were mainly composed of mining rights and prospecting rights, and the original book value of intangible assets was RMB 412,225,600, with provision for impairment of intangible assets RMB 11,964,76 million. It accounted for 17.36% of the total assets

at the end of 2017, which constitute an important part of Zhongrun Resources' assets.

As management determines the intangible impairment in the use of professional judgement and the amount of impact is significant, especially in terms of projected future cash flow and the estimated amount of recoverable intangible assets, there is inherent uncertainty, and may be affected by management bias. Thus, the impairment of intangible assets is determined as a key audit matter.

(2). Audit response

The audit procedures we implement mainly include:

- 1) Evaluate and test the effectiveness of the design and implementation of internal controls related to the impairment of intangible assets, including the review and approval of key assumptions and the amount of impairment provision;
- 2) Evaluate the rationality of the use of key parameters such as discount rate, business growth rate, and development cost for the impairment test model of the asset group in which intangible assets or intangible assets are located;
- 3) Examining related materials such as relevant intangible assets rights certificates and rights agreements, checking the annual exploration reports of mining rights and prospecting rights in intangible assets, the development status of the industries in which the relevant mineral products are located, and changes in mining technology standards, environmental protection, and regional development. The unfavorable factors caused by changes in the policy, to assess whether there are signs of significant impairment of intangible assets;
- 4) Acquire an assessment report issued by an independent valuation expert of the company's intangible assets depreciation assessment, assess the competency, professional quality and objectivity of the external valuation expert engaged, and evaluate the related parameters used in the assessment report.

5. Management and Governance Responsibility for Financial Statements

The management is responsible for preparing financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises to enable them to achieve fair reflection and design, implementation and maintenance of necessary internal controls so that there are no material misstatements due to fraud or errors in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing Zhongrun Resources' ability to continue as a going concern, disclosing issues related to going-concern (if applicable), and applying the going concern assumption unless management plans to liquidate Zhongrun Resources, terminate operations or there are no other realistic choices.

Zhongrun Resources' corporate governance layer (hereinafter referred to as the management layer) is responsible for overseeing the financial reporting process of Zhongrun Resources Corporation.

6. Auditor's responsibility for auditing financial statements

Our objective is to obtain reasonable assurance as to whether the entire financial statements are free from material misstatement due to fraud or error and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards can always be discovered when a major misstatement exists. Misstatement may be caused by fraud or mistakes, and if a reasonable expectation of misstatement alone or aggregated may affect the economic decision made by users of financial statements based on the financial statements, misstatements are generally considered to be material.

In the process of conducting audit work in accordance with auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also

perform the following tasks:

- (1) Identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failure to detect a material misstatement due to an error.
 - (2) Understand audit-related internal controls to design appropriate audit procedures.
 - (3) Evaluate the appropriateness of the accounting policies adopted by the management and the reasonableness of accounting estimates and related disclosures.
 - (4) To draw conclusions on the appropriateness of management's use of the going-concern assumption. At the same time, based on the audit evidence obtained, it may lead to conclusions as to whether there are significant uncertainties in matters or circumstances that have significant doubts about the sustainability of Zhongrun Resources Corporation. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is not sufficient, we should publish qualified opinions. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may result in the inability of Zhongrun Resources to continue operating.
 - (5) Evaluate the overall presentation, structure, and content (including disclosure) of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and events.
- We communicate with the governance team on planned audit scope, timing, and major audit findings, including communication of the internal control deficiencies that we identified during the audit.
- We also provide a statement to the management on compliance with ethical requirements related to independence, and communicate with the management on all relationships and other matters that may reasonably be considered to affect our independence, as well as related preventive measures (if applicable).
- From the matters passed with the governance hierarchy, we determine which items are most important for the audit of the financial statements of the current period and thus constitute the key audit matters. We describe these matters in our audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of communicating something in the audit report will outweigh the benefits in the public interest, we determine that The matter should not be communicated in the audit report.

II. Financial reports

In the Notes to Financial Statements, the monetary unit is Chinese yuan (RMB).

1. Consolidated statement of financial position
Prepared by Zhongrun Resources Investment Corporation

31 December 2017

Items	Closing Balance	Opening Balance
Current assets		
Cash and cash equivalent	104,668,890.25	122,958,514.02
Cash reserves for settlement		

Unit: Chinese Yuan (RMB)

Lending funds		
Financial assets measured at fair value changes in fair value recorded in the current profits and loss		
Derivative financial assets		
Notes receivable		
Account receivable	9,366,920.90	7,828,885.34
Prepayment	54,518,086.91	58,737,519.99
Premium receivable		
Reinsurance accounts receivable		
Provision of cession receivable		
Interest receivable		
Dividends receivable		
Other accounts receivable	776,667,317.70	1,093,530,535.56
Redemptory monetary capital for sale		
Inventories	517,305,733.17	811,382,492.56
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	29,529,497.17	59,051,692.83
Total current assets	1,492,056,446.10	2,153,489,640.30
Non-current assets		
Issued loan and advanced in cash		
Available-for-sale financial assets	12,872,227.49	16,192,890.00
Held-to-maturity investment		
Long-term accounts receivable		
Long-term equity investment		
Investment in real estate	163,277,527.18	167,075,064.01
Fixed assets	566,067,114.89	449,162,504.14
Construction in progress	13,255,249.03	21,377,387.59
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	250,186,197.24	353,498,291.40
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	46,138,060.95	31,005,017.39

Other non-current assets	3,524,519.32	37,107,989.70
Total non-current assets	1,055,320,896.10	1,075,419,144.23
Total assets	2,547,377,342.20	3,228,908,784.53
Current liabilities:		
Short-term borrowings	407,626,947.78	300,000,000.00
Borrowings from central bank		
Deposits from customers and interbank		
Borrowing funds		
Financial liabilities measured at fair value with changes in fair value recorded in the current profits and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable	212,021,678.50	187,348,954.09
Advanced received	196,727,362.87	446,541,158.60
Financial assets sold for repurchase		
Handling charge and commission payable		
Payroll payable	15,967,986.54	15,619,626.93
Tax payable	4,389,733.01	16,849,840.87
Interest payable	50,356,469.67	23,493,882.16
Dividends payable		
Other accounts payable	367,870,475.96	461,743,951.08
Dividend payable for reinsurance		
Provision for insurance contracts		
Acting trading securities		
Acting underwriting securities		
Available-for-sale liabilities		
Non-current liabilities due within one year	125,445,097.27	29,957,742.64
Other current liabilities		765,148.57
Total current liabilities	1,380,405,751.60	1,482,320,304.94
Non-current liabilities		
Long-term borrowings		97,362,663.59
Bonds payables		
Including preferred shares		
perpetual bonds		
Long-term account payable		
Long-term payroll payable	1,022,272.96	1,366,819.40

Special item payables		
Estimated liabilities	81,785,696.76	65,892,940.63
Deferred income		
Deferred income tax liabilities	5,680,754.62	4,629,838.72
Other non-current liabilities		
Total non-current liabilities	88,488,724.34	169,252,262.34
Total liabilities	1,468,894,475.94	1,651,572,567.28
Owner's equity		
Equity capital	929,017,761.00	929,017,761.00
Other equity instruments		
Including preferred shares		
perpetual bonds		
Capital reserve	51,259,534.18	51,259,534.18
Less Treasury stock		
Other comprehensive income	-4,275,210.95	13,730,309.79
Special reserves	13,921.38	15,593.38
Surplus statutory reserve	77,898,985.76	77,898,985.76
General risk preparation		
Retained profit	-44,394,785.25	404,738,995.48
Total owner's equity attributable to the parent company	1,009,520,206.12	1,476,661,179.59
Non-controlling interest	68,962,660.14	100,675,037.66
Total owner's equity	1,078,482,866.26	1,577,336,217.25
Total liabilities and owner's equity	2,547,377,342.20	3,228,908,784.53

Legal Representative: Li Mingji

Accounting leader: Li Xiaoqin

Head of the accounting officer: Li Xiaoqin

2. Statement of financial position of the parent company

Items	Closing balance	Opening balance
Current assets		
Cash and cash equivalent	35,255,104.47	47,872,355.88
Financial assets measured at fair value changes in fair value recorded in the current profits and loss		
Derivative financial assets		
Notes receivable		
Account receivable		
Prepayment		

Unit: Chinese Yuan (RMB)

Interest receivable		
Dividends receivable		
Other accounts receivable	1,126,794,773.62	1,369,405,310.53
Inventories		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	242,068.59	
Total current assets	1,162,291,946.68	1,417,277,666.41
Non-current assets		
Available-for-sale financial assets		
Held-to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	613,623,797.01	613,623,797.01
Investment in real estate		
Fixed assets	1,037,260.21	2,062,035.86
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	288,750.00	333,750.00
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	614,949,807.22	616,019,582.87
Total assets	1,777,241,753.90	2,033,297,249.28
Current liabilities:		
Short-term borrowings	395,000,000.00	300,000,000.00
Financial liabilities measured at fair value with changes in fair value recorded in the current profits and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advanced received		
Payroll payable	1,829,120.28	1,555,946.42
Tax payable	81,373.29	587,551.11
Interest payable	50,140,791.92	23,361,268.55
Dividends payable		

Other accounts payable	372,467,759.23	446,840,349.15
Available-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	819,519,044.72	772,345,115.23
Non-current liabilities		
Long-term borrowings		
Bonds payables		
Including preferred shares		
perpetual bonds		
Long-term account payable		
Long-term payroll payable		
Special item payables		
Estimated liabilities	22,116,465.75	11,350,000.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	22,116,465.75	11,350,000.00
Total liabilities	841,635,510.47	783,695,115.23
Owner's equity		
Equity capital	929,017,761.00	929,017,761.00
Other equity instruments		
Including preferred shares		
perpetual bonds		
Capital reserve	155,822,801.02	155,822,801.02
Less Treasury stock		
Other comprehensive income		
Special reserves		
Surplus statutory reserve	65,431,085.56	65,431,085.56
Retained profit	-214,665,404.15	99,330,486.47
Total owner's equity	935,606,243.43	1,249,602,134.05
Total liabilities and owner's equity	1,777,241,753.90	2,033,297,249.28

3. Consolidated statement of profit and loss

Unit: Chinese Yuan (RMB)

Items	Amount incurred at this term	Amount incurred at the last term
Total Revenue		
Including Operating revenues	769,082,244.46	812,133,013.52
Interest income		
Earned insurance premium		
Handling fee and commission incomes		
Total Operating Costs		
Including Operating costs	1,236,481,768.51	771,195,722.13
Interest expenditure	688,134,786.87	507,341,816.94
Handling fee and commission expenditures		
Surrender value		
Net payments for insurance claims		
Net provision for insurance contracts		
Bond insurance expense		
Reinsurance expense		
Business tax and surcharges	36,468,099.68	50,468,144.68
Sales expense	15,901,340.96	17,497,517.13
Management expense	101,397,463.77	102,148,712.61
Financial expense	89,781,555.31	8,148,778.74
Asset impairment loss	304,798,521.92	85,590,752.03
Plus profit from changes in fair value (indicate the loss with '-')		
Investment income (indicate the loss with '-')		
Including Investment in joint-venture and cooperative enterprises (indicate the loss with '-')		
Exchange earnings (indicate the loss with '-')		
Asset disposal income (indicate the loss with '-')	-3,023,856.62	3,657.00
Operating profit (indicate the loss with '-')	-470,423,380.67	40,940,948.39
Plus non-operating income	382,500.53	1,512,408.35
Including gains from disposal of non-current assets		
Less non-operating expense	19,457,282.26	1,051,667.97
Including loss from disposal of non-current assets		
Total profits (indicate total loss with '-')	-489,498,162.40	41,401,688.77
Less income tax expenses	-14,082,127.66	31,516,636.48
Net profits (indicate total loss with '-')	-475,416,034.74	9,885,052.29
(1) continuing operating net profit (indicate total loss with '-')	-475,416,034.74	9,885,052.29
(2) discontinued operating net profit (indicate total loss with '-')		
Net profits attributable to the owners of parent company	-449,133,780.73	8,789,257.54

Minority shareholders' profit	-26,282,254.01	1,095,794.75
Other after tax comprehensive income		
Other after tax comprehensive income attributable to the owners of parent company	-23,435,116.25	42,962,339.31
(1) other comprehensive income that cannot be subsequently re-categorized as profit and loss	-18,005,520.74	33,947,658.60
1 Changes in the re-measured net liabilities or net assets in defined benefit plan		
2 Attributable share in other comprehensive income that cannot be re-categorized as profit and loss of the investee under the equity method		
(2) other comprehensive income that will be subsequently re-categorized as profit and loss	-18,005,520.74	33,947,658.60
1 attributable share in other comprehensive income that will be subsequently re-categorized as profit and loss of the investee under the equity method		
2 profit and loss from fair value changes of available-for-sale financial assets	-6,944,821.62	8,056,569.78
3 profit and loss by re-categorising the held-to-maturity investment as available-for-sale financial assets		
4 effective part of profit and loss from cash flow hedging		
5 translation differences of foreign currency financial statements	-11,060,699.12	25,891,088.82
6 miscellaneous		
Other comprehensive income attributable to minority shareholders after tax	-5,429,595.51	9,014,680.71
Total comprehensive incomes	-498,851,150.99	52,847,391.60
Total comprehensive incomes attributable to the owner of the parent company	-467,139,301.47	42,736,916.14
Total comprehensive incomes attributable to the minority shareholders	-31,711,849.52	10,110,475.46
Earnings per share		
(1) basic earnings per share	-0.4835	0.0095
(2) diluted earnings per share	-0.4835	0.0095

In case that merges and acquisitions occur under the same control, the net profit of the combined party before the merger: 0.00 Chinese yuan. The net profit at the last term of the combined party: 0.00 Chinese yuan.

Legal Representative: Li Mingji

Accounting leader: Li Xiaoqin

Head of the accounting office: Li Xiaoqin

4. Statement of profit and loss of the parent company

Items	Unit: Chinese Yuan (RMB)	
	Amount incurred at this term	Amount incurred at the last term
Operating revenues	0.00	0.00
Less operating costs	0.00	0.00
Business tax and surcharges	16,765.45	107,132.10
Costs of sales		
Management expense	25,468,822.66	22,030,006.56

Financial expense	80,117,414.14	-1,896,676.30
Asset impairment loss	197,511,488.68	87,074,477.34
Plus profit from changes in fair value (indicate the loss with '-')		
Investment income (indicate the loss with '-')		
Including income from investment in joint-venture and cooperative enterprises		
Asset disposal income	-64,933.94	-615.50
Operating profit (indicate the loss with '-')		
Plus non-operating income		
Including gains from disposal of non-current assets	-303,179,424.87	-107,315,555.20
Less non-operating expense	10,816,465.75	405.60
Including loss from disposal of non-current assets		
Total profits (indicate the loss with '-')	-313,995,890.62	-107,315,149.60
Less income tax expenses		
Net profits(indicate the loss with '-')		
(1) continuing operating net profit (indicate total loss with '-')	-313,995,890.62	-107,315,149.60
(2) discontinued operating net profit (indicate total loss with '-')	-313,995,890.62	-107,315,149.60
Other comprehensive income after tax		
(1) other comprehensive income that cannot be subsequently re-categorised as profit and loss		
1 Changes in the re-measured net liabilities or net assets in defined benefit plan		
2 Attributable share in other comprehensive income that cannot be re-categorised as profit and loss of the investee under the equity method		
(2) other comprehensive income that will be subsequently re-categorized as profit and loss		
1 attributable share in other comprehensive income that will be subsequently re-categorised as profit and loss of the investee under the equity method		
2 profit and loss from fair value changes of available-for-sale financial assets		
3 profit and loss by re-categorising the held-to-maturity investment as available-for-sale financial assets		
4 effective part of profit and loss from cash flow hedging		
5 translation differences of foreign currency financial statements		
6 miscellaneous		
Total comprehensive incomes	-313,995,890.62	-107,315,149.60
Earnings Per share		
1) basic earnings per share		
2) diluted earnings per share		

5. Consolidated statement of cash flows

Unit: Chinese Yuan (RMB)

Items	Amount incurred at this term	Amount incurred at the last term
Cash flow from operating activities		
Cash received from sale of goods and services	533,224,419.58	732,073,234.15
Net increase in customer's deposits and deposits from other banks		
Net increase in borrowing funds from central bank		
Net increase in borrowing funds from other financial institutions		
Cash from the premiums of original insurance contract		
Net cash from reinsurance business		
Net increase in insurance's deposits and investment funds		
Net increase in financial assets measured at fair value with changes in fair value recorded in the current profits and losses		
Cash from interest payment, handling change and commission		
Net increase in borrowing funds		
Net increase in buy-back funds		
Tax refunds received	41,236,728.96	45,794,781.21
Other cash received related to operating activities	41,875,177.11	94,481,231.73
Total cash inflow from operating activities	616,336,325.65	872,349,247.09
Cash paid for purchase of goods and services	220,566,493.74	313,062,233.17
Net increase in customer lending and advance in cash		
Net increase in deposits in central bank and interbank deposits		
Cash to pay insurance compensation under the original insurance contract		
Cash to pay the interest, handling change and commission		
Cash to pay policy dividend		
Cash paid to/for staff members	159,722,082.68	158,560,224.13
Taxes paid	33,038,744.03	64,231,036.91
Cash paid related to other operating activities	92,287,343.50	607,148,613.78
Total cash outflow from operating activities	505,614,663.95	1,143,002,107.99
Net cash flow from operating activities	110,721,661.70	-270,652,860.90
Cash flow from investing activities		
Cash received from payback of investment		
Cash received from investment earnings		

Net cash received from disposal of fixed assets, intangible assets and other long-term assets	120,103.00	10,140.00
Net cash received from disposal of subsidiaries and other business units		30,000,000.00
Other cash received related to investment activities	85,000,000.00	180,000,000.00
Total cash inflow in investing activities	85,120,103.00	210,010,140.00
Cash paid to purchase fixed assets intangible assets or other long-term assets	169,802,444.63	173,715,648.98
Cash paid for investment		17,189,066.23
Net increase in pledge loan		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investment activities		277,331,396.40
Total cash outflow in investing activities	169,802,444.63	468,236,111.61
Net cash flow from investing activities	-84,682,341.63	-258,225,971.61
Cash flow from financing activities		
Cash received From paid-in investment		
Including cash received from loans		
Cash received from loans	448,481,167.69	300,000,000.00
Cash received from bond issue		
Other cash received related to financing activities	538,125.00	400,000,000.00
Total cash inflow in financing activities	449,019,292.69	700,000,000.00
Cash repayments of borrowings	350,364,705.20	70,437,517.82
Cash paid for distribution of dividends and profits or payment of interests	32,690,516.06	30,000,216.97
Including dividends and profits paid by the subsidiaries to minority shareholders		
Other cash paid related to financing activities	80,000,000.00	100,000,000.00
Total cash outflow in financing activities	463,055,221.26	200,437,734.79
Net cash flow' in financing activities	-14,035,928.57	499,562,265.21
Impacts of changes in exchange rate upon cash and cash equivalents	-319,293.89	-40,090.43
Net increase in cash and cash equivalents	11,684,097.61	-29,356,657.73
Plus opening balance of cash and cash equivalents	52,975,557.61	82,332,215.34
Closing balance of cash and cash equivalents	64,659,655.22	52,975,557.61

6. The statement of cash flows of parent company

Unit: Chinese Yuan (RMB)

Items	Amount incurred at this term	Amount incurred at the last term
Cash flow from operating activities		
Cash received from sale of goods and services		
Tax refunds received		
Other cash received related to operating activities	4,559,429.36	133,016,804.52
Total cash inflow from operating activities	4,559,429.36	133,016,804.52
Cash paid for purchase of goods and services		
Cash paid to/for staff members	7,784,232.59	6,326,096.97
Taxes paid	564,450.79	15,000.00
Cash paid related to other operating activities	84,318,406.55	636,148,530.11
Total cash outflow from operating activities	92,667,089.93	642,489,627.08
Net cash flow from operating activities	-88,107,660.57	-509,472,822.56
Cash flow from investing activities		
Cash received from payback of investment		
Cash received from investment earnings		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	120,103.00	20.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investment activities	85,000,000.00	180,000,000.00
Total cash inflow in investing activities	85,120,103.00	210,000,020.00
Cash paid to purchase fixed assets, intangible assets or other long-term assets	2,600.00	3,700.00
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investment activities		
Total cash outflow in investing activities	2,600.00	277,331,396.40
Net cash flow from investing activities	85,117,503.00	-67,335,076.40
Cash flow from financing activities		
Cash received From paid-in investment		
Cash received from loans	395,000,000.00	300,000,000.00
Cash received from bond issue		
Other cash received related to financing activities	538,125.00	400,000,000.00
Total cash inflow in financing activities	395,538,125.00	700,000,000.00
Cash repayments of borrowings	300,000,000.00	
Cash paid for distribution of dividends and profits or payment of interests	25,703,343.84	18,463,010.27
Other cash paid related to financing activities	80,000,000.00	100,000,000.00
Total cash outflow in financing activities	405,703,343.84	118,463,010.27
Net cash flow in financing activities	-10,165,218.84	581,536,989.73

Impacts of changes in exchange rate upon cash and cash equivalents						
Net increase in cash and cash equivalents				-13,155,376.41	4,729,090.77	
Plus opening balance of cash and cash equivalents				17,122,355.88	12,393,265.11	
Closing balance of cash and cash equivalents				3,966,979.47	17,122,355.88	

7. The statement of changes of equity

Amount incurred at this term:

Items	Current period										Non-controlling interest	Total owner's equity	
	Equity Capital	Other Equity instruments			Capital reserve	Less treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation			Retained earnings
		Preferred Shares	Perpetual bonds	Other									
I Closing balance of last year	929,017.76				51,259,534.18		13,730,309.79	15,593.38	77,898,985.76		404,738,995.48	100,675,037.66	1,577,336,217.25
Plus changes in accounting policies													
Correction of errors in previous period													
Business combination under common control													
Miscellaneous	929,017.76				51,259,534.18		13,730,309.79	15,593.38	77,898,985.76		404,738,995.48	100,675,037.66	1,577,336,217.25
II Opening balance of current year													
III Changes in amount incurred in current period (indicate the decrease with '-')							-18,005,520.74	-1,672.00			449.13	-31,712,377.52	-498.85
I Total comprehensive income							-18,005,520.74				449.13	-31,711,849.52	-498.85
2 Changes in the capital											3,780.73	849.52	1,150.99

I Closing balance of last year	929,017,761.00	31,117,140.96	-20,217,348.81	142,443.09	77,898,985.76	417,282,550.86	106,218,569.45	1,541,460,102.31
Plus changes in accounting policies								
Correction of errors in previous period								
Business combination under common control								
Miscellaneous								
II Opening balance of current year	929,017,761.00	31,117,140.96	-20,217,348.81	142,443.09	77,898,985.76	417,282,550.86	106,218,569.45	1,541,460,102.31
III Changes in amount incurred in current period (indicate the decrease with "-")								
I Total comprehensive income		20,142,393.22	33,947,658.60	-126.84		-12,543,555.38	-5,543,531.79	35,876,114.94
2 Changes in the capital contributed by owners		20,142,393.22						
1) Common shares invested by shareholders								
2) Capital invested by of shareholders								
3) Amount of share-based p		20,142,393.22				-21,332,812.92	-1,536,008.19	16,716,427.89
4) Miscellaneous								
3 Profit distribution								
1) Appropriation of surplus reserves								
2) Appropriation of the general risk reserve								
3) Profit distributed to								
4) Miscellaneous								
4 Transfer within the owner's equity								
1) Transfer of capital reserves								
2) Transfer of surplus reserves								
3) Surplus reserves to cover the deficit								
4) Miscellaneous								
5 Special reserves				-126.84			-127.99	

I) Reserves withdrawn in current period										9 71			9 06	254 84 8 77	
2) Utilised in current period										126,849 71				254 848 7 7	
6 Miscellaneous															
IV Closing balance	929,017,761 00					51,259,534 18		13,730,309 79	15,593 38		77,898,985 76		404,738,995 48	100,675,037 66	1,577,336,217 25

8. Statement of equity changes of the parent company

Amount incurred at this term:

Items	Equity Capital	This period								Total owner's equity				
		Other Equity Instruments					Less: treasury stock	Other comprehensive income ^(*)	Special reserves		Surplus reserves	Retained earnings		
		Preferred shares	Perpetual bonds	Miscellaneous	Capital reserve	Capital reserve								
I Closing balance of last year	929,017,761 00					155,822,801 02					65,431,085 56		99,330,486 47	1,249,602,134 05
Plus changes in accounting policies														
Correction of errors in previous period														
Miscellaneous														
II Opening balance of current year	929,017,761 00					155,822,801 02					65,431,085 56		99,330,486 47	1,249,602,134 05
III Changes in amount incurred in current period (indicate the decrease with '-')													-313,995,890 62	-313,995,890 62
I Total comprehensive income														-313,995,890 62
2 Changes in the capital contributed by owners														
1) Common shares invested by shareholders														
2) Capital invested by other equity instrument holders														
3) Amount of share-based payment recorded in owner's														
4) Miscellaneous														
3 Profit distribution														
1) Appropriation of surplus reserves														
2) Profit distributed to the owners (or shareholders)														
3) Miscellaneous														
4 Transfer within the owner's equity														
I) Transfer of capital reserves into paid-in capital (or equity														

Unit: Chinese Yuan (RMB)

2) Transfer of surplus reserves into paid-in capital/adjustor equity																			
3) Surplus reserves to cover the deficit																			
4) Miscellaneous																			
5) Special reserves																			
1) Reserves withdrawn in current period																			
2) Unused in current period																			
6) Miscellaneous																			
IV Closing balance	929,017,761.00				155,822,801.02						65,431,085.56			-214,665,404.15					935,606,243.43

Amount incurred at the last term:

Items	Last period										
	Equity Capital	Preferred shares	Perpetual bonds	Miscellaneous	Capital reserve	Less treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owner's equity
I Closing balance of last year	929,017,761.00				155,822,801.02				65,431,085.56	206,645,636.07	1,356,917,283.65
Plus changes in accounting policies											
Correction of errors in previous period											
Miscellaneous											
II Opening balance of current year	929,017,761.00				155,822,801.02				65,431,085.56	206,645,636.07	1,356,917,283.65
III Changes in amount incurred in current period (indicate the decrease with "-")											
1 Total comprehensive income										-107,315,149.60	-107,315,149.60
2 Changes in the capital contributed by owners											
1) Common shares invested by shareholders											
2) Capital invested by other equity instrument holder											
3) Amount of share-based payment recorded in owner's equity											
4) Miscellaneous											
3 Profit distribution											
1) Appropriation of surplus reserves											
2) Profit distributed to the owners (or shareholders)											
3) Miscellaneous											
4 Transfer within the owner's equity											
1) Transfer of capital reserves into paid-in capital (or equity capital)											

Unit: Chinese Yuan (RMB)

2) Transfer of surplus reserves into paid-in capital or equity, etc.																		
3) Surplus reserves to cover the deficit																		
4) Miscellaneous																		
5 Special reserves																		
1) Reserves withdrawn in current period																		
2) Utilised in current period																		
6 Miscellaneous																		
IV Closing balance	929,017,761.00					155,822,801.02									65,431,085.56		99,330,486.47	1,249,602,134.05

Notes to financial statements

Year 2017

I. Fast facts about the company

1. Company Overview

Zhongrun Resources Investment Corporation (ZRC) was formerly known as Shandong Zhongrun Investment Holding Group Co. Ltd (hereinafter referred to as Zhongrun Holding), Zhongrun Holding was formerly known as Shandong Huihang Real Estate Co., Ltd (hereinafter referred to as Huihang Real Estate), Huihang Real Estate was formerly known as Sichuan Dongtai Industry (Holding) Co., Ltd (hereinafter referred to as Douglas Holding), and Dongtai Holding was formerly known as Sichuan Emei Group Co., Ltd (hereinafter referred to as Emei Group). ZRC's stocks are listed in Shenzhen Stock Exchange (stock code: 000506).

ZRC specialises in real estate development and mining, mainly dealing in commercial residential buildings and gold.

The up-to-date business registration data is as follows: the registered capital is 929,017,761 Chinese yuan, the registered address is "Building 17, Zhongrun Century Plaza, No.13777 Jingshi Road, Jinan City, the legal representative is Li Mingji, the business licence no. for the legal entity is 91370000206951100B, the business scope covers exploration and development of mineral resources processing, and sale of mineral products, and corporate equity investment.

On December 27, 2016, the former parent company of Shenzhen Nanwu Beian Asset Management Co., Ltd. (hereinafter referred to as "Nanwu Beian") and Ningbo Ransheng Shengyuan Investment Management Partnership (limited partnership) (hereinafter referred to as "Sheng Shengyuan") signed "Ningbo Ransheng Shengyuan Investment Management Partnership (Limited Partnership) and Shenzhen Nanwu Beian Asset Management Co., Ltd. Zhongrun Resources Investment Co., Ltd. Stock Transfer Agreement", which was held by Nanwu Beian. The 23,300,000 shares were all transferred to Ransheng Shengyuan.

On January 17, 2017, the above-mentioned transfer registration procedures for the transfer of shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. After the equity was completed, the controlling shareholder of the company was changed to Ransheng Shengyuan, and the actual controller of the company was changed from Ms. Lu Peng to Mr. Guo Changjiwei.

As of December 31, 2017, the controlling shareholder of the Company was Ransheng Shengyuan and Mr. Guo Changjun was the actual controller of the company. The financial statements and notes to the financial statements were approved by the 39th meeting of the 8th Board of Directors of the Company on April 25, 2018.

2. Scope of merger

There are a total of 7 subsidiaries included in the consolidated company in 2017. For details, see Note 7 "Equity in other entities". Compared with the previous year, the scope of consolidation of the company in this year has not changed.

II. Basis for preparing the financial statements

1. **Going-concern basis**
On a going-concern basis and according to actual transactions or matters, the financial statements of ZRC are prepared in accordance with *Accounting Standards for business Enterprises – Basic Standards*, specific accounting standards and subsequent *Application Guide to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises* and other related accounting regulations (hereinafter referred to as *Accounting Standards for Business Enterprises* collectively) promulgated by the ministry of Finance, the stipulations on information disclosure under *No.15 of Compilation Rules on Information Disclosure by the Companies Offering Securities to the Public – General Provisions on Financial Reports* (revised in 2014) promulgated by CSRC, and the important accounting policies and accounting estimates set forth below.

2. **Going-concern ability**
ZRC is unaffected by any matter or event that may make a significant impact upon the going-concern ability within at least 12 months from the end of the reporting period.

III. Major accounting policies and accounting estimates followed by ZRC

The company and its subsidiaries have specified specific accounting policies based on the actual production and operation characteristics and in accordance with the relevant accounting standards of the enterprise, the transactions and matters concerning the recognition of bad debts, fixed assets depreciation, amortization of intangible assets and revenue recognition of receivables. As for the accounting estimates, please refer to Note 3 (12), Note 3 (17), Note 3 (20) and Note 3 (24) for related accounting policies.

1. Compliance with the Statement of Accounting Standards for Business Enterprises

The financial statements prepared by the company meet the requirements of the "Accounting Standards for Business Enterprises" and truly and completely reflect the company's financial status, operating results and cash flow and other relevant information. In addition, the Company's financial statements are in all significant respects in accordance with the "General Rules on the Compilation and Submission of Information Disclosure by Companies That Offer Securities to the Public No. 15 - General Provisions on Financial Reporting" concerning the disclosure of financial statements and their notes in 2014 revised by China Securities Regulatory Commission.

2. Accounting period

The accounting year of ZRC is from 1st January to 31st December.

3. Operating cycle

The normal operating cycle refers to the period from the purchase of assets used for processing until the realization of cash or cash equivalents. The company uses 12 months as an operating cycle and uses it as a standard for the liquidity of assets and liabilities.

4. Base currency for bookkeeping

Both the base currency for bookkeeping and the currency used for preparing the financial statements are Chinese yuan (RMB). Unless otherwise noted, the money's unit Yuan (RMB) in the financial statements.

Overseas subsidiaries of ZRC determine the base currencies for bookkeeping at their discretion according to local economic environments, and the base currencies for booking shall be converted into yuan (RMB) when they prepare financial statements.

5. Accounting treatment methods for business combination under common control and not under common control
Business combination refers to an event or transaction that two or more separate enterprises merge into a reporting entity. Business combinations are classified into the business combination under common control and business combination not under common control.

(1). Business combination under common control

The enterprises participating in the merger are ultimately controlled by the same party or the same parties before and after the merger, and the control is not temporary, and the merger is under the same control. Assets and liabilities acquired by a company in a business combination. Assets and liabilities of a merged party obtained in a merger. In addition to adjustments made as a result of different accounting policies, the party to be consolidated on the merger date is the ultimate controller of the consolidated financial statements. The difference between the share of the owner's equity of the merged party in the book value of the ultimate controlling party's consolidated financial statements and the carrying amount of the consideration paid for the combination (or the total par value of the shares issued) is adjusted to the capital reserve; the capital reserve is less than offset, Adjust retained earnings.

Through multiple transactions, step-by-step implementation of business combination under the same control, the book value of the investment held before the merger plus the sum of the book value of the new payment price on the merger date and the difference between the book value of the net assets obtained during the merger and the adjustment of the capital. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. The long-term equity investment held by the merging party prior to the acquisition of the controlling power of the merging party has been confirmed between the date of acquisition of the original equity and the date of the ultimate control of the merging party and the merging party on the same party. Gains and losses, other comprehensive income and other changes in owners' equity shall offset the retained earnings at the beginning of the period of the comparative statements or current profits and losses, except for other comprehensive income arising from changes in the net liabilities or net assets of the defined.

(2). Business combination not under common control

If the enterprises participating in the merger are not ultimately controlled by the same party or the same parties before and after the merger, the business combination not under the same control is a merger.

The difference between the purchase price and the fair value of the identifiable net assets of the acquiree obtained by the company on the purchase date shall be recognized as goodwill; if the merger cost is less than the fair value of the identifiable net assets of the acquiree acquired in the merger, first A review of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired acquiree and the measurement of the combined costs is carried out. After review, the combined costs are still less than the fair value of the identifiable net assets of the acquiree obtained in the merger. The difference is included in the current profit and loss.

If at the date of purchase or at the end of the current period of the merger, the fair values of the assets contributed as merger considerations cannot be reasonably determined due to various factors, or the fair value of the identifiable assets and liabilities of the acquiree obtained in the merger, the end of the current period of consolidation. The company calculates the business combination on the basis of the temporarily determined value. If further information is obtained within 12 months from the date of purchase, indicating that the original provisionally determined value needs to be adjusted, it shall be deemed to have occurred on the purchase date, retroactive adjustment will be made, and the comparative report information provided on the basis of the provisional value shall be taken at the same time. Relevant adjustments to the cost of a business combination or the value of identifiable assets and liabilities obtained in a merger after 12 months from the date of purchase, in accordance with Accounting Standards for Enterprises No. 28 - Changes in Accounting Policies, Accounting Estimates, and Accounting The principle of error correction is handled. The deductible temporary difference of the acquiree obtained by the company in the business combination shall not be confirmed if it does not meet the conditions for confirmation of deferred income tax assets on the purchase date. Within 12 months after the date of purchase, if new or further information is obtained indicating that the relevant circumstances of the purchase date already exist, it is expected that the purchased party can deduct the temporary economic benefits brought by the temporary difference on the purchase date, and confirm the relevant delivery. If the income tax assets are deferred, the goodwill is reduced, and the goodwill is not sufficient to reduce, the difference is

recognized as the current profit or loss; except for the above cases, the deferred income tax assets related to the business combination recognition are included in the current profit or loss.

Through multiple transactions and step-by-step mergers and acquisitions that are not under the same control, it is determined according to the accounting standards of the enterprise whether the multiple transactions are "package transactions." The terms, conditions, and economic impacts of multiple transactions are consistent with one or more of the following circumstances: Usually, it indicates that multiple transaction items should be accounted for as a package transaction: (1) These transactions are performed at the same time or in consideration of each other's influence; (2) The transactions as a whole can only achieve a complete business outcome; (3) the occurrence of a transaction depends on the occurrence of at least one other transaction; (4) a transaction is not economical by itself, but it is economical when considered together with other transactions.

In the case of a "package deal", each transaction is treated as a transaction that obtains control rights. If it does not belong to a "package deal", in the consolidated financial statements, the equity of the purchased party held before the purchase date shall be re-measured based on the fair value of the equity at the acquisition date, and the difference between the fair value and its book value shall be included in the current period. Investment income; the equity of the acquiree that has been held before the purchase date involves changes in other comprehensive income and other owners' equity, which is converted into current-period profit on the purchase date. It is due to the remeasurement of the net liabilities or net assets of the defined benefit plan by the investee. Other comprehensive income.

(3). Dealing with Transaction Costs in Business Combinations

Intermediary costs such as audits, legal services, assessment and consulting, and other related administrative expenses incurred for the purpose of business combination are charged to profit or loss for the current period when incurred. The transaction costs of equity securities or debt securities issued as merger considerations are included in the initial recognition amount of equity securities or debt securities.

6. Ways to prepare consolidated financial statements

(1). Principle for determining the consolidation scope

The consolidation scope of consolidated financial statement is determined on a controlling basis. Controlling means that ZRC has power over the investee, also enjoys variable return by participating in the related activities of the investee, and is able to affect the return amount by exerting the power over the investee. The consolidation scope covers ZRC and all its subsidiaries. A subsidiary is a corporate entity controlled by ZRC.

(2). Unifying the accounting policies, balance sheet dates and accounting periods used by parent and subsidiary corporations

The company prepares consolidated statements based on other relevant information based on the financial statements of itself and its subsidiaries. The company prepares consolidated financial statements, treats the entire enterprise group as an accounting entity, and reflects the overall financial status, operating results, and cash flows of the company in accordance with the unified accounting policies in accordance with the determination, measurement, and presentation requirements of relevant corporate accounting standards.

Consolidated financial statements offset the effect of internal transactions and exchanges between the company and its subsidiaries and subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in owners' equity.

During the reporting period, subsidiaries and businesses added due to business combination under the same control are deemed to belong to the scope of consolidation of the company as of the day when the subsidiary and the business are controlled by the ultimate controlling party and are controlled by the ultimate controlling party. The day-to-day operating results and cash flows are separately included in the consolidated income statement and the consolidated cash flow statement. During the reporting period, the opening balance of the consolidated balance sheet was adjusted at the same time, and the related items of the comparative statements were adjusted at the same time. It was deemed that the entity after the merger had been in existence since the final controlling party began to control.

In the current period, if a subsidiary is added due to a business combination not under the same control, the initial balance of the consolidated balance sheet period will not be adjusted; the financial statements will be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date. The income, expenses, and profits of the subsidiary from the purchase date to the end of the period are included in the consolidated income statement; the cash flow from the purchase date to the end of the subsidiary is included in the consolidated cash flow statement.

The equity, profit and loss and current comprehensive income attributable to the minority shareholders of the subsidiary are separately presented under the owners' equity items in the consolidated balance sheet, net profit items in the consolidated income statement and total comprehensive income. The current period losses shared by minority shareholders of the subsidiary exceeded the balance formed by the minority shareholders' share in the opening owners' equity of the subsidiary, and reduced the number of shareholders' equity.

(3). Partial Disposal of Equity of Subsidiaries in Purchase of Minority Shareholders and Non-Loss of Control

The difference between the long-term equity investment cost newly acquired by the company due to the purchase of minority equity and the proportion of net assets that shall be continuously calculated by the subsidiary from the date of purchase or the date of merger in accordance with the new shareholding ratio, and without loss of control. The difference between the disposal price obtained from the partial disposal of the equity investment in the subsidiary and the disposal of the long-term equity investment and the share of the net assets that the subsidiary continuously calculated from the purchase date or the merger date are adjusted to the consolidated balance sheet. If the share premium in the capital reserve in China is insufficient and the share premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

(4). Disposal of Controlling Subsidiary Equity Interests

In the current period, when the company disposes of a subsidiary, the income, expenses, and profits of the subsidiary from the beginning of the period to the disposal date are included in the consolidated income statement; the cash flow from the beginning of the subsidiary to the disposal date is included in the consolidated cash flow statement. When the control over the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity investment after disposal will be re-measured by the company based on its fair value on the date of loss of control. The sum of the consideration obtained by disposing of the equity and the fair value of the remaining equity, minus the sum of the share of the net assets and the goodwill that were calculated on the basis of the original shareholding ratio of the original subsidiary since the date of purchase, the difference formed is accounted for as loss. Control of current investment income. Other comprehensive income related to the equity investment of the original subsidiary, when the loss of control right is adopted, the purchaser shall directly dispose of the relevant assets and liabilities on the same basis for accounting treatment. (i.e., other than changes in net liabilities or net assets outside the original subsidiary's remeasurement of the defined benefit plan, the rest will be transferred to the current investment income). Afterwards, the remaining equity of this part was in accordance with the "Accounting Standards for Business Enterprises No. 2 - Long-term equity investment" or "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", etc.

The relevant regulations are subsequently measured. For details, please refer to Note III (XV) "Confirmation and measurement of long-term equity investment" or Note III (X) "Confirmation and measurement of financial instruments".

(5). Step-by-step disposal of subsidiary's equity investment to loss of control

If the company disposes of the equity investment in a subsidiary through multiple transactions until it loses control, it needs to distinguish whether each transaction that deals with the equity investment in the subsidiary until the control is lost is a package transaction.

Disposal of the equity investment in the subsidiary company until the loss of control of the transaction is a package transaction, the transaction will be treated as a transaction to dispose of the subsidiary and lose control; however, the disposal of the price before the loss of control. The difference in share of the net assets of the subsidiary corresponding to the disposal of the investment is recognized in the consolidated financial statements as other comprehensive income. When the control right is lost, it is transferred to the profit or loss in the period when control is lost.

If it does not belong to a package transaction, each of these transactions shall be deemed as "partially disposing of the long-term equity investment in the subsidiary without losing control," and "disposing of part of the equity investment or other reasons." "Subsidiary control" (see the preceding paragraph) applies the principle of accounting. That is, the difference between each disposal price before the loss of control right and the share of the book value of the net assets that the subsidiary has continuously calculated from the purchase date is included in the capital reserve (share capital premium) as an equity transaction. Loss of control may not be transferred to profit or loss for the period in which control was lost.

7. Classification of joint arrangements and accounting methods for joint operations

Joint arrangement refers to an arrangement that is jointly controlled by two or more participants. The Company classifies joint arrangements into joint operations and joint ventures based on the rights it enjoys and the obligations it assumes during the joint venture arrangement.

A joint venture refers to a joint venture arrangement where the company only has rights to the net assets of the arrangement. The company's investment in joint ventures is accounted for using the equity method and is accounted for in accordance with the accounting policies described in Note III (fifteen) 3(2) "Long-term equity investments accounted for under the equity method".

Joint operation refers to the joint venture arrangement in which the company enjoys the relevant assets of the arrangement and bears the liabilities of the arrangement. The Company confirms the following items related to the share of interest in joint operations and performs accounting treatment in accordance with the relevant provisions of the Accounting Standards for Business Enterprises:

- ① Confirming the assets held by the company individually, and confirming jointly held assets according to the shares of the company;
- ② Confirming the liabilities assumed by the company alone, and confirming the jointly assumed liabilities according to the shares of the company;
- ③ Recognize the revenue generated from the sale of the share of joint operating output that the company enjoys;
- ④ Confirm the income generated from the sales of joint operations according to the company's share;
- ⑤ Confirm the costs incurred by the individual and confirm the expenses incurred in the joint operation according to the company's share.

When the company is jointly operating to sell or sell assets as a joint venture (this asset does not constitute a business, the same below) or to purchase assets from a joint operation, the company only confirms that the transaction resulted in the sale of the assets to a third party. The profits and losses of the company are part of the other parties that operate jointly. If such assets meet the asset impairment loss as stipulated in the "Accounting Standards for Enterprises No. 8 - Asset Impairment", etc., due to the company's investment in joint operations or the sale of assets, the company fully recognizes the losses; Where the company purchases assets from a joint operation, the company confirms the loss according to its share of commitments.

8. Determination of cash and cash equivalents

When preparing the cash flow statement, the company's cash in hand and deposits that can be used for payment at any time are recognized as cash. Cash equivalents refer to short-term investments held by companies (usually those that are due within 3 months from the purchase date), strong liquidity, easy to convert into known amounts of cash, and investments with a small risk of changes in value.

9. Translation of foreign currency transactions and translation of foreign currency statements

(1). Foreign currency trading business

For foreign currency transactions that occurred, the spot exchange rate (usually the middle price of the exchange rate quoted by the People's Bank of China on the same day, the same below) is used to convert into RMB. However, foreign currency exchange transactions or transactions involving foreign currency exchanges that occur in the company are translated into the amount of standard currency according to the actual exchange rate.

(2). Conversion Methods for Monetary and Non-monetary Items in Foreign Currency

At the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The resulting exchange differences are:

- ① Exchanges arising from foreign currency specific borrowings relating to the acquisition or construction of assets eligible for capitalization. The difference is treated in accordance with the principle of capitalization of borrowing costs;
- ② Exchange differences for hedging instruments used for the effective hedging of net investment in overseas operations (this difference is accounted for in other comprehensive income and is not recognised as current profit or loss until net investment is disposed of) ;
- ③ Exchange differences arising from changes in other book balances of foreign currency monetary items available for sale other than amortized costs are included in other comprehensive income and are changed to profit or loss for the current period.

Non-monetary foreign currency items measured at historical cost are still measured at the amount of functional currency converted at the spot exchange rate on the transaction date. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The difference between the translated bookkeeping currency amount and the original bookkeeping currency amount shall be recorded in the current profit or loss.

(3). Convert foreign currency statements

Assets and liabilities items in the balance sheet are translated at the spot exchange rate on the balance sheet date. Owner's equity items, except "undistributed profit" items, are translated at the spot exchange rate at the time of occurrence; income in the income statement. The expenses and items are converted using the approximate exchange rate (current average exchange rate) at the date of the transaction; the undistributed profits at the beginning of the year are the undistributed profits at the end of the year after the conversion in the previous year; the undistributed profits at the end of the year are calculated and presented on the items of profit distribution after conversion; The translation difference in foreign currency financial statements resulting from the above conversion is reflected in the "Other comprehensive income" item under the shareholders' equity item of the balance sheet. When foreign operations are disposed of and the control rights are lost, the difference in the foreign currency statements related to the overseas operations, which are shown in the shareholders' equity items in the balance sheet, is transferred to the profit or loss for the current period, either in whole or in proportion to the disposal of the foreign operations. When disposing of part of the equity investment or other reasons resulting in a reduction in the proportion of overseas operating equity but not losing control over overseas operations, the foreign exchange statement translation differences related to the foreign operations disposal part will be attributable to minority shareholders' equity and will not be transferred to the current profits and losses.

The cash flow statement is converted using the approximate exchange rate (current average exchange rate) at the date of occurrence of the cash flow. The impact of exchange rate changes on cash is used as a reconciliation item, and is separately presented in the Statement of Cash Flow as "Impact of exchange rate changes on cash and cash equivalents".

10. Confirmation and measurement of financial instruments

Financial instruments refer to the contracts that form the financial assets of a company and form the financial liabilities or equity instruments of other units. Financial instruments include financial assets, financial liabilities and equity instruments. Financial assets and financial liabilities are measured at fair value on initial recognition. For financial assets and financial liabilities measured at fair value through profit or loss, the relevant transaction costs are directly charged to profit or loss. For other categories of financial assets and financial liabilities, related transaction costs are included in the initial recognition amount.

(1) Classification, confirmation and measurement of financial assets

The purchase and sale of financial assets in the normal way is subject to accounting confirmation and derecognition on the trading day. When initially recognized, financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

Including transactional financial assets and financial assets that are designated at fair value through profit or loss.

Transactional financial assets refer to financial assets that satisfy one of the following conditions:

- ① The purpose of obtaining such financial assets is mainly for the purpose of selling in the near future;
- ② Part of an identifiable financial instrument portfolio for centralized management with objective evidence Shows that the company recently managed the portfolio using short-term profit;
- ③ It belongs to a derivative, but it is designated as a derivative tool for effective hedging instruments, a derivative of a financial guarantee contract, and there is no quoted price in an active market And the fair value of the equity instrument cannot be reliably measured and the derivative instruments that are linked to and must be settled by the delivery of the equity instrument are excluded.

A financial asset that meets one of the following conditions may be designated as a financial asset that is measured at fair value through profit or loss at the time of initial recognition:

- ① The designation may eliminate or significantly reduce the measurement basis of the financial asset. The resulting inconsistency in the recognition or measurement of the related gains or losses;
 - ② The official written documents of the company's risk management or investment strategies have stated that it is fair to consider the financial assets in which the financial assets are located or the combination of financial assets and financial liabilities. Value-based management, evaluation and reporting to key management personnel.
- Financial assets at fair value through profit or loss are initially measured at fair value (net of cash dividends declared but not yet paid or bond interest that has not yet been paid) but are related to transaction costs. Including current profit and loss. Subsequent measurement using fair value, gains or losses arising from changes in fair value, and dividends and interest income related to these financial assets are included in current profits and losses.

2) Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with a fixed due date, a fixed or determinable recovery amount, and the company's stated intention and ability to hold to maturity. When the held-to-maturity investment is obtained, the sum of the fair value (deducting bond interest that has reached the interest payment period but has not yet been received) and the related transaction expenses are taken as the initial confirmation amount. With the actual interest rate method, follow-up measurement is carried out based on the amortized cost. Gains or losses arising from derecognition, impairment or amortization are charged to profit or loss for the current period.

The effective interest rate method refers to the method of calculating the amortized cost and the interest income or expenses of each period according to the actual interest rate of the financial assets or financial liabilities (including a group of financial assets or financial liabilities). The actual interest rate refers to the discounted future cash flow of a financial asset or financial liability during the expected duration or applicable shorter period to the interest rate used for the current book value of the financial asset or financial liability. When calculating the actual interest rate, the Company will estimate the future cash flow (irrespective of future credit losses) on the basis of all the contractual terms of the financial assets or financial liabilities, and will also consider the payment of financial assets or financial liabilities between the parties to the contract. Or fees collected, charges that are part of the actual interest rate, transaction fees, discounts or premiums, etc.

3) Loans and receivables

Loans and receivables are non-derivative financial assets that have no quoted price in an active market and have a fixed or determinable recovery amount. The financial assets classified by the Company as loans and receivables include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables. The amount of the contract or agreement receivable from the purchaser shall be used as the initial confirmation amount; if it is of financing nature, initial confirmation shall be based on its current value. Loans and receivables are subsequently measured at amortized cost using the actual interest rate method. Gains or losses arising from derecognition, impairment or amortization are charged to profit or loss for the current period.

4). Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available for sale at the time of initial recognition, and financial assets, loans and receivables held at the fair value, other than those at fair value through profit or loss. Period of financial assets other than investment.

The final cost of an available-for-sale debt instrument investment is determined by the amortized cost method, which is the initial recognition amount minus the repaid principal, plus or minus the difference between the initial confirmation amount and the due date using the actual interest rate method. The amount of accumulated amortization formed by amortization is deducted from the amount of impairment loss that has occurred.

The final cost of available-for-sale equity instrument investment is its initial acquisition cost. The initial confirmation amount is based on the sum of the fair value (deducting cash dividends that have been declared but not yet paid but bond interest that has not yet been received but not yet obtained) and the related expenses. The interest or cash dividends obtained during the holding period are recognized as investment income. Available-for-sale financial assets are subsequently measured at fair value. The discounted premiums are amortized using the effective interest method and recognized as interest income. Changes in fair value of available-for-sale financial assets other than impairment losses at the end of the period and foreign currency monetary financial assets and amortized costs are recognized as other comprehensive income; however, there is no quoted price in active markets. Equity instrument investments whose fair value cannot be reliably measured, and derivative financial assets that are linked to the equity instruments and must be settled through delivery of the equity instruments, are measured at cost. At the time of disposal, the difference between the obtained price and the book value of the financial asset is included in the investment profit and loss; at the same time, the amount of the corresponding part of the cumulative change in the fair value that has been directly included in other comprehensive income is transferred out and included in the calculation. Current profit and loss.

(2). Confirmation basis and measurement method of financial assets transfer

The transfer of financial assets refers to the transfer or delivery of financial assets to another party other than the issuer of the financial assets. The company distinguishes the transfer of financial assets into overall transfer and partial transfer of financial assets.

A financial asset that satisfies one of the following conditions is derecognized:

- ① The contractual right to receive cash flows from the financial asset terminates;
- ② The financial asset has been transferred and transfers almost all the risks and rewards of ownership of the financial asset to the party; assets, it gave up control of the financial assets.
- ③ The financial assets have been transferred. Although the company neither transferred nor retained almost all the risks and rewards of the ownership of the financial assets, it recognizes neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and does not abandon the control of that financial asset, it recognizes the relevant financial asset in accordance with the degree of continued involvement in the transferred financial asset and confirms the relevant liability accordingly. . The degree of continuous involvement in the transferred financial assets refers to the level of risk that the company faces when the value of the financial assets changes.

When judging whether the transfer of financial assets satisfies the conditions for derecognizing the above financial assets, the principle of substance over form is adopted. If

the transfer of financial assets does not meet the conditions for termination of recognition, the financial assets will continue to be recognized and the consideration received will be recognized as a financial liability. If the overall transfer of financial assets satisfies the conditions for derecognition, the difference between the following two amounts shall be included in the current profit or loss:

- ① The sum of the consideration received due to the transfer and the cumulative amount of the changes in fair value originally recorded in the owner's equity;
- ② The book value of the transferred financial assets.

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized part and the unconfirmed part of the company in accordance with their respective relative fair value, and the difference between the following two amounts shall be calculated. The profits and losses of the current period:

- ① The consideration received by the derecognizing part is equal to the sum of the amount of the derecognized part of the cumulative amount of changes in the fair value originally recorded directly in the owner's equity;
- ② The book value of the derecognized part.

(3). Classification, confirmation and measurement of financial liabilities

Financial liabilities are initially classified into financial liabilities at fair value through profit or loss and other financial liabilities.

1). Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including transactional financial liabilities and financial liabilities at initial recognition that are designated at fair value through profit or loss, are classified in the same manner as previously specified at initial recognition. The same conditions apply to financial assets at fair value through profit or loss. For such financial liabilities, follow-up measurements are made at fair value. The gains or losses arising from changes in fair value and the dividends and interest payments related to these financial liabilities are included in profit or loss for the current period.

2). Other financial liabilities

Derivative financial liabilities that are linked to equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured and are settled by delivery of the equity instruments are subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the actual interest rate method. Gains or losses arising from derecognition or amortization are charged to profit or loss for the current period.

3). Financial Guarantee Contract

Financial guarantee contracts that are not classified as financial liabilities that are measured at fair value through profit or loss for the period are initially recognized at fair value and are recognised after initial recognition in accordance with Accounting Standards for Enterprises No. 13 - Contingencies. The higher of the amount and initial confirmation amount after deducting the accumulated amount of amortization determined in accordance with the principle of "Accounting Standards for Business Enterprises No. 14 - Revenue" shall be subsequently measured.

4). Derecognition of financial liabilities

If the current obligation of a financial liability is discharged in whole or in part, the financial liability or part thereof may be derecognized. When the company (debtor) signs an agreement with the creditor to replace the existing financial liabilities with new financial liabilities and the terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities shall be derecognized and the new financial liabilities. If substantial changes are made to all or part of the contractual terms of existing financial liabilities, the existing financial liabilities or part thereof shall be derecognized, and the financial liability after the modification of the terms shall be recognized as a new financial liability.

When a financial liability is derecognized wholly or partially, the difference between the book value of the financial liability derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is included in the current profit or loss. If the company repurchases some of its financial liabilities, the entire book value of the financial liabilities will be allocated on the repurchase date based on the relative fair value of the continuing confirmation part and the derecognized part. The difference between the book value allocated to the derecognized part and the consideration paid (including the non-cash assets transferred out or the new financial liabilities assumed) shall be included in the current profit and loss.

5) Equity tools

Equity instruments refer to contracts that demonstrate the ownership of the company's remaining equity in the assets after deducting all liabilities. The company issues (including refinancing), repurchases, sells or cancels equity instruments as a change in equity. The company does not confirm the fair value changes of equity instruments. Transaction costs related to equity transactions are deducted from equity.

The company's various allocations to holders of equity instruments (excluding stock dividends) reduce shareholders' equity. The company does not recognize the changes in fair value of equity instruments. A financial liability is a liability that meets one of the following conditions:

- ① Contractual obligations to deliver cash or other financial assets to other parties.
- ② The contractual obligation to exchange financial assets or financial liabilities with other parties under potential adverse conditions.
- ③ A non-derivative instrument contract that will be used or can be settled with the company's own equity instruments in the future, and the company will deliver a variable amount of its own equity instruments based on the contract.
- ④ Derivatives contracts that may be settled with the company's own equity instruments or can be settled in the future, except for a derivative contract that exchanges a fixed amount of its own equity instruments for a fixed amount of cash or other financial assets.

If the company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation is in line with the definition of financial liability. If a financial instrument is required to be settled with or can be settled by the company's own equity instruments, the company's own equity instrument used to settle the instrument needs to be considered as a substitute for cash or other financial assets or for the holder of the instrument. Enjoy the remaining equity in the assets after the issuer deducts all liabilities. If it is the former, the instrument is the financial liability of the company; if it is the latter, the tool is the equity instrument of the company.

6) Derivatives and embedded derivatives are initially measured at fair value on the date of signing of the relevant contract and are subsequently measured at fair value.

Derivative financial instruments with a positive fair value are recognized as an asset, and liabilities with a negative fair value are recognized as a liability. Except for derivative instruments that are designated as hedging instruments and are highly effective hedges, the fair value gains or losses will be based on the nature of the hedging relationship and will be recorded in profit or loss over the period of hedge accounting. Fairness of the remaining derivatives Changes in value are charged to profit or loss for the current period. For hybrid instruments containing embedded derivatives, if there are no financial assets or financial liabilities that are not designated as measured at fair value and their changes are charged to profit or loss for the current period, there is no close relationship between the embedded derivatives and the principal contract in terms of economic characteristics and risks. As with the embedded derivatives, the separately existing tools are in accordance with the definition of the derivatives. The embedded derivatives are split from the hybrid tools and processed as separate derivative financial instruments. If it is not possible to separately measure the embedded derivative instruments at the time of acquisition or on the subsequent balance sheet date, the entire hybrid instrument is designated as a financial asset or financial liability that is measured at its fair value and whose changes are charged to profit or loss for the current period.

7). Determination of the fair value of financial instruments
For the method of determining the fair value of financial assets and financial liabilities, see Note III (XI).

8). Preparation for impairment of financial assets

Except for financial assets that are measured at fair value through profit or loss, the company checks the book value of other financial assets on each balance sheet date. If there is objective evidence that the financial assets are impaired, the company will accrue devaluation.

The objective evidence showing that the financial assets have been impaired refers to the items that actually occurred after the initial recognition of the financial assets, had an impact on the estimated future cash flows of the financial assets, and the company was able to reliably measure the impact. Objective evidence of impairment of financial assets, including the following observable situations:

- ① The issuer or debtor has serious financial difficulties;
- ② The debtor violated the terms of the contract, such as the payment of interest or principal default or overdue;
- ③ The company has made concessions to debtors with financial difficulties due to economic or legal considerations;
- ④ The debtor is likely to close down or undergo other financial restructuring;
- ⑤ Due to the issuer's major financial difficulties, resulting in Financial assets cannot continue to trade in active markets;
- ⑥ Whether or not the cash flow of an asset in a group of financial assets has been reduced, but based on an overall assessment of the publicly available data, it is found that the expected future cash flows of the group of financial assets since the initial recognition have been reduced. And can be measured, including the gradual deterioration of the debtor's ability to pay for the group of financial assets, or the economy of the country or region where the debtor is located, which may cause the group's financial assets to fail to be paid;
- ⑦ The technology, market, and economy of the debtor's operations Significant adverse changes in the legal environment, etc. may make it impossible for an equity instrument investor to recover investment costs;
- ⑧ Serious or non-temporary declines in the fair value of equity instrument investments;
- ⑨ Other objective evidence that financial assets are impaired.

(1) Hold-to-maturity investment, loan and receivables impairment test

Firstly separate financial assets that are individually significant, and conduct separate impairment tests. For financial assets that are not individually significant, they can be individually tested for impairment or included in the portfolio of financial assets with similar credit risk characteristics. Testing, testing independently of financial assets that have not been impaired (including financial assets that are individually significant and insignificant), including impairment testing in a portfolio of financial assets with similar credit risk characteristics. If the test result shows that it has been impaired, the financial assets measured at cost or amortized cost will be written down to the present value of estimated future cash flow. The write-down amount is recognized as impairment loss and included in the current profit and loss. If there is a small difference between the estimated future cash flow of the receivables and its present value, the estimated future cash flow will not be discounted when determining the relevant impairment loss. After the impairment loss is confirmed, if there is objective evidence that the value of the financial asset has been restored and it is objectively related to the event that occurred after the loss is confirmed, the previously recognized impairment loss is reversed and the account after the impairment loss is reversed. The value shall not exceed the amortized cost of the financial asset on the day of reverse under the assumption that no provision for impairment is made.

(2) Impairment of available-for-sale financial assets

On the balance sheet date, the Company conducts separate inspections on various available-for-sale equity instrument investments. For equity instrument investment measured

at fair value, when the comprehensive related factors determine that the decline in fair value of available-for-sale equity instrument investment is a serious or non-temporary decline, it indicates that the available-for-sale equity instrument investment is impaired. The "serious decline" refers to the fact that the fair value is less than the cost margin by more than 50%. "Non-transient decline" means that the continuous fall time of the fair value has reached or exceeded 12 months. For investment in equity instruments measured at cost, the company comprehensively considers whether any significant adverse changes have occurred in the technology, market, economic or legal environment in which the invested entity operates, and judges whether the equity instrument is impaired.

When the available-for-sale financial assets measured at fair value are impaired, the accumulative losses that were originally recorded in other comprehensive income due to the decrease in fair value are transferred out and are included in the impairment loss. As for the available-for-sale debt instrument investment whose impairment loss has been confirmed, the fair value will increase after the period, and if it is objectively related to the items that occurred after the original impairment loss was confirmed, the previously confirmed impairment loss is reversed and charged to the current profit and loss. For the available-for-sale equity instrument investment whose impairment loss has been confirmed, the increase in fair value after the period is directly included in other comprehensive income.

When the available-for-sale equity instruments measured at cost are impaired, the difference between the book value of the equity instrument investment and the present value determined by discounting the future cash flow based on the current market yield of similar financial assets is recognized as a decrease. Loss of value is recognized in profit or loss for the current period. Once the impairment loss has been recognized, it cannot be reversed.

9). Offset of financial assets and financial liabilities When the Company has legal rights to offset recognized financial assets and financial liabilities and is currently able to implement such statutory rights, the Company plans to netize or realize the financial assets and liquidate at the same time. When the financial liabilities, financial assets and financial liabilities are offset by each other in the balance sheet. In addition, financial assets and financial liabilities are separately presented in the balance sheet and are not offset by each other.

11. Fair Value

Fair value refers to the price that a market participant can pay for selling an asset or transferring a liability in an orderly transaction occurring on the measurement date. The company measures the related assets or liabilities at fair value, assuming that the orderly sale of assets or transfer of liabilities is carried out in the main market of the relevant assets or liabilities; if there is no major market, the company assumes that the transaction is the most advantageous in the relevant assets or liabilities. The market proceeded. The main market (or the most advantageous market) is the trading market that the company can enter on the measurement date.

The company uses valuation techniques that are applicable in the current circumstances and have sufficient available data and other information to support, consider the ability of market participants to use the assets for optimal purposes to generate economic benefits, or sell the assets to be able to. The ability of other market participants for optimal use to generate economic benefits, prioritize the use of relevant observable inputs, and use unobservable inputs only if observable inputs are not available or are not practicable.

For assets and liabilities measured or disclosed at fair value in the financial statements, based on the lowest level input value that is of great significance to the overall fair value measurement, the level of fair value to which they belong is determined: The input value at the first level can be calculated at the measurement date. Unadjusted quoted prices for the same assets or liabilities in an active market; Level 2 inputs are input values that are directly or indirectly observable for the underlying assets or liabilities other than the first-level input values [including: similarities in active markets Quotes for assets or liabilities; quotes for the same or similar assets or liabilities in non-active markets; observable inputs other than quoted prices, such as observable interest and yield curves during normal quote intervals, etc.]; Value is the unobservable input value of the relevant asset or liability (including interest rates that cannot be directly observed or cannot be verified by observable market data, stock volatility, future cash flows for disposal obligations undertaken in a business combination, use of own data, and Financial forecast, etc. At each balance sheet date, the Company reassesses the assets and liabilities that are continuously measured at fair value that are recognized in the financial statements to determine whether there is a conversion between the fair value measurement levels.

12. Confirmation standards and withdrawal methods for bad debts of accounts receivable

(1). Individual accounts receivable with significant amount and single provision for bad debts		Judgment basis or amount standard of single item amount		Accounts Receivable - Amount of more than 5 million yuan (inclusive) or more; Other receivables - Amount of more than 5 million yuan (inclusive) or more.	
Severe single amount and withdrawal method for single provision for bad debts		If there is any objective evidence showing that impairment has occurred after conducting an individual impairment test, provision for bad debts will be made based on the difference between the present value of its future cash flow and its book value.			
(2). Bad debt provision accounts receivable by portfolio					
Name		Determine the basis for the combination		Bad debt preparation method	
Aging combination		Based on the age of credit risk combination to confirm the basis		Aging analysis	
Low credit risk portfolio		(1) Relevant guarantee deposits and deposits can be fully recovered when they are related to production and operation projects and expire; (2) Amounts due from subsidiaries in the company's consolidation;		Provision for bad debts based on the difference between the present value of its future cash flow and its book value	
(3). Withdrawing bad debt provision method of account receivables with aging credit risk portfolio:					
Aging		Accounts receivable ratio (%)		Other receivable (%)	
Within a year		5.00		5.00	
1—2 years		10.00		10.00	
2—3 years		20.00		20.00	
3—4 years		30.00		30.00	
4—5 years		40.00		40.00	
Over 5 years		100.00		100.00	

(4). Receivables with individual amounts that are not significant but single provision for bad debts	
Reason for single provision for bad debts	There is hard evidence that there is a significant difference in recoverability
Bad debt preparation method	Provision for bad debts based on the difference between the present value of its future cash flow and its book value

(5). For other receivables (including notes receivable, prepayments, interest receivable, long-term receivables, etc.), provision for bad debts is made based on the difference between the present value of its future cash flow and its book value.

The Company conducts separate impairment test for accounts receivable that are not significant in individual amounts but have the following characteristics. If there is objective evidence that they are impaired, the difference between the present value of their future cash flows and their book value is based on the difference, recognition of impairment losses and provision for bad debts: Receivables that are in dispute with the other party or involved in litigation or arbitration; There are obvious indications that the debtor is likely to be unable to fulfill the receivables for the repayment obligations.

5. If there is objective evidence that the value of the receivable has been recovered and it is objectively related to the matters that occurred after the loss was confirmed, the previously recognized impairment loss is reversed and charged to the current profit or loss. However, the book value after the reversal does not exceed the amortized cost of the receivables on the reversal date assuming no provision for impairment.

13. Confirmation and measurement of inventory

(1). Inventories refer to the materials or materials consumed by enterprises during their daily activities, such as finished products or commodities held for sale, products in process of production, or production processes or labor services. The company's inventories include completed products, products under development, planned land development, products entrusted with development, raw materials, inventories, products, auxiliary materials, and low-value consumables. Completed products that have been developed are properties that have been developed for sale.

The development of products under construction refers to properties that have not yet been completed and sold for development purposes. The proposed development of land refers to the purchased land that has been determined to be developed into a sale or rental property.

The entrusted development product refers to the property that the company accepts commission and develops on behalf of the company.

(2). Inventories obtained by the company are measured at actual costs.

In the overall development of the project, all the land to be developed will be transferred to the products under construction; when the project is developed in phases, part of the development land in phases will be transferred to the products under development. The land developed later will remain in the land to be developed.

Public ancillary facilities are charged to development costs at actual cost, and when completed, the costs of amortization are transferred into residential properties such as residential properties. Debt restructuring obtains the stock used by the debtor for debt repayment, and the book value of the stock is determined based on the fair value of the stock.

If the fair value of non-monetary asset exchanges with commercial substance and assets exchanged or assets exchanged can be reliably measured, the non-monetary assets exchanged inventories are usually based on the fair value of the assets exchanged to determine their fair value. Unless there is conclusive evidence that the fair value of the assets exchanged is more reliable; if non-monetary assets are exchanged that do not satisfy the above premise, the book value of the assets exchanged out and the relevant taxes and fees payable shall be deemed as the cost of inventories.

Inventories acquired through merger and acquisition under the same control shall be recognized based on the book value of the merged party. The value of the book value shall

be determined based on the fair value of the inventories obtained through merger and acquisition of enterprises not under the same control.

(3). The cost of the inventory issued by the company is measured using a monthly weighted average method.

(4). Amortization method for low-value consumables and packages

Low-value consumables are amortized according to a one-off write-off method. The packaging is amortized according to a one-off write-off method.

(5). On the balance sheet date, inventory is measured at the lower of cost and net realizable value. The net realisable value of inventories is based on the estimated selling price of the inventories less the estimated costs to be incurred upon completion, estimated selling expenses and related taxes. When determining the net realizable value of inventories, based on the acquisition of conclusive evidence, taking into account the purpose of holding the inventory and the impact of events after the balance sheet date, unless there is clear evidence that the market price on the balance sheet date is abnormal, the end of the current period. The net realizable value of inventory items is determined based on the market price on the balance sheet date, including:

① Inventories of goods directly used for sale, such as finished goods, commodities, and materials for sale, are determined in the normal production and operation process by the estimated selling price of the inventories minus the estimated selling expenses and related taxes. Net realizable value;

② The inventory of materials that need to be processed shall be determined in the normal production and operation process by the estimated selling prices of the finished products produced minus the estimated costs to be incurred upon completion, estimated sales expenses and related taxes and fees. Net realizable value; on the balance sheet date, if part of the same inventories is subject to the contract price, and other parts do not have the contract price, the net realizable value is determined respectively, and the cost is compared with the corresponding cost, and the provision for inventory depreciation reserve is determined separately. Or the amount returned.

At the end of the period, inventory depreciation provision shall be made according to individual inventory items; but for inventory with a large quantity and low unit price, provision for inventory depreciation shall be made according to the inventory category; related to the product series produced and sold in the same region, with the same or similar end-uses or For purposes and if it is difficult to measure inventory separately from other items, provision for declines in the value of inventories shall be made.

After the provision for decline in value of inventories is made, if the influencing factors of the previous write-down of inventories have disappeared and the net realizable value of inventories is higher than their book value, they shall be transferred back from the amount of provision for falling price of inventories that has been accrued. Including current profit and loss.

(6). The inventory system is a perpetual inventory system.

14. Confirmation and measurement of non-current assets or disposal groups held for sale

(1). The conditions for classifying as held for sale
Companies that sell their assets (including non-monetary asset exchanges with commercial substance, the same below) instead of continuing to use a non-current asset or disposal group to recover their book value will be divided into holdings when the following conditions are met: Sales category:

① According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

② The sale is very likely to happen, that is, the company has already made a resolution on a sales plan and obtained a certain purchase commitment. It is expected that the sale will be completed within one year. If the relevant regulations require approval from the relevant authority or supervisory authority before they can be sold, the company has already obtained approval. The confirmed purchase commitment refers to the legally binding purchase agreement signed between the company and

other parties. The agreement contains important terms such as transaction price, time, and severe and severe penalties for breach of contract, making it extremely unlikely that the agreement will be significantly adjusted or withdrawn.

If a company loses control of a subsidiary due to the sale of its investment in a subsidiary, etc., when the proposed sale of a subsidiary's investment meets the conditions for holding the category for sale, it will invest in the entire subsidiary's individual financial statements. Classified as held for sale, all assets and liabilities of the subsidiary are classified as held for sale in the consolidated statement.

If a non-current asset or disposal group held for sale no longer meets the conditions for classifying the company for sale, the company will stop classifying it as a held-for-sale category. If some of the assets or liabilities are removed from the disposal group held for sale, and the disposal group newly composed of the remaining assets or liabilities in the disposal group still satisfies the conditions for holding the sale, the company will divide the newly formed disposal group into holdings. The category for sale, otherwise, the non-current assets satisfying the conditions for classifying for sale are separately classified as held for sale.

For non-current assets or disposal groups that meet the conditions for class holding held for sale for the first time in the current period, the balance sheet of the comparable accounting period will not be adjusted.

(2). Initial measurement and subsequent measurement of non-current assets or disposal groups held for sale

For non-current assets or disposal groups classified as held for sale at the acquisition date, the company initially assumes that it is not divided into the initial measurement amount and the fair value less the selling expenses in the case of holding the category for sale. The amount is measured in both terms. Except for the non-current assets or disposal group obtained in the company merger, the difference arising from the initial measurement amount of the non-current assets or the disposal group's net amount after deducting the selling expenses shall be included in the current profits and losses.

Before the company first classifies a non-current asset or disposal group as a held-for-sale category, it measures the book value of various assets and liabilities in the non-current asset or disposal group in accordance with the relevant accounting standards. When the non-current asset or disposal group held for sale is re-measured at the initial measurement or on the balance sheet date, if its book value is higher than the fair value minus the net amount after the sale expense, the book value shall be reduced to fair value less. After the sale of the net amount, the amount of write-down is recognized as impairment loss of assets, and included in the current profit and loss, and provision for impairment of held-for-sale assets is made. Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. The interest and other expenses of liabilities in the disposal group held for sale should continue to be confirmed.

When the company's disposal group held for sale recognizes the amount of impairment losses on assets, it first offsets the book value of the goodwill of the disposal group, and then applies the "Accounting Standard for Business Enterprises No. 42 - Non-current holdings for sale" according to the disposal group. The proportion of the book value of various non-current assets measured in the measurement of assets, disposal groups and termination of business (hereinafter referred to as "(No. 42)") shall be proportionately deducted from the book value. When the company re-measures the disposal group held for sale on the balance sheet date, it first calculates the book value of the assets and liabilities that are not applicable to the measurement rule No. 42 in the disposal group in accordance with the relevant accounting standards, and then carries out accounting according to the above related regulations. deal with.

If the fair value of the non-current assets held for sale on the balance sheet date is less than the net value of the selling expenses, the amount of the previous write-down shall be restored, and the impairment of assets recognized after classifying as held for sale shall be made. The amount of loss shall be reversed, and the reversed amount shall be included in the current profit or loss; the impairment loss of assets recognized before being classified as held for sale shall not be reversed.

If the fair value of the disposal group held for sale on the follow-up balance sheet day increases, the net amount after the sale expense is increased, the amount of the previous write-down shall be restored, and shall be applied after classifying it as a held-for-sale category. The amount of impairment loss of assets confirmed by the stipulated non-

current assets shall be reversed within the amount, and the amount shall be increased proportionately to the proportion of the book value of various non-current assets as measured in the applicable measurement standard No. 42 except for goodwill in the disposal group. Its book value, at the same time, will be included in the current profit and loss. The book value of the goodwill that has been written off and the impairment loss of the assets recognized before being classified as held for sale shall not be reversed.

(3). **Termination of recognition and measurement classified as held for sale**

When a non-current asset or disposal group no longer meets the classification conditions of the held-for-sale category and no longer continues to divide it into held-for-sale categories or non-current assets from the disposal group that holds the sale, the following two conditions apply: Low measurement: (1) The book value before being classified as held for sale, adjusted according to the amount of depreciation, amortization, or impairment that should have been recognized under the assumption that it is not classified as held for sale; (2) Recoverable amount.

When the company derecognizes a non-current asset or disposal group held for sale, it includes the unrecognized gain or loss in the current profit or loss.

15. Long-term equity investment confirmation and measurement

The long-term equity investment referred to in this part refers to the long-term equity investment that the company has control, joint control, or significant influence over the invested entity, including the equity investment in subsidiaries, joint ventures and associates. The company's long-term equity investments that do not have control, joint control, or significant influence over the investee are accounted for as available-for-sale financial assets or financial assets measured at fair value through profit or loss. The accounting policies are detailed in this note. Three (ten) "Confirmation and Measurement of Financial Instruments".

(1). **Judgment criteria for joint control and significant impact**

Joint control refers to the sharing of control over an arrangement in accordance with relevant agreements, and related activities of the arrangement must be unanimously agreed by the parties that share the right of control. Where the company and other joint venturers jointly exercise joint control over the investee and exercise joint control over the investee and have rights over the net assets of the investee, the investee is a joint venture of the company. When judging whether there is joint control, the protective rights enjoyed are not considered.

Significant influence refers to the power to participate in making decisions on the financial and operating decisions of an enterprise, but it cannot control or jointly control the formulation of these policies with other parties. If the company can exert a significant influence on the investee, the investee is an associate of the company. When determining whether a significant influence can be exerted on the investee, consider that the investor directly or indirectly holds the voting shares of the investee and the current executable potential voting rights held by the investing party and other parties are assumed to be converted into pairs.

The impact of the equity of the investee unit includes the influence of the convertible warrants, stock options and convertible corporate bonds issued by the investee in the current period.

(2). **Determining the Investment Cost of Long-term Equity Investment**

1). Where the merger is formed under the same control, if the combining party pays cash, transfers non-cash assets, assumes debt, or issues equity securities as the merger consideration, it shall acquire the owner's equity of the merged party in the final controlling party on the merger date. The share of book value in the financial statements is its initial investment cost. The difference between the initial investment cost of a long-term equity investment and the cash paid, non-cash assets transferred, the book value of the debt assumed or the total face value of the shares issued is adjusted to the capital reserve; if the capital reserve is insufficient for offsetting, the retained earnings shall be adjusted. Obtaining the equity of the merged party under the same control step by step through multiple transactions, and eventually forming a business combination under the same control, should be treated as a "package deal" separately: if it belongs to a "package deal", each transaction will be treated as a transaction that obtains control is accounted for. In the case of a "package deal", the share of the book value of the shareholder's equity in the ultimate controller's consolidated financial statements at the merger date is used as the initial investment cost of the long-term equity investment, and the initial investment cost of the long-term equity investment is equivalent to The difference between the book value of the former long-term equity investment and the book value of the new consideration payment for the new shares on the merger date shall

be adjusted to the capital reserve; if the capital reserve is insufficient to reduce, the retained earnings shall be adjusted. Any other comprehensive income recognized by the equity investment held prior to the merger date that is accounted for using the equity method or is an available-for-sale financial asset will not be subject to accounting treatment for the time being.

2). If a business combination is not formed under the same control, the company determines the merger cost as determined on the purchase date as the initial investment cost of the long-term equity investment. The merger cost is the fair value of the assets paid, the liabilities incurred or assumed, and the equity securities issued by the purchaser to obtain the control over the acquiree on the purchase date. Expenses such as audit, legal services, evaluation and consulting, etc. incurred by the purchaser for the business combination shall be recorded into the current profit and loss when incurred; the transaction costs of the equity securities or debt securities issued by the purchaser as merger consideration shall be calculated. The amount of initial recognition of equity securities or debt securities. The Company will use the contingent consideration agreed in the merger agreement as part of the consideration for the transfer of the enterprise merger and shall be included in the enterprise merger cost in accordance with its fair value on the acquisition date. Through multiple transactions and step-by-step mergers and acquisitions that are not under the same control, it is determined according to the accounting standards of the enterprise whether the multiple transactions are "package transactions." In the case of a "package deal", each transaction is treated as a transaction that obtains control rights. If it does not belong to a "package deal", the initial investment cost of the long-term equity investment calculated based on the cost method shall be the sum of the book value of the equity investment originally held by the acquiree plus the new investment cost. For the equity method of accounting, related other comprehensive income shall not be accounted for temporarily; the original equity investment held as available-for-sale financial assets, the difference between its fair value and book value, and the cumulative fair value originally included in other comprehensive income Changes are transferred to the current profit or loss.

3). Other equity investments other than the long-term equity investment formed by the business combination are initially measured at cost. For cash obtained, the actual purchase price paid is used as its initial investment cost; for the issuance of equity securities, The fair value of the issuance of equity securities as its initial investment cost, and the expenses directly related to the issuance of equity securities are determined in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments"; there are non-monetary asset exchanges. If the commercial nature and the fair value of the assets exchanged or assets exchanged can be reliably measured, the long-term equity investment exchanged for non-monetary assets will be determined by the fair value of the assets exchanged out and the relevant taxes and fees payable to determine the initial investment cost., unless there is conclusive evidence that the fair value of the assets exchanged is more reliable; if the non-monetary assets exchange that does not meet the above premise is met, the book value of the assets exchanged out and the related taxes and fees payable shall be used as the initial investment cost for the long-term equity investment. . For long-term equity investments acquired through debt restructuring, the initial investment cost is determined on the basis of fair value. The costs, taxes, and other necessary expenses that are directly related to the acquisition of long-term equity investments are also included in the investment costs.

The cost of long-term equity investment is the original held equity investment determined in accordance with the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" if the additional investment can significantly affect the invested entity or jointly control it but does not constitute control. The sum of the fair value plus the new investment cost is used as the initial investment cost calculated by the equity method. Where the originally held equity investment is classified as available-for-sale financial assets, the difference between the fair value and the book value, and the accumulated fair value changes previously recorded in other comprehensive income, shall be transferred to the current profit or loss accounted for using the equity method of accounting.

(3). Subsequent measurement of long-term equity investment and confirmation of profit and loss

1). Long-term equity investment accounted for by cost method

The company's long-term equity investment in subsidiaries is measured using the cost method. Except for the actual payment of the investment or the cash dividends or profits included in the consideration that have been announced but not yet issued, the company confirms the current investment income in accordance with the cash dividends or profits declared to be released by the investee.

- 2). Long-term equity investment accounted for using the equity method
The long-term equity investment in associates and joint ventures is accounted for using the equity method.

If the initial investment cost of the long-term equity investment accounted for using the equity method is greater than the fair value share of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investment shall not be adjusted; the initial investment cost of the long-term equity investment shall be less than that of the investment. If the investee has the fair value share of the identifiable net assets of the invested entity, the difference shall be included in the current profit or loss, and the cost of the long-term equity investment shall be adjusted at the same time. After the long-term equity investment is obtained, if the accounting policy and the accounting period adopted by the invested entity are inconsistent with the company, the financial statements of the investee shall be adjusted in accordance with the company's accounting policies and accounting periods, and investment gains and losses and other comprehensive income shall be recognized accordingly.

According to the net profit and loss realized by the invested entity and the share of other comprehensive income that should be shared or shared, the investment income and other comprehensive income are recognized separately, and the book value of the long-term equity investment is adjusted; the share of the net profit or loss of the investee is recognized. At the time of acquisition, based on the fair value of the identifiable assets of the invested entity at the time of acquisition, the net profit of the invested entity is adjusted and confirmed.

The book value of long-term equity investment shall be reduced accordingly according to the part of the profit or cash dividend declared by the invested entity, and the book value of the long-term equity investment shall be reduced accordingly. For the other changes of the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the invested unit, adjust the long-term equity investment. The book value of equity investment is included in the owner's equity. The unrealized gains and losses from internal transactions between the company and its associates or joint ventures are calculated based on the proportion of the company's equity attributable to the company and offset, and the investment income is recognized on this basis. Unrealized internal transaction losses with the invested entity, which are assets impairment losses, are recognized in full.

When the company confirms that it should share the losses of the invested units, it should be dealt with in the following order: First, the book value of long-term equity investments should be offset. Second, if the book value of the long-term equity investment is not sufficient to offset, the investment value may continue to be recognized and the book value of long-term receivables may be offset against the book value of other long-term equity that substantially constitutes the net investment of the investee. After the above-mentioned process, if the enterprise still undertakes additional obligations in accordance with the investment contract or agreement, the expected liabilities shall be recognized according to the expected obligations assumed and accounted for in the current period. If the invested entity realizes a net profit in the future, the company will resume recognizing its share of the profits after the profits make up the unconfirmed loss share.

In the period of holding the investment, if the invested entity prepares the consolidated financial statements, it shall be calculated on the basis of the amount attributable to the investee in the changes in the net profit, other comprehensive income and other owners' equity in the consolidated financial statements.

Where the company constitutes a business for the assets invested by the joint venture and the associate, if the investor obtains a long-term equity investment but does not obtain control, the fair value of the investment is used as the initial investment cost of the new long-term equity investment. The difference between the investment cost and the book value of the investment business is fully recorded in the current profit or loss. If the assets sold by the company to a joint venture or an associate constitute a business, the difference between the consideration obtained and the book value of the business shall be included in the current profits and losses. If the assets purchased by the company from joint ventures and joint ventures constitute businesses, the accounting treatment shall be carried out in accordance with the "Accounting Standards for Business Enterprises No. 20 - Business Combinations", and the profits or losses related to the transactions shall be fully recognized.

(4). Disposal of long-term equity investment When disposing of a long-term equity investment, the difference between the book value and the actual purchase price is included in the current profit or loss.

1). Disposal of long-term equity investment under equity method accounting

For the long-term equity investment accounted for using the equity method, if the remaining equity after disposal is still accounted for using the equity method, the same basis as the investee's direct disposal of the relevant assets or liabilities shall be used when disposing of the investment, and Parts of other comprehensive income are accounted for. The owner's equity recognized as a result of changes in the owners' equity other than the net profit or loss, other comprehensive income, and profit distribution of the investee is transferred in profit or loss for the current period.

If the company loses joint control or significant influence over the investment unit due to the disposal of some equity investment, the remaining equity after disposal shall be calculated according to the criteria for confirmation and measurement of financial instruments, and the fair value and book value on the date of loss of joint control or significant influence. The difference between the value is included in the current profit and loss. The other comprehensive income recognized in the original equity investment accounted for using the equity method is accounted for on the same basis as if the investee had directly disposed of the relevant assets or liabilities when terminating the equity method of accounting. The owner's equity recognized as a result of changes in the owners' equity of the investee other than net profit or loss, other comprehensive income, and profit distribution shall all be transferred to the current profit or loss when the equity method is used to terminate the accounting.

2). Disposal of long-term equity investment under accounting of cost method

For the long-term equity investment accounted for using the cost method, if the remaining equity after disposal is still accounted for using the cost method, and before the control over the investee is obtained, other comprehensive income recognized through equity method accounting or financial instrument recognition and measurement standards accounting. It adopts the same basis as the investee's direct disposal of related assets or liabilities, and carries forward the profit and loss of the current period; the net assets and profits of the investee that are accounted for using the equity method of accounting are net profit and loss, other comprehensive income and net profit distribution. Changes in other owners' equity other than those are carried forward in proportion to current profits and losses.

Where the proportion of shares held by the other investor is reduced due to capital increase by other investors and thus the controlling power is lost, but joint control or significant influence can be exerted on the invested entity, the investee that the company is entitled to is confirmed to increase in capital according to the new proportion of shares held. The difference between the original book value of the long-term equity investment corresponding to the increase in the share of net assets and the proportion of the share of the long-term equity investment corresponding to the decrease in the proportion of the share held by the company is included in the current profit or loss; then, the new shareholding ratio shall be deemed as the initial investment. That is, adjustments are made using equity method accounting. If the company loses control of the original subsidiary due to disposal of part of the equity investment or other reasons, and the residual equity after disposal can exert joint control or significant influence on the invested entity, it shall be accounted for according to the equity method and the remaining equity. It shall be deemed as having been adjusted using the equity method of accounting since the time of acquisition. The other comprehensive income and other owners' equity recognized in the equity investment held prior to the acquisition date as measured by the equity method are carried forward in proportion; the remaining equity after disposal cannot be. If the investing entity implements common control or exerts significant influence, it shall be accounted for in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and the book value on the date of loss of control is changed. Included in the current profits and losses, other comprehensive income and other owner's equity are all carried forward to the current profit and loss.

The company disposes of the equity investment in the subsidiary company through multiple transactions until it loses control. If the above transaction belongs to a package transaction, the transactions will be accounted for as a transaction to dispose of the equity investment in the subsidiary and lose control. Before the loss of control, the difference between the book value of the long-term equity investment corresponding to each disposal price and the equity that was disposed of is first recognized as other comprehensive income, and then transferred to the loss or gain of the loss of control right at the time of loss of control.

16. Investment real estate confirmation and measurement

- (1). Investment real estate refers to real estate held to earn rentals or capital appreciation, or both. Including land use rights that have been leased, land use rights that are held and prepared for transfer after appreciation, buildings that have been leased (including buildings that are used for rental after completion of self-build or development activities, and future use during construction or development Buildings for rent).
- (2). Investment real estate is initially measured at cost, and subsequent measurement is conducted using the cost model. Such as follow-up expenses related to investment real estate, if and what
Asset-related economic benefits are likely to flow in and their costs can be reliably measured, and are included in the cost of investment properties. Other follow-up expenses are included in the current profit or loss when they occur.
- (3). Investment real estate measured by the cost model shall be depreciated or amortized in the same way as fixed assets and intangible assets.
- (4). When the use of investment real estate changes to self-use, the investment real estate shall be converted into fixed assets or intangible assets from the date of change, and the book value before conversion shall be taken as the recorded value after conversion. When the use of real estate for personal use or inventories is changed to earn rental or capital appreciation, from the date of change, the fixed assets or intangible assets are converted into investment real estate and converted into investment real estate measured using the cost model before conversion. The book value is taken as the recorded value after conversion; if it is converted into investment real estate measured in fair value mode, the fair value at the date of conversion shall be taken as the recorded value after conversion.
- (5). When the investment real estate is disposed of or permanently withdrawn from use and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment real estate shall be terminated.
The income from disposal of investment real estate sold, transferred, scrapped or damaged is deducted from its book value and related taxes and expenses and charged to profit or loss for the current period.

17. Confirmation and measurement of fixed assets

- (1). Fixed asset confirmation conditions
Fixed assets refer to tangible assets that have the following characteristics:

- ① They are held for the purpose of producing goods, providing labor services, renting, or business management;
 - ② The service life exceeds one fiscal year.
- Fixed assets are confirmed when they meet the following conditions:
- ① The economic benefits associated with the fixed assets are likely to flow into the company;
 - ② The cost of the fixed assets can be reliably measured. Subsequent expenditures related to fixed assets that meet the above recognition criteria are included in the cost of fixed assets; those that do not meet the above recognition conditions are charged to profit or loss for the current period when incurred.

- (2). Initial measurement of fixed assets
Fixed assets are initially measured at cost.

- (3). Fixed asset classification and depreciation method
The depreciation of a fixed asset begins when the fixed asset is ready for its intended use, and is depreciated when it is derecognized or when it is classified as a non-current asset held for sale.
Vaukoula Gold Mines Plc, a subsidiary of the Company (hereinafter referred to as "VGM Plc"), depreciates assets related to mine exploration and exploitation using the production method, and depreciates other fixed assets using the average life method.
The depreciation period, estimated net residual value rate and annual depreciation rate of fixed assets that are depreciated according to the average life method are as follows:

Fixed asset class	Depreciation method	Expected life (Year)	Expected net residual rate (%)	Annual depreciation rate (%)
Houses and buildings	Average method	3—45 years	0—5%	2.11—33.33
Transportation tools	Average method	3—12 years	0—9%	7.92-33.33
Mechanical equipment	Average method	4—12 years	0—5%	7.92-25.00
Other devices	Average method	4—12 years	0—5%	7.92-25.00

Explanation:

- ① The fitting-out expenses for fixed assets eligible for capitalization are depreciated separately using the straight-line method over the shorter of the two renovation periods and the remaining useful life of the fixed assets.
- ② For fixed assets with depreciation reserve, depreciation rate calculated based on accumulative amount of provision for impairment of fixed assets is also deducted.
- ③ The company reviews the useful life, estimated net residual value, and depreciation method of fixed assets at least at the end of the year, and if any changes occur, it is treated as changes in accounting estimates.

(4). Identification Basis and Valuation Method of Financing Leasing Fixed Assets

When the fixed assets rented by the company meet one or more of the following criteria, it is recognized as financing leased fixed assets:

- ① At the expiration of the lease term, the ownership of the leased assets is transferred to the company;
- ② The company has the option to purchase leased assets. The purchase price is expected to be much lower than the fair value of the leased assets when the option is exercised. Therefore, the company can reasonably determine that the company will exercise this option on the lease start date. ;
- ③ Even if the ownership of assets is not transferred, the lease period accounts for the majority of the useful life of the leased assets [usually accounts for more than 75% (including 75%) of the useful life of the leased assets];
- ④ The present value of the minimum lease payment of the company on the lease start date is almost equal to the fair value of the leased asset at the lease start date [more than 90% (including 90%)]; the minimum lease receipt amount of the lessor on the lease start date. The present value is almost equal to the fair value of the leased assets on the lease start date [more than 90% (including 90%)];
- ⑤ The leased asset is of a special nature. Only if the company does not make major modifications can it be used.

For fixed assets leased by financial leases, the lower of the fair value of the leased assets on the lease start date and the current value of the minimum lease payments shall be taken as the entry value. The minimum lease payment amount is the entry value of long-term payables, and the difference is taken as the unconfirmed financing expense. The initial direct costs such as commissions, attorneys' fees, travel expenses, and stamp duties attributable to the leased item incurred during the process of lease negotiation and signing of the lease contract are included in the value of the leased asset. Unrecognized financing expenses are amortized over the lease term using the actual interest rate method.

Fixed assets financed by lease adopt depreciation of leased assets using the same policy as self-owned fixed assets. If it is reasonable to determine that the ownership of the leased asset will be obtained when the lease expires, depreciation shall be made within the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset can be obtained when the lease expires, it can be used during the lease term and the leased asset. Depreciation is provided for the shorter of the two years.

Subsequent valuation of fixed assets financed by lease is subject to depreciation and allowances for depreciation consistent with its own set of fixed assets.

18. Confirmation and measurement of fixed assets

- (1). The construction-in-progress will be confirmed when it is likely that the economic benefits will flow in and the cost can be reliably measured. Construction in progress is measured at the actual cost incurred prior to the construction of the asset for its intended use.
- (2). When the construction in progress reaches the scheduled usable condition, it is transferred to fixed assets at the actual cost of the project. If it has reached the expected usable status but has not yet completed the settlement of the completed project, it shall be transferred to the fixed assets at the estimated value first. After the completion of the final accounting, the original tentative valuation value shall be adjusted according to the actual cost, but the previously depreciated depreciation will no longer be adjusted.

19. Recognition and Measurement of Borrowing Costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings.

(1). The principle of capitalization of borrowing costs

The borrowing costs incurred by the company can be directly attributed to the purchase, construction or production of assets that meet the conditions for capitalization and be capitalized and included in the cost of the relevant assets. Other borrowing costs, when incurred, are recognized as expenses based on the amount incurred, and are included in the calculation. Current profit and loss.

(2). Capitalization period of borrowing costs

1). Capitalization begins when both the following conditions are met:

- ① Asset expenditure has occurred;
- ② Borrowing costs have occurred;
- ③ Purchase, construction or production activities necessary to bring the asset to a ready for use or saleable status Start.

2). Suspension of capitalization: Capitalization of borrowing costs shall be suspended if the assets eligible for capitalization are abnormally interrupted during the purchase, construction or production process, and the interruption period lasts for more than 3 consecutive months; the borrowing costs incurred during the interruption period are recognized as Current expenses until the purchase or construction of assets or production activities begin again. If the interruption is a necessary procedure for the acquisition, construction or production of assets eligible for capitalization that are ready for their intended use or sale, the borrowing costs will continue to be capitalized.

3). Stopping capitalization: When the asset under acquisition, construction or production that meets the conditions for capitalization reaches the status of being ready for use or sale, the capitalization of borrowing costs ceases. When part of the assets of the acquisition, construction or production of capitalized assets are completed and can be used separately, the capitalization of the borrowing costs of such assets shall be ceased. The various parts of the assets purchased, constructed or produced are completed separately, but they must not be used or sold until they are completed. Capitalization of borrowing costs ceases when the assets are completed.

(3). How to calculate the capitalization rate and capitalization amount of borrowing costs

If borrowing special borrowings for acquisition, construction or production of assets eligible for capitalization, the actual interest expenses (including amortization of discounts or premiums determined in accordance with the actual interest rate method) for the specific borrowings in the current period shall be less the unutilized borrowing funds. The amount of interest income after depositing bank interest income or investment income obtained through temporary investment determines the amount of interest to be capitalized; if the acquisition, construction or production of assets eligible for capitalization occupies general borrowings, it shall be calculated based on accumulated assets.

The weighted average number of asset expenditures that exceeds specific borrowings is multiplied by the capitalization rate (weighted average interest rate) that occupies general borrowings to determine the amount of interest that should be capitalized for general borrowings.

During the period of capitalization, the amount of interest capitalization in each accounting period does not exceed the amount of interest actually incurred in the relevant borrowings in the current period. Exchange differences on principal and interest on foreign currency specific borrowings are capitalized during the capitalization period. Auxiliary expenses incurred for special borrowings shall be capitalized if they occur before the assets eligible for capitalization under the conditions of purchase, construction, or production become ready for their intended use or sale, and shall occur after reaching the intended use or sale status. Into the current profit and loss. Auxiliary expenses incurred for general borrowings are included in profit or loss for the current period when incurred. Where there is a discount or premium on the loan, the amount of discount or premium that should be amortized during each accounting period is determined according to the actual interest rate method, and the amount of interest for each period is adjusted.

20. Recognition and Measurement of Intangible Assets

(1). Initial measurement of intangible assets

The company's main intangible assets are mining rights, prospecting rights, etc.

Intangible assets are initially measured at cost. The cost of purchased intangible assets includes the purchase price, related taxes, and other expenses directly attributable to the assets intended use. If the purchase price of intangible assets exceeds the normal credit conditions and the payment is deferred and it is of financing nature, the cost of intangible assets is determined on the basis of the current value of the purchase price. The intangible assets obtained by the debtor for debt repayment by debt restructuring are determined based on the fair value of the intangible assets, and the difference between the book value of the debt to be restructured and the fair value of the intangible assets used for debt repayment is included in the current period profit and loss. Where the non-monetary assets exchange is commercial in nature and the fair value of the assets exchanged or exchanged can be reliably measured, the intangible assets exchanged for non-monetary assets will be recognized based on the fair value of the assets exchanged. Unless there is conclusive evidence that the fair value of the assets exchanged is more reliable; if the non-monetary assets exchange that does not meet the above conditions is met, the book value of the assets exchanged out and the relevant taxes and fees payable shall be deemed as the cost of intangible assets, and the profit and loss will not be recognized.

Expenditures related to intangible assets are included in the cost of intangible assets if the relevant economic benefits are likely to flow into the company and the cost can be reliably measured. Expenses for other items other than those are included in the current profit or loss when incurred.

Land use rights acquired are usually accounted for as intangible assets. For the self-development and construction of buildings and other buildings, the related land use rights expenditures and building construction costs are accounted for as intangible assets and fixed assets, respectively. For out-of-purchases houses and buildings, the relevant price will be allocated between the land use rights and the buildings. If it is difficult to allocate them reasonably, all of them will be treated as fixed assets.

(2). Life and Amortization of Intangible Assets

Judging from the comprehensive factors such as contractual rights or other statutory rights of intangible assets, industry conditions, historical experience, and relevant expert argumentation, it can be reasonably determined that intangible assets will bring economic benefits to the company as an intangible asset with a limited useful life; Those who reasonably determine the term of intangible assets that bring economic benefits to the company are regarded as intangible assets with indefinite service life. For intangible assets with limited service life, the following factors are generally taken into account when estimating their useful life:

- ① The general life cycle of the products produced using the assets, and information on the useful life of similar assets that can be obtained;
- ② Technologies, processes, etc. The status of the current stage and estimates of future trends;

- ③ Market demand for products or services provided by the assets;
- ④ Actions expected by current or potential competitors;
- ⑤ Maintenance of the assets Expected maintenance expenditures with the ability to bring economic benefits, and the company's ability to pay for related expenses;
- ⑥ Relevant laws or similar restrictions on the term of control of the assets, such as the license period, lease period, etc;
- ⑦ With the company There are correlations with the useful life of other assets.

Intangible assets with limited service lives are amortized over the life of the system in accordance with the expected realization of the economic benefits associated with the intangible assets. If it is impossible to reliably determine the expected method of realization, they are amortized using the straight-line method. The mining rights held by Sichuan Pingwu Zhongjin Mining Co., Ltd. (hereinafter referred to as "Sichuan Pingwu"), a subsidiary of the Company, are amortized using the straight-line method. The mining rights held by VGM Plc, a subsidiary of the Company, are amortized using the production method.

Intangible assets with indefinite useful lives are not amortized, but the useful life of the intangible assets is reviewed annually and impairment testing is conducted.

At the end of each year, the company reviews the service life and amortization method of intangible assets with limited service life. If it is different from the previous estimation, it adjusts the original estimate and processes it according to changes in accounting estimates; it is expected that an intangible asset can no longer be given. If the enterprise brings future economic benefits, the book value of the intangible asset shall all be transferred to the current profit or loss.

(3). Confirmation and measurement of internal research and development project expenditures

Expenditure on internal research and development projects is divided into research phase expenditures and development phase expenditures. The criteria for dividing the research phase and the development phase: The planned investigation phase for acquiring new technologies and knowledge should be identified as the research phase, which has characteristics of planning and exploratory; before commercial production or use, The application of research results or other knowledge to a certain plan or design to produce new or substantially improved materials, devices, products, etc., should be identified as a development phase, which has the potential to be targeted and result-oriented. Larger characteristics.

Expenditure on the research phase of internal research and development projects is included in current profit or loss when incurred. Expenditures incurred during the development phase of an internal R&D project that meets the following conditions are recognized as intangible assets:

- ① It is technically feasible to complete the intangible asset so that it can be used or sold;
- ② It has to complete the intangible asset and The intention to use or sell;
- ③ The ways in which the intangible assets generate economic benefits, including the existence of a market in which intangible assets can be used to prove the existence of a market for the products produced by the intangible assets. If intangible assets are to be used internally, their usefulness can be proved;
- ④ Have enough technical, financial and other resources to support the development of the intangible assets and have the ability to use or sell the intangible assets;
- ⑤ The expenses attributable to the development stage of the intangible assets can be reliably measured. If the above conditions are not met, they shall be included in the current profit and loss when incurred; if it is impossible to distinguish between the research phase expenditures and development phase expenditures, all the R&D expenditures incurred will be included in the current profits and losses.

21. Loss of long-term assets

If the long-term equity investment, the use of cost model to measure investment real estate, fixed assets, construction in progress, intangible assets with limited useful life, and other long-term assets have the following indications, it indicates that the assets may be impaired:

- ① The market price of assets fell sharply in the current period, and the decline was significantly higher than the expected decline due to the passage of time or normal use;
- ② The economic, technological or legal environment in which the enterprise operates and the market in which the asset is located will undergo significant changes in the current period or in the near future, which will have an adverse effect on the enterprise.
- ③ The market interest rate or other market investment return rate has been increased in the current period, which will affect the discount rate of the present value of the estimated future cash flow of the enterprise's calculation assets, resulting in a substantial reduction in the recoverable amount of the assets;
- ④ There is evidence that the assets are obsolete or their entities have been damaged;
- ⑤ Assets have been or will be idled, terminated, or planned to be disposed of in advance;
- ⑥ Evidence from internal reports of an enterprise indicates that the economic performance of the asset has been below or will be lower than expected. For example, the net cash flow created by the asset or the realized operating profit (or loss) is much lower (or higher) than the expected amount;
- ⑦ Other signs indicate that the asset may have been impaired.
- ⑧ If the aforementioned long-term assets have signs of impairment on the balance sheet date, they should be tested for impairment. If the impairment test results indicate that the recoverable amount of the asset is less than its book value, the difference shall be withdrawn and accounted for as impairment loss. The recoverable amount is the higher of the fair value of the assets minus the disposal expenses and the present value of the estimated future cash flow of the assets. For details of the method for determining the fair value, please refer to Note III (11). The disposal expenses include the legal expenses related to the disposal of the assets, relevant taxes, and handling expenses, as well as the direct costs incurred in bringing the assets into a saleable state; the assets are expected to be cash in the future. The present value of the flow rate is determined by the amount of discounted cash flow, which is based on the estimated future cash flow generated during the continuous use and final disposal of the asset.

The provision for impairment of assets is calculated and confirmed on the basis of individual assets. If it is difficult to estimate the recoverable amount of individual assets, the asset group to which the asset group belongs determines the recoverable amount of the asset group. Asset groups are the smallest portfolio of assets that can generate independent cash inflows.

Goodwill separately listed in the financial statements is used to assess the book value of goodwill when assessing impairment to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination. If the test results show that the recoverable amount of the asset group or group of asset groups that includes the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of impairment loss is first set off against the book value of the goodwill allocated to the asset group or group of asset groups, and then proportionate to the book value of all assets other than goodwill in the asset group or group of asset groups. Deduct the book value of other assets.

Goodwill and intangible assets with an indefinite useful life are tested for impairment at the end of each year.

Once the above asset impairment loss is confirmed, it will not be reversed in later periods.

22. Employee Compensation

Employee compensation refers to various forms of remuneration or compensation given by an enterprise to obtain services provided by employees or to terminate labor relations. Employee compensation includes short-term compensation, post-employment benefits, dismissal benefits, and other long-term employee benefits. The benefits provided by the company to the employee's spouse, children, dependants, deceased employee survivors, and other beneficiaries are also employee benefits.

According to the liquidity, the employees' remuneration is separately listed in the items of "employee compensation payable" and "long-term payable employee compensation" of the balance sheet.

(1). Short-term compensation accounting

During the accounting period in which the employees provide services, the company recognizes the employees' salaries, bonuses, and social insurance premiums and housing accumulation funds such as medical insurance premiums, work-related injury insurance premiums, and maternity insurance premiums paid by the employees according to the stipulated basis and ratio. Liabilities, and included in current profit or loss or related asset costs. If employee welfare costs are non-monetary benefits, if they can be reliably measured, they are measured at fair value. If the liability is not expected to be fully paid within twelve months after the end of the annual reporting period in which the employee provides related services and the financial impact is material, the liability will be measured at the discounted amount.

(2). Accounting treatment of post-employment benefits

Post-employment benefit plans include setting a drawing plan and setting a benefit plan. Among them, setting a withdrawal plan is a post-employment benefit plan that no longer assumes the obligation to pay after an independent fund has paid a fixed fee; a defined benefit plan means a post-employment benefit plan other than a defined contribution plan.

The company pays basic endowment insurance and unemployment insurance for employees according to relevant regulations of the current period. In the accounting period in which the employees provide services for the company, the deposit amount calculated according to the defined contribution plan is recognized as a liability and is included in the current profit or loss. Related asset costs.

(3). Accounting treatment for dismissal benefits

When the company cannot unilaterally withdraw the termination benefit provided by the dissolution of the labor relationship plan or the reduction proposal, the company shall confirm the employee who is dismissed from the welfare as soon as possible when the company confirms the costs or expenses related to the reorganization involving payment of the termination benefit. Remuneration liabilities are included in the current profit and loss. However, if the dismissal welfare is not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as other long-term employee compensation.

The employee's internal retirement plan is treated on the same principle as the above-mentioned retirement benefits. The Company will include the salaries of the internally retired staff and the social insurance premiums to be paid during the period from the employee's suspension of service until the normal retirement date, and shall be recorded in the current profit or loss (demission welfare) when they meet the conditions for confirming the estimated liabilities. Economic compensation after the official retirement date (such as normal retirement pension) is treated as post-employment benefits.

23. Estimated liabilities

When obligations related to contingencies meet the following conditions, they are recognized as estimated liabilities: 1. This obligation is the current obligation undertaken; 2. The fulfillment of this obligation is likely to result in the outflow of economic benefits; The amount of this obligation can be reliably measured.

The estimated liabilities shall be initially measured in accordance with the best estimate of the expenditure required for the performance of the relevant current obligation, and comprehensive consideration shall be given to the risks, uncertainties, and time value of money related to the contingencies. If the time value of money has a significant impact, the best estimate will be determined after discounting the relevant future cash outflows.

The best estimate is processed separately in the following cases: If the required expenditure has a continuous range (or interval), and the probability of occurrence of the various results within the range is the same, the best estimate follows the middle value of the range; The average of the lower limit amount is determined. The required expenditure does not exist in a continuous range (or interval), or although there is a continuous range but the possibility of occurrence of various results within the range is not

the same, if the contingency relates to a single item, the best estimate is in accordance with the Amount determination may occur; if contingencies involve multiple items, the best estimate is determined based on various possible outcomes and associated probability calculations.

If all or part of the expenses required by the company for liquidation of estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined to be receivable, and the amount of compensation confirmed does not exceed the book value of the estimated liability.

On each balance sheet date, the book value of estimated liabilities is reviewed. If there is hard evidence that the book value cannot reflect the current best estimate, the book value should be adjusted according to the current best estimate.

24. Share-based payments

(1). The principle of total revenue recognition

1). Sales of goods

Goods sales revenue shall be confirmed when the following conditions are met simultaneously:

- ① The company has transferred the major risks and rewards of the ownership of the goods to the purchaser;
- ② The company neither retains the continuing management rights linked to the ownership nor has it sold. The goods are effectively controlled;
- ③ The amount of income can be reliably measured;
- ④ The relevant economic benefits are likely to flow into the company;
- ⑤ The relevant costs incurred or to be incurred can be reliably measured.

2). Providing services

The result of the labor transaction provided on the balance sheet date can be reliably estimated (at the same time, the amount of income can be reliably measured, the related economic interest is likely to flow in, the completion progress of the transaction can be reliably determined, and the transaction has incurred and will occur. Can be reliably measured), using the percentage of completion method to confirm the provision of labor income, and according to the measurement results of completed work to determine the progress of the completion of the provision of labor services.

If the service transaction results provided on the balance sheet date cannot be estimated reliably, the following situations shall be handled respectively: If the incurred labor cost is expected to be compensated, the labor service income shall be confirmed according to the amount of labor service costs already incurred and carried forward at the same amount. Labor cost; If the incurred labor cost is not expected to be compensated, the incurred service cost will be included in the current profit and loss, and the service income will not be confirmed.

3). Assignment of asset use rights

When the right to use the transferred asset satisfies the relevant economic benefits and is likely to flow in and the amount of income can be measured reliably, the income from the transfer of the right to use the asset is recognized. The amount of interest income shall be determined in accordance with the time and actual interest rate of others using the company's monetary funds; the amount of royalty revenue shall be calculated and determined in accordance with the charging time and method as stipulated in the relevant contract or agreement.

4). Construction contract

- ① If the results of the construction contract can be reliably estimated on the balance sheet date, the contract revenue and contract expenses shall be recognized according to the percentage of completion method. The result of the construction contract cannot be reliably estimated on the balance sheet date. If the contract cost can be recovered, the contract revenue is recognized based on the actual contractual cost that can be recovered. The contract cost is recognized as the contract expense in the current period of its occurrence; if the contract cost is not possible to recoup, it will be recognized as a contract expense immediately when it occurs and the contract revenue will not be confirmed.
- ② The fixed cost contract meets the following conditions at the same time to show that the results can be reliably estimated: the total contract revenue can be reliably measured, the economic benefits associated with the contract are likely to flow in, the actual contract costs can be clearly distinguished and reliably measured, and the contract completion progress. And the costs that need to be incurred to complete the contract can be reliably measured. The cost-plus contract meets the following conditions at the same time to show that the results can be reliably estimated: the economic benefits associated with the contract are likely to flow; the actual contract costs can be clearly and reliably measured.
- ③ The method of determining the completion rate of the contract is to accumulate the proportion of the actually incurred contract cost to the total expected contract cost/the proportion of contract work that has been completed to the total expected contract workload/actually determined completion schedule.
- ④ On the balance sheet date, if the estimated total cost of the contract exceeds the total contract revenue, the estimated loss shall be recognized as the current expense. The construction contract under execution shall be set aside for the inventory depreciation reserve according to the difference; for the loss-making contract to be executed, the estimated liability shall be recognized according to the difference.

(2). Specific confirmation of the company's revenue

- 1). Revenue from sales of real estate shall be confirmed when both of the following conditions are satisfied: The major risks and rewards of ownership of the house have been transferred to the buyer, and the continuation of management rights normally associated with ownership is no longer reserved for the property, and effective control is implemented. The relevant income has received or obtained evidence of the collection, and when the costs associated with the sale of the property can be reliably measured, the realization of operating income is confirmed. That is, the company completed the housing and qualified acceptance, signed a sales contract, obtained the buyer's payment certificate, and completed the real estate transfer of goods to complete the realization of income.
- 2). Revenue from sales of gold shall be recognized when both of the following conditions are satisfied: The major risks and rewards of ownership of gold have been transferred to the buyer, and the gold is no longer retained for the continued management rights normally associated with ownership and effective control is exercised. When the customer's arrival settlement statement has been received or obtained, and the cost related to the sale of the gold can be reliably measured, the realization of operating income is recognized.

25. Confirmation and measurement of government subsidies

(1). Classification of government grants

The government subsidy means that the company obtains monetary assets or non-monetary assets from the government without compensation. Divided into asset-related government grants and income-related government grants.

The government grants related to assets refer to the government grants obtained by the company to purchase or construct or otherwise form long-term assets, including the financial appropriations for the purchase of fixed assets or intangible assets, financial discounts for special loans for fixed assets, etc.; Income-related government subsidies refer to government subsidies other than government subsidies related to assets. For government grants that include both the asset-related portion and the income-related portion, the different parts are separately accounted for; if it is difficult to distinguish, the overall classification is revenue-related government subsidies. The specific standards adopted by the company in classifying government grants are:

- ① The government subsidy documents stipulate that the subsidy objects are used to purchase or construct or form long-term assets in other ways, or that the expenditures of the subsidy objects are mainly used to purchase or construct or form long-term assets in other ways, and are divided into asset-related government subsidy.
- ② Government subsidy obtained from government subsidy documents is all or mainly used to compensate government subsidy for expenses or losses that have occurred in the subsequent period, and is divided into income-related government subsidy.
- ③ If the government documents do not clearly specify the target of the subsidy, the government document specifies the specific items for which the subsidy is targeted. According to the budget of the specific project, the relative proportion of the expenditure amount of the formed asset and the expenditure amount included in the expense shall be divided, and the division ratio shall be reviewed on each balance sheet date, and if necessary, the change shall be made; 2) the government The use of the document is only a general statement. If no specific item is specified, it is used as a government grant related to income.

(2). The timing of confirmation of government grants

The Company usually confirms and measures the actual amount of government subsidies when it is actually received. However, for the end of the period there are conclusive evidence that can meet the relevant conditions of the financial support policy requirements are expected to receive financial support funds, in accordance with the amount receivable. The government subsidies measured in accordance with the amount receivable shall meet the following conditions:

- ① It is based on the financial support projects that have been officially issued by the local financial department and to be voluntarily disclosed in accordance with the "Regulations on the Openness of Government Information," and the administrative measures for financial funds, and the administrative measures should be inclusive (any compliance requirements) The conditions of the enterprise can apply), not specifically for a specific business;
- ② The amount of the amount of the loan payment receivable has already been confirmed by the authorized government department, or it can be reasonably measured according to the relevant provisions of the officially released financial fund management method, and it is expected that there will be no significant uncertainty in its amount;
- ③ Relevant subsidy grants have clearly promised a time limit for the disbursement, and the disbursement of the subsidy is guaranteed by the corresponding financial budget, so it can reasonably be guaranteed that it can be received within the prescribed time limit;
- ④ Other relevant conditions (if any) that should be met according to the specific conditions of the company and the subsidy.

(3). Accounting for government grants

If a government subsidy is a monetary asset, it shall be measured according to the amount received or receivable; if it is a non-monetary asset, it shall be measured at fair value; if the fair value of a non-monetary asset cannot be obtained reliably, it shall be measured at nominal amount.

The government grants related to assets offset the book value of the related assets or recognized as deferred income. Asset-related government grants are recognized as deferred income and are charged to profit or loss over the useful life of the relevant assets in a reasonable and systematic manner. Government grants measured at nominal amounts are directly charged to profit or loss for the current period. If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the relevant deferred income balance will be transferred to the profit or loss of the asset disposal in the current period.

When government subsidies related to income are used to compensate for the related costs or losses of the Company in future periods, they shall be recognized as deferred income, and shall be recorded in the profits and losses of the current period or the related costs of the expenses in the period in which the relevant costs, expenses or losses are recognized; If the relevant costs, expenses, or losses that have already occurred to the compensation company have been incurred, they will be directly included in the current

profit or loss or offset the related costs.

The principle of distinguishing government grants into different profit and loss items is: government grants related to the company's daily activities are included in other income or write down related costs in accordance with the nature of the economic business; government grants that are not related to the company's daily activities are included in the Non-operating income.

26. Confirmation and measurement of deferred income tax assets and deferred income tax liabilities

(1). Deferred income tax assets and deferred income tax liabilities are recognized and measured

The Company adopts the balance sheet liability method to recognize deferred income tax based on the temporary difference between the book value of assets, liabilities and the balance sheet date and the tax base. The company's current income tax and deferred income tax are recognized as income tax expenses or income in the profits and losses of the current period, except for the income taxes that arise from the following circumstances: 1). the business combination; 2). the transactions or events directly confirmed in the owner's equity.

For deductible temporary differences, deductible losses and tax credits that can be carried forward in subsequent years, the company is likely to obtain deductible temporary differences, deductible losses and tax credits. The amount of taxable income in the future is limited, and the resulting deferred income tax assets are recognized unless the deductible temporary difference arises from the following transactions:

1). The transaction is not a business combination, and neither the accounting profit nor the taxable income amount is affected when the transaction occurs;
2). For deductible temporary differences related to investments in subsidiaries, joint ventures, and associates that meet the following conditions, the corresponding deferred income tax assets are recognized: Temporary differences are likely to be reversed in the foreseeable future.

In the future, it is possible to obtain taxable income that can be used to offset deductible temporary differences. All taxable temporary differences are recognized as related deferred income tax liabilities unless the taxable temporary differences are generated in the following transactions:

1). Initial recognition of goodwill or initial recognition of assets or liabilities arising from transactions with the following characteristics: The transaction is not a business combination, and neither the accounting profit nor the taxable income amount is affected when the transaction occurs;
2). For taxable temporary differences related to investments in subsidiaries, joint ventures and associates, the timing of the reversal of the temporary difference can be controlled and the temporary difference is unlikely to be reversed in the foreseeable future.

According to the difference between the book value of assets and liabilities and their tax bases (the difference between the tax base and its book value can be determined based on the provisions of the tax law for items not recognized as assets and liabilities), as expected the applicable tax rate during the period of repossessing the asset or paying off the liability is calculated and recognized as deferred income tax assets or deferred income tax liabilities.

Deferred income tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. On the balance sheet date, if there is conclusive evidence that it is probable that sufficient taxable income will be available to offset the deductible temporary difference in the future, the deferred income tax assets that have not been recognized in the previous accounting period shall be recognized. The book value of deferred income tax assets is reviewed. If it is probable that sufficient taxable income will not be available to offset the benefits of deferred income tax assets, the carrying amount of deferred income tax assets is written down. When it is possible to obtain sufficient taxable income, the amount of write-down is reversed.

(2). When there is a legally net right to settle, and the intention is to settle the net or obtain the assets and repay the liabilities at the same time, the company's current income tax assets and current income tax liabilities are presented at the net amount after offsetting. When there is a statutory right to settle the current income tax assets and current income tax liabilities net, and the deferred income tax assets and deferred income tax liabilities are related to the same income tax levied on the same taxation entity by the same tax collection agency or to different taxpayers. However, in the future when each important deferred income tax asset and liability is reversed in the future, when the involved taxpayer intends to settle the current income tax assets and liabilities or obtain assets at the same time and settle the liabilities, the company deferred income tax. Assets and deferred income tax liabilities are reported as net offset.

27. Confirmation and Measurement of Leasing Business

1. Classification of leases

Leases are classified into finance leases and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of an asset. The ownership of the lease may or may not eventually be transferred. Other leases other than finance leases are operating leases.

For the recognition conditions of financial leases, please refer to Note 3 (17) 4 "Confirmation basis and valuation method of fixed assets financed by lease".

2. Accounting treatment of operating leases

(1) Lessor: The lease fee charged by the company for leased assets is apportioned on a straight-line basis over the entire lease term without deducting the rent-free period and is recognized as lease-related income. The initial direct costs related to the lease transactions paid by the company are included in the current expenses; if the amount is larger, they are capitalized and are recorded in the current period in stages on the same basis as the income related to the lease. When the company undertakes the lease-related expenses that should be borne by the lessee, the company deducts the expenses from the total amount of rental income and allocates the deducted rental expenses during the lease period. Contingent rents are charged to profit or loss for the current period when they actually occur.

(2) Renter: The lease fee paid by the company for rented assets shall be apportioned on a straight-line basis over the entire lease term without deducting the rent-free period and shall be included in the current period expenses. The initial direct costs related to the lease transactions paid by the company are included in the current expenses; when the asset lessor bears the costs related to the lease that should be borne by the company, the company This part of the fee is deducted from the total rental amount, and the deducted rental expenses are apportioned during the lease term and included in the current expenses. Contingent rents are charged to profit or loss for the current period when they actually occur.

3. Financial lease accounting

Lessor: Starting from the lease period, the Japanese company will use the sum of the minimum lease receipt amount and the initial direct fee as the book value of the finance lease receivable, and record the unguaranteed residual value; the minimum lease receipt amount, the initial direct cost, and the difference between the sum of the remaining amount of the guarantee and its present value is recognized as unrealized financing income. The unrealized financing income is calculated using the actual interest rate method during each period of the lease term to confirm the current financing income. The balance of financial lease receivables after deducting unrealized financing income is separately presented as long-term claims and long-term claims due within one year. Contingent rents are charged to profit or loss for the current period when they actually occur.

Lessee: The lesser of the fair value of the leased assets and the present value of the minimum lease payments is used by the Japanese company as the entry value of the leased assets starting from the lease period, and the minimum lease payment amount is used as the long-term accountable value, which is the difference. As unconfirmed financing expenses. The initial direct cost is included in the value of the leased asset. The unrecognized financing expenses are calculated using the actual interest rate method during each period of the lease term to confirm the current financing expenses. The balance of the minimum lease payments after deducting the unrecognized financing charges is listed as long-term liabilities and long-term liabilities due within one year respectively. Contingent rents are charged to profit or loss for the current period when they actually occur.

28. Termination of business

1. Termination of business conditions Termination of business refers to a company's separately distinguishable component that meets one of the following conditions, and that component has been disposed of or divided into categories for sale:
 - (1) The component represents an independent main business or a separate main business area;
 - (2) This component is part of an associated plan that is intended to be disposed of in an independent main business or a separate major business area;
 - (3) This component is a subsidiary that is specifically acquired for resale.
2. Termination of business presentation
If a disposal group that intends to end use but not sell satisfies the relevant components in the termination of business definition, it shall be declared as discontinued operation from the date of discontinued use; it shall lose control of the subsidiary due to the sale of investment to the subsidiary and other reasons. If the subsidiary company meets the definition of termination of operations, it shall report the related operating profit and loss in the consolidated statement, and shall include in the income statement the adjustment amount of the profit and loss of discontinued operating disposal as the profit and loss of the termination of the business.

Non-current assets or disposal groups are no longer classified as held for sale or non-current assets are removed from the disposal group held for sale. In the current income statement, the company will adjust the book value of non-current assets or disposal groups. As a profit and loss from continuing operations. The company's subsidiaries, joint ventures, joint ventures, joint ventures, and some of its investment in joint ventures or associates are no longer classified as held for sale or removed from the disposal group held for sale. In the financial statements, the comparative data of the comparable accounting periods after being classified as held for sale are adjusted accordingly.

For non-current assets or disposal groups held for sale that do not meet the definition of termination of business, the impairment loss or reversal amount and disposal profit or loss are presented as profit or loss from continuing operations. Operating profit or loss and disposal gains and losses, such as impairment loss or reversal of the termination of operations, are presented as operating profit or loss.

For the termination of operations for the current period, the company restates the information originally presented as a continuing operating income statement in the current financial statement as the profit or loss from the termination of the comparable accounting period. If the termination of operations no longer meets the criteria for classifying the company for sale, the company restates the information originally presented as a profit and loss on discontinued operations in the financial statements for the current period as the profit or loss from continuing operations for the comparable accounting period.

29. Significant accounting judgments and estimates

In the process of applying accounting policies, the Company needs to make judgments, estimates and assumptions on the book value of the statements that cannot be accurately measured due to the inherent uncertainty of the operating activities. These judgments, estimates, and assumptions are based on past management experience of the company's management and are based on consideration of other relevant factors. These judgments, estimates, and assumptions affect the reporting of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainty of these estimates may be different from the current estimates of the company's management, which in turn may cause significant adjustments to the book value of the assets or liabilities affected in the future. The Company makes periodic review on the above judgments, estimates and assumptions on the basis of continuing operations. Changes in accounting estimates will only affect the current period of change, and the number of impacts will be confirmed in the current period of change; if the change affects both the current and future periods, the impact will be affected. The number is confirmed during the change period and in the future. On the balance sheet date, the important areas for the Company to make judgments, estimates and assumptions on the amount of the financial statements are as follows:

1. Classification of leases

In accordance with the provisions of Accounting Standards for Enterprises No. 21 - Lease, the Company classifies leases as operating leases and financial leases. When classifying, the management needs to determine whether it will have all the risks associated with the ownership of leased assets. The remuneration is transferred to the lessee in substance, or whether the company has substantially assumed all the risks and rewards associated with the ownership of the leased asset, and makes an analysis and

Judgment.

2. Bad debt preparation provision

The Company uses the allowance method to account for bad debt losses in accordance with the accounting policy for accounts receivable. The impairment of receivables is based on the assessment of the collectability of the receivables, which involves management's judgments and estimates. The difference between the actual impairment value of the receivable and the original estimation will affect the book value of the receivable and the provision or reversal of the bad debt provision of the receivable in the period in which the estimate is changed.

3. Inventory impairment

According to the inventory accounting policy, the Company measures the lower of cost and net realizable value, and makes provision for inventory devaluation for inventory whose cost is higher than net realizable value and old and unstable. The depreciation of inventories to net realizable value is based on the assessment of the saleability of inventories and their net realisable value. Identification of impairment of inventories requires management to make judgments and estimates on the basis of obtaining conclusive evidence and considering the purpose of holding the inventory and the influence of events after the balance sheet date. The difference between the actual result and the original estimate will affect the book value of inventory and provision or reversal of inventory depreciation provision during the period in which the estimate is changed.

4. Financial instruments fair value

For financial instruments that do not have an active trading market, the company determines its fair value through various valuation methods. These valuation methods include discounted cash flow model analysis. In the valuation, the company needs to estimate the future cash flow, credit risk, market volatility and correlation, and choose an appropriate discount rate. These related assumptions are uncertain, and their changes will affect the fair value of financial instruments.

5. Impairment of available-for-sale financial assets

The Company's determination of whether or not an available-for-sale financial asset is impaired depends to a large extent on management's judgments and assumptions to determine whether it needs to recognize its impairment loss in the income statement. In the process of making judgments and making assumptions, the company needs to assess the extent and duration of the fair value of the investment below cost, as well as the financial status and short-term business outlook of the investee, including industry conditions, technological changes, and credit ratings. , default rate and counterparty risk.

6. Depreciation and amortization

After considering the salvage value of investment real estate, fixed assets and intangible assets, the company shall accrue depreciation and amortization on a straight-line basis over its useful life. The company regularly reviews the service life to determine the amount of depreciation and amortization expenses to be included in each reporting period. The service life is determined by the Company based on past experience of similar assets and combined with expected technical updates. If there has been a significant change in previous estimates, the depreciation and amortization charges will be adjusted in the future.

7. Deferred tax assets

Insofar as it is highly probable that there will be sufficient taxable profits to offset losses, the company will recognize deferred income tax assets for all unused tax losses. This requires the management of the company to use a large number of judgments to estimate the time and amount of future taxable profits, and combine the tax planning strategy to determine the amount of deferred income tax assets that should be recognized.

8. Income tax

In the normal business activities of the company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some projects can be

listed before taxes require the approval of the tax authorities. If there is a difference between the final recognized result of these taxation matters and the originally estimated amount, the difference will have an impact on the current income tax and deferred income tax during the period of final recognition.

9. **Estimated Liabilities** The Company estimates and prepares corresponding provisions for product quality assurance, expected contract losses, and delay in delivery of liquidated damages based on contract terms, existing knowledge and historical experience.

In the event that these contingencies have formed a current obligation and the performance of these current obligations is likely to result in the outflow of economic benefits from the Company, the Company's best estimate of the contingent liabilities required to meet the relevant current obligations. Confirmed as estimated liabilities. The recognition and measurement of estimated liabilities largely depend on management's judgment. In the process of making judgments, the company needs to assess the risks, uncertainties, and time value of money of such contingencies.

30. Changes in major accounting policies and accounting estimates

1. Changes in accounting policies

(1) Implementation of the "Notice of the Ministry of Finance on Revising the Format of Financial Statements for Issuing General Enterprises" due to Changes in Accounting Policies Resulting from the Revision of Accounting Standards for Business Enterprises and Other Laws and Regulations
On December 25, 2017, the Ministry of Finance issued the "Notice of the Ministry of Finance on Revising the Format of Financial Statements for Issuing General Enterprises" (CAO [2017] No. 30, hereinafter referred to as "newly revised financial statement format"). In addition to the aforementioned impact of the newly revised Accounting Standards for Business Enterprises on the reporting items, the format of the newly revised financial statement adds a "assets disposal proceeds" item above the "operating profit", reflecting that the company's sale is divided into non-sale-for-sale items. The liquid assets (except financial instruments, long-term equity investments and investment real estate) or disposal group recognized disposal gains or losses, and disposal of fixed assets, construction in progress, productive biological assets and intangible assets not classified as held for sale. Gains or losses arising from disposals; Gains or losses arising from the disposal of non-current assets in debt restructuring and gains or losses arising from the exchange of non-monetary assets.

The Company adopted the "Accounting Standard for Business Enterprises No. 30 - Presentation of Financial Statements" and other relevant regulations, and adopted the retrospective adjustment method for this accounting policy change. The comparative financial statements for the 2017/2016 year have been restated. The impact on 2016-related profit and loss items in the consolidated financial statements is to increase "assets disposal income" by 3,657.00 yuan, which will reduce the "Non-operating income" 4,820.00 yuan; Reducing "non-operating expenses" 1,163.00 yuan; The impact on the parent company's financial statement-related profit and loss items in 2016 is increased.

"Asset disposal income" -615.50 yuan, reducing "non-operating expenses" -615.50 yuan.

(2) The company changes accounting policies on its own

There was no change in accounting policy in the current period.

2. Changes in accounting estimates

There was no change in accounting estimates in the current period.

31. Correction of previous errors

There are no significant corrections in the company's previous period.

IV. Taxation

1. The tax rates applicable to ZRC and its subsidiaries in China are listed as follows:

Tax Type	Tax Basis	Tax Rate
VAT	The value added during the sale of goods or the provision of taxable services	17%、11%、9%、6%、5%、0%
Business tax	Taxable turnover	5%
Land appreciation tax	The value-added amount arising from the transfer of state-owned land use rights and property rights of buildings on the ground and other attachments is paid; the pre-sale housing payment is pre-paid according to the preset prepayment rate of the real estate location.	A four-level progressive tax rate (30%-60%) shall be paid; the prepayment rate shall apply to the specific provisions of the real estate location.
Property tax	For the purposes of ad valorem valuation, the remaining value of 30.00% shall be subtracted from the original value of the real estate once 1.2% paid; from the tenancy levy, 12% of rental income	1.2%、12%
Urban maintenance and construction tax	Taxable transfer tax	7%、5%
Additional education fee	Taxable transfer tax	3%
Tax Type	Tax Basis	Tax Rate
Local education surcharges	Taxable transfer tax	2%
Corporate income tax	Taxable income	25%、20%
Gold Tax	Gold sales	3%

[Note] Description of tax rate

- (1) As of January 1, 2016, the VAT rate has been adjusted from 15% to 9% according to the Fijian government's regulations where Vatukoula Gold Mines Limited, a subsidiary of VGM Plc, is located.
- (2) The zero tax rate applies to VGML export sales.
- (3) According to the financial law promulgated by VGM Plc on July 2, 2013, the corporate income tax rate will apply 21% before April 1, 2015 and 20% after April 1, 2015.
- (4) VGML, a subsidiary of VGM Plc, is required to pay gold tax at a rate of 3% of sales.

2. Tax benefits and approvals

According to the "Notice on Issues of Gold Taxation Policy" No. 142 [2002] of the Taxation Administration of the State Administration of Taxation, the sales of gold products produced by the company's domestic subsidiaries are exempt from VAT.

V. Notes to major items of consolidated financial statements

Unless otherwise noted, the following commentary items refer to January 1, 2017. The end of period refers to December 31, 2017; the current period refers to 2017 year, and the previous year refers to 2016 year. The unit of the amount is RMB.

1. Monetary capital

(1). Breakdowns

Items	Closing Balance	Opening Balance
Cash in stock	24,720.68	60,075.13
Bank savings	64,634,934.54	52,915,482.48
Other monetary fund	40,009,235.03	69,982,956.41
Total	104,668,890.25	122,958,514.02
Including: the total amount deposited abroad	8,199,227.38	15,331,596.57

(2). The details of other currency funds are as follows:

Items	Closing Balance	Opening Balance
Letter of credit deposit	31,288,125.00	30,750,000.00
Environmental governance deposit	1,254,602.97	1,196,600.00
Safe Production Guarantee	-	305,088.55
Fixed deposit	4,044,884.10	4,146,665.25
Items	Closing Balance	Opening Balance
Mortgage deposit	3,421,622.96	3,493,450.21
Frozen funds	-	30,091,152.40
Total	40,009,235.03	69,982,956.41
Including: the total amount deposited abroad	4,044,884.10	4,146,665.25

(3). As of December 31, 2017, the Company had no collateral or freezing other than other currency funds to convert the existing restrictions or potential recovery risk currency funds. For restrictions on the use of other currency funds, see the description of Note 5 (45) "Assets with limited ownership or use rights".

(4). Details of the foreign currency funds are described in the Note 5 (46) "Monetary Foreign Currency Items".

2. Account Receivables

(1). Breakdown

Category	Closing Balance				Carrying amount
	Book balance Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	
Accounts receivable in significant amounts with separate provisions for bad debts					
Accounts receivable with provision for bad debts made by group	26,534,856.75	88.44	20,637,798.15	77.78	5,897,058.60
Accounts receivable in insignificant amounts with separate provisions for bad debts	3,469,862.30	11.56			3,469,862.30
Total	30,004,719.05	100.00	20,637,798.15	68.78	9,366,920.90

Continued

Category	Book balance			Opening Balance			Carrying amount
	Amount	Percentage (%)	Provision for bad debts Amount	Amount	Percentage (%)	Provision for bad debts Amount	
Accounts receivable in significant amounts with separate provisions for bad debts							
Accounts receivable with provision for bad debts made by group	26,603,593.36	94.52	20,316,015.64	76.37	6,287.57	7.72	1,541,307.62
Accounts receivable in insignificant amounts with separate provisions for bad debts	1,541,307.62	5.48					7.62
Total	28,144,900.98	100.00	20,316,015.64	72.18	7,828.88	5.34	1,541,307.62

(2). Provision of doubtful debts preparation

1). Accounts receivable in the group with provision for bad debts made by use of the ageing analysis method

Ageing	31 December 2015		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	590,588.00	29,529.40	5.00
1-2 years (including 2 years)			
2-3 boars (including 3 years)	6,670,000.00	1,334,000.00	20.00
3-4 years (including 4 years)			
4-5 years (including 5 years)			

Over 5 years	19,274,268.75	19,274,268.75	100.00
Total	26,534,856.75	20,637,798.15	77.78

2). Accounts receivable in insignificant amounts with separate provision for bad debts at the end of the period

Company	Closing balance			Reason for proportion
	Accounts receivable	Provision for bad debts	Proportion of provision	
Perth Mint Refinery	3,469,862.30			No impairment risk is recognized

3). Provision for bad debts made, recovered or reversed during the current period

A provision of 321,782.51 Chinese yuan is made for bad debts for the current period and nil has been recovered or reversed for provisions for bad debts.

4). Top 5 companies owing accounts receivables as of 31 December 2017

Customer name	Amount	Ageing	Percentage total receivables (%)	Provision for bad debts
Zibo Zhongrun Ximate Co., Ltd.	14,231,565.62	Within 1 year	47.43	14,231,565.62
Zibo Zhongrun Department Store Co., Ltd.	6,670,000.00	4-5 years, over 5 years	22.23	1,334,000.00
Perth Mint Refinery	3,469,862.30	Within 1 year	11.56	-
Bian Guobin	590,588.00	over 5 years	1.97	29,529.40
Liu Honggeng	88,207.74	over 5 years	0.29	88,207.74
Total	25,050,223.66		83.48	15,683,302.76

5). During the reporting period, the Company had no accounts receivable recovered through other means such as debt restructuring.

6). During the reporting period, the company had no actual write-off of accounts receivable.

7). For details of foreign currency accounts receivable at the end of the period, please refer to Note V (46) "Notes on Foreign Currency Monetary Items".

(3). Prepayments

1). Presented by aging

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (include 1 year)	25,524,314.16	46.82	26,665,919.35	45.40
1-2 years (include 2 years)	8,750.00	0.01	31,771,223.24	54.09
2-3 years (include 3 years)	28,684,645.35	52.61	-	-
Over 3 years	300,377.40	0.55	300,377.40	0.51
Total	54,518,086.91	100.00	58,737,519.99	100.00

2). The amount of the top 5 closing balances summed by the receiver of the prepayment

Company Name	Closing Balance	Aging	Percentage of total balance at the end of the prepayment (%)	Unsettled reason
Jinan Kailida Construction CO. LTD	18,322,295.57	Within 1 year, 2-3 years	33.61	Not yet available
Shandong Weihua Decoration Engineering CO. LTD	6,855,000.00	2-3 years	12.57	Not yet available
Shandong Zhongqiao Gardening CO. LTD	6,553,011.98	2-3 years	12.02	Not yet available
JINAN QINGONG INTERNATIONAL TRADE CO. LTD	3,380,738.43	Within 1 year	6.20	The goods did not arrive
HEBEI CHENGXIN CO. LTD	1,053,047.86	Within 1 year	1.93	The goods did not arrive
Total	36,164,093.84		66.33	

3). Reasons why the prepayments with a significant amount of money exceeding 1 year are not settled in time

Company Name	Amount	Unsettled reason
Jinan Kailida Construction CO. LTD	15,258,833.37	Not yet available
Shandong Weihua Decoration Engineering CO. LTD	6,855,000.00	Not yet available
Shandong Zhongqiao Gardening CO. LTD	6,553,011.98	Not yet available
Total	28,666,845.35	

(4). Other receivables

1). Disclosure of other receivables by category

Category	Book balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivable in significant amounts with separate provisions for bad debts					
Other receivable with provision for bad debts made by group	1,299,097,769.91	99.97	522,566,062.22	40.23	776,531,707.69
Other receivable in insignificant amounts with separate provisions for bad debts	400,765.01	0.03	265,155.00	66.16	135,610.01

Total	1,299,498,534. 92	100.00	522,831,217. 22	40.23	776,667,317.70
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Category	31 December 2016				
	Book balance Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)	Carrying amount
Other receivable in significant amounts with separate provisions for bad debts	1,416,526,230. 18	99.97	323,121,718. 80	22.81	1,093,404,511. 38
Other receivable with provision for bad debts made by group	391,179,18 36	0.03	265,155.00	67.78	126,024.18
Other receivable in insignificant amounts with separate provisions for bad debts	1,416,917,409. 36	100.00	323,386,873. 80	22.82	1,093,530,535. 56

2). Provision of doubtful debt preparation

① Other receivables in the group with provisions for bad debts

Ageing	31 December 2017		
	Other receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	5,966,675.84	298,333.79	5.00
1-2 years (including 2 years)	572,473,977.74	57,247,397.78	10.00
2-3 years (including 3 years)	32,883,604.65	6,576,720.94	20.00
3-4 years (including 4 years)	442,371.95	132,711.59	30.00
4-5 years (including 5 years)	381,700,402.78	152,680,161.17	40.00
Over 5 years	305,630,736.95	305,630,736.95	100.00
Total	1,299,097,769.91	522,566,062.22	40.23

② Other receivable in insignificant amounts with separate provisions for bad debts

Company Name	Book Balance	Provision for bad debts	Proportion of provision (%)	Reasons
Social Insurance Fee	25,284.19	-	-	Individual identification does not present impairment risk
Company Name	Book Balance	Provision for bad debts	Proportion of provision (%)	Reasons

Housing Fund	110,325.82	-	-	Individual identification does not present impairment risk
Baoding Pump Industry	22,500.00	22,500.00	100.00	Individual identification cannot be recovered
Shandong Zhaoyuan Gold Machinery Factory	4,555.00	4,555.00	100.00	Individual identification cannot be recovered
Yamato Tokyo-Tzu Machinery Group	13,100.00	13,100.00	100.00	Individual identification cannot be recovered
Yunnan Qujing 317 drilling	100,000.00	100,000.00	100.00	Individual identification cannot be recovered
Chuan Eco-Environment Company	25,000.00	25,000.00	100.00	Individual identification cannot be recovered
Sichuan Academy of Forestry	100,000.00	100,000.00	100.00	Individual identification cannot be recovered
Total	400,765.01	265,155.00	66.16	

③ Provisions for bad debts made recovered or reversed during the current period

④ The amount of provision for bad debts in the current period was 199,729,501.56 yuan, and the bad debt provision amount was transferred back to 229,909.01 yuan in this period. The effect of the conversion of foreign currency statements on bad debt provision in this period was -55,249.13 yuan. During the reporting period, the Company had no other receivables recovered through other means such as debt restructuring.

⑤ Other receivables are classified by nature of payment

Item	Closing balance	Opening balance
Equity and creditor's rights transfer	598,622,348.69	598,622,348.69
Receivables from disposals of subsidiaries	76,095,429.80	78,021,695.43
Gold credit right	522,736,000.00	554,960,000.00
Iron ore construction fee and capital occupation fee	48,933,803.74	124,963,854.01
Deposits and margins	48,843,633.84	56,479,570.59
Reserve loans of employee	708,093.50	1,329,116.18
Amounts received or paid on behalf	3,559,225.35	2,540,824.46
Total	1,299,498,534.92	1,416,917,409.36

⑥ Top 5 companies owing other receivables as of 31 December 2017

Customer name	Nature of receivable	Amount	Ageing	Percentage of the total other receivables (%)	Provision for bad debts
Xi Xiaoming	Gold Credit Right	522,736,000.00	1-2 years	40.23	
Shandong Ansheng Assets Management Group Ltd	Equity and creditor's rights transfer	369,300,000.00	4-5 years	28.42	
Qilu Real Estate Co., Ltd	Equity rights transfer	229,322,348.69	Over 5 years	17.65	
Peisi International Trade Co., Ltd	Iron ore construction fee and capital occupation fee	48,933,803.74	Within 1 year, 1-2 years	3.77	
Zibo Housing Bureau	Quality guarantee	40,255,600.00	2-3 years, 4-5 years	3.10	
Total		1,210,547,752.43		93.17	

(5). Inventories

1). Breakdowns

Items	Book balance	Closing balance		Opening balance		
		Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Raw material	51,936,696.23		51,936,696.23	64,926,209.93		64,926,209.93
Cost of production	201,614,422.73		201,614,422.73	173,980,618.66		173,980,618.66
Goods in process	287,946,291.62		262,483,955.98	570,994,673.66		570,816,231.04
Auxiliary materials	1,270,658.23		1,270,658.23	1,659,432.93		1,659,432.93
Total	542,768,068.81		517,305,733.17	811,560,935.18		811,382,492.56

2). Inventory falling price preparation

① Fluctuation

Type	Opening Balance	Increase in the current period	Decrease in the current period		Closing Balance
			Return	Resale	

Product development	178,442.62	25,462,335.64	178,442.62	25,462,335.64
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② Withdrawal and return

Type	Specific basis for determining the net realizable value	Reason for reversing inventory depreciation reserve in current period	The percentage of reversal amount in the current period at closing balance(%)
Product development	Determined based on the market price on the balance sheet date		-

③ The amount of capitalization of borrowing costs in the ending inventory balance

Inventory Name	Closing Balance	The capitalization amount of borrowing costs
Completed Product	287,946,291.62	1,057,610.76

(6). Other current assets

1). Breakdown

Items	Closing balance	Opening balance
Taxes on advance payments for real estates	18,707,392.40	43,943,899.25
*Value-added tax to be returned	10,822,104.77	15,107,793.58
Total	29,529,497.17	59,051,692.83

*Value-added tax to be returned should be returned to VGM Plc and VGML (ZRC's subsidiaries).

2). At the end of the period, there was no sign of significant impairment of other current assets. Therefore, no provision for impairment was made.

(7). Available-for-sale financial assets

1). Available-for-sale financial assets breakdown

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments						
Measured at fair value	64,569,682.06	51,697,454.57	12,872,227.49	71,514,503.68	55,321,613.68	16,192,890.00
Measured at cost						

2). At the end of the period, no balance of available-to-maturity investment assets is included in the balance of available-for-sale financial assets.

3). Available-for-sale financial assets measured at fair value at the end of the period		Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Available-for-sale financial assets				
Costs of equity instruments / Amortised costs of debt instruments		60,876,758.15		60,876,758.15
Fair value		12,872,227.49		12,872,227.49
Provision for impairments		3,692,923.91		3,692,923.91
Including: Changes in fair value accumulatively recorded in other consolidated income		51,697,454.57		51,697,454.57

4). Changes in impairments of available-for-sale financial assets during the reporting period		Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Available-for-sale financial assets				
Provision for impairment at the beginning of the period		55,321,613.68		55,321,613.68
Provisions in 2017				
Including: amount transferred from other comprehensive income		3,624,159.11		3,624,159.11
Decrease in this period				
Including: Transition difference in foreign currency financial statements		3,624,159.11		3,624,159.11
Amount reversed due to increase in fair value after the accounting				
Provision for impairments made at the end of the period		51,697,454.57		51,697,454.57

(8). Investment real estate

Items	Opening Balance	Increased in the current period			Decrease in the current period		Closing Balance
		Outsourcing	Fixed assets/Inventory	Increased corporate mergers	Disposal	Other transfers	
(1) Book Value							
Housing and Buildings	194,692,950.20		1,529,302.28	-	-	-	196,222,252.48
(2) Accumulated depreciation/amortization		Provision/Amortization					
Housing and Buildings	27,617,886.19		5,326,839.11	-	-	-	32,944,725.30
(3) Impairment		Provision/Amortization					
Housing and Buildings	-		-	-	-	-	-
(4) Book Value							

Housing and Buildings	167,075,064.01	-	-	-	-	-	163,277,527.18
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2). At the end of the period, no obvious signs of impairment were found in the investment real estate, so no provision for impairment was made.

3). At the end of period-end investment real estate, the original value of 196,222,252.48 yuan has been used for guarantee.

Items	Book Value	Accumulated depreciation	Net Book Value
Housing and Buildings	196,222,252.48	32,944,725.30	163,277,527.18

(9). Fixed assets

1). Breakdown

Item	Houses and buildings	Means of transport	Other equipment	Roadway	Land	Total
I Original carrying amount						
1. Opening balance	64,810,644.64	77,033,018.86	195,018,561.69	294,959,932.74	8,866,709.37	640,688,867.30
2. Increase in the current period						
(1) Acquisition						
(2) Transferred from construction in progress	19,217,484.87	387,977.13	87,967,637.26			107,573,099.26
(3) Increase due to business combination		4,765,569.46	5,797,388.34	94,909,349.30		105,472,307.10
3. Decrease in the current period						
(1) Disposal or retirement		2,283,941.84	2,907,849.06			5,191,790.90
(2) Others			995,806.00			995,806.00
4. Foreign currency translation difference	-576,879.35	-2,009,124.43	-6,321,713.54	-9,661,421.63	-248,562.30	-18,817,701.25
5. Closing balance	83,451,250.16	77,893,499.18	278,558,218.69	380,207,860.41	8,618,147.07	828,728,975.51
II Accumulated depreciation						
1. Opening Balance	34,021,979.73	39,510,463.85	86,510,026.95	30,950,637.64	206,640.82	191,199,748.99
2. Increase in the current period						
(1) Provision	9,552,818.27	11,109,596.40	25,842,324.86	36,477,262.09	101,919.67	83,083,921.29
3. Decrease in the current period						
(1) Disposal or retirement	3,896,519.36	1,039,736.36	1,881,083.00			6,817,338.72
4. Foreign currency translation difference	-153,001.10	-1,114,392.13	-2,428,777.12	-1,402,932.06	-7,288.46	-5,106,390.87
5. Closing balance	39,525,277.54	48,465,931.76	108,042,491.69	66,024,967.67	301,272.03	262,359,940.69
III. Provision for impairment						
1. Opening balance	217,791.54	93,538.98	15,283.65			326,614.17
2. Increase in the current period						

(1) Provision									
3. Decrease in the current period									
(1) Disposal or retirement									
4. Foreign currency translation differences		-16,466.49		-7,072.20		-1,155.55			-24,694.24
5. closing balance		201,325.05		86,466.78		14,128.10			301,919.93
IV Carrying amount									
1. Carrying amount at the end of the period		30,570,873.3		37,429,016.03		108,493,251.09		264,009,295.10	8,660,068.55
2. Carrying amount at the beginning of the period		43,724,647.57		29,341,100.64		170,501,598.90		314,182,892.74	8,316,875.04
									566,067,114.89

[Note] The depreciation amount is RMB 83,083,921.29 in the current period. In the current period, the original value of the fixed assets transferred from the construction in progress is RMB 107,573,099.26.

- 2). At the end of the period, there was no sign of significant impairment of the fixed assets, so no provision for impairment was made.
- 3). At the end of the period, the company had no temporarily idle fixed assets.
- 4). At the end of the period, the Company did not have fixed assets leased by finance leases.
- 5). At the end of the period, the company had no fixed assets leased out under operating leases.
- 6). At the end of the period, there are no fixed assets for which the property right certificate has not been completed.
- 7). At the end of the period, the company had no fixed assets for borrowings and mortgages.

(10). Construction in progress

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Mine roads and tailings ponds	1,416,128.00		1,416,128.00	1,416,128.00		1,416,128.00
Expansion and renovation of tailing dam	6,573,362.86		6,573,362.86	14,802,399.46		14,802,399.46
Machinery and equipment not installed yet	5,038,811.67		5,038,811.67	4,931,913.63		4,931,913.63
Other	226,946.50		226,946.50	226,946.50		226,946.50
Total	13,255,249.03		13,255,249.03	21,377,387.59		21,377,387.59

1). Breakdown

2). Significant fluctuation in major projects under construction									
Items	Budget	Opening Balance	Increase in the current period	Current transfer to fixed assets	Other reductions in current period	Foreign currency translation differences	Closing Balance		
Mine roads and tailings ponds	2,832,256.00	1,416,128.00	-	-	-	-	1,416,128.00		
Expansion and renovation of tailing dam	17,912,171.10	14,802,399.46	-	6,831,243.74	1,099,209.79	-298,583.07	6,573,362.86		
Machinery and equipment not installed yet	8,717,503.42	4,931,913.63	101,033,768.26	100,741,855.52	43,106.27	-141,908.43	5,038,811.67		
Other	283,683.13	226,946.50	-	-	-	-	226,946.50		
Total	29,745,613.65	21,377,387.59	101,033,768.26	107,573,099.26	1,142,316.06	-440,491.50	13,255,249.03		
Continue from the table:									
Items	Project investment as a percentage of budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including: the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds			
Mine roads and tailings ponds	50.00	50.00	-	-	-	Self-funded			
Expansion and renovation of tailing dam	36.70	36.70	-	-	-	Self-funded			
Machinery and equipment not installed yet	57.80	57.80	-	-	-	Self-funded			
Other	80.00	80.00	-	-	-	Self-funded			
Total	-	-	-	-	-	-			

3). At the end of the period, no sign of significant impairment was found for the construction-in-progress, so no provision for impairment was made.

4). At the end of the period, there is no construction in progress for borrowing and mortgage.

(11). Intangible assets

1). Breakdown

Items	Mineral Rights	Exploration rights	Other	Total
I Original carrying amount				
1. Opening balance	176,179,915.42	266,444,196.57	5,147,837.99	447,771,949.98
2. Increase in the current period				
(1) Acquisition				
(2) Internal research and development				
(3) Increase due to business combination	137,999,795.67	1,675,279.33		139,675,075.00
3. Decrease in the current period				
(1) Disposal				
(2) Transfer		140,890,029.47		140,890,029.47
4. Foreign currency translation difference	-4,191,746.52		-106,698.65	-4,298,445.17
5. Closing balance	309,987,964.57	127,229,446.43	5,041,139.34	442,258,550.34
II Accumulated amortisation				
1. Opening balance	52,055,411.54		2,020,655.18	54,076,066.72
2. Increase in the current period				
(1) Provision	18,793,946.71		494,821.97	19,288,768.68
3. Decrease in the current period				
(1) Disposal				
4. Foreign currency translation difference	-910,043.48		-30,070.10	-940,113.58
5. Closing balance	69,939,314.77		2,485,407.05	72,424,721.82
III Provision for impairment				
1. Opening balance		39,340,896.19	856,695.67	40,197,591.86
2. Increase in the current period				
(1) Provision	79,514,811.22			79,514,811.22
3. Decrease in the current period				
(1) Disposal				
4. Foreign currency translation difference			-64,771.80	-64,771.80
5. Closing balance	79,514,811.22	39,340,896.19	791,923.87	119,647,631.28
IV Carrying amount				
1. Carrying amount at the end of the period	124,124,503.88	227,103,300.38	2,270,487.14	353,498,291.40
2. Carrying amount at the beginning of the period	160,533,838.58	87,888,550.24	1,763,808.42	250,186,197.24

[Note] The current period amortization amounted to RMB 19,288,768.68. The company had no intangible assets formed through internal R&D during the period.

2). Reasons and Basis for Withdrawal of Intangible Assets

The 79,514,811.22 yuan mining value impairment provision made in this period is expected to be owned by the Inner Mongolia Huiyin Mining Co., Ltd. (hereinafter referred to as "Inner Mongolia Huiyin") mining rights of the East Ujimqin Banner Lemago Mountain silver lead zinc mine. The recovery amount is lower than the book value.

3). At the end of the period there are no intangible assets used for mortgages or guarantees.

4). At the end of the period, there are no intangible assets that are not warranted.

(12). Deferred income tax assets / deferred income tax liabilities

Breakdown

1). Deferred income tax assets not offset

Item	Closing balance		Opening balance	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provision for the bad debts	13,781,877.78	55,127,511.10	13,205,652.17	52,822,608.69
Provision for decline in value of inventories	6,365,583.91	25,462,335.64	44,610.65	178,442.62
Advance receipts	7,734,135.13	30,936,540.54	17,754,754.57	71,019,018.26
Deductible losses	1,625,700.00	6,502,800.00		
Loss-free income tax	7,571,643.83	30,286,575.33		
Taxes and additional income tax	9,059,120.30	36,236,481.21		
Total	46,138,060.95	184,552,243.82	31,005,017.39	124,020,069.57

Items	Closing balance		Opening balance	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Rent-free lease	3,557,891.37	14,231,565.49	3,647,673.66	14,590,694.62
Income tax credits from the Withholding tax	2,122,863.25	8,491,452.98	982,165.06	3,928,660.23
Total	5,680,754.62	22,723,018.47	4,629,838.72	18,519,354.85

2). Unrecognised deductible temporary differences and deductible losses of deferred tax assets

Item	Closing balance		Opening balance	
	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences
Provision for decline in value of inventories		390,051,905.29		336,267,138.83
Provision for bad debts		488,164,038.90		290,639,668.91
Provision for impairment of intangible assets		115,996,653.41		39,340,896.19
Estimated liabilities		22,116,465.75		11,350,000.00

Interest payable	132,613.61	132,613.61
Total	1,016,461,676.96	677,730,317.54

3). The unrecognised deductible losses of deferred tax assets will be due in 2017

Year	Closing balance	Opening balance	Notes
2017		19,173,798.85	
2018	113,410,207.06	167,032,729.13	
2019	74,903,529.69	74,800,377.89	
2020	43,234,983.26	43,234,983.26	
2021	32,025,249.70	32,025,249.70	
2022	126,477,935.58		
Total	390,051,905.29	336,267,138.83	

(13). Short term borrowings

Borrowing items	Closing balance	Opening balance
Self-built power station prepayment		37,107,989.70
Other	3,524,519.32	
Total	3,524,519.32	37,107,989.70

(14). Short-term loans

1). Breakdown

Type of Borrowings	Closing Balance	Opening Balance
Credit guaranteed	300,000,000.00	300,000,000.00
Credit loan	12,626,947.78	-
Mortgage + Guaranteed Borrowing	95,000,000.00	-
Total	407,626,947.78	300,000,000.00

Note:

- ① The guaranteed loan of the Company of 300,000,000.00 yuan is guaranteed by Shandong Xinchao Energy Co., Ltd.
- ② The newly-added credit loan of the Company for the current period was obtained by the subsidiary VGML from ANZ Bank. The loan period was from November 31, 2017 to June 10, 2018.
- ③ Credit guarantee was provided by Zirun Real Estate Co., Ltd., a subsidiary of Shandong Zhongrun Group (hereinafter referred to as "Zibo Real Estate"), and Zibo Real Estate provided real estate mortgage guarantees at Zibo Hi-tech District Zidian No. 03-1004214. The company is located in Jinan Rural Area. The Lixia Sub-branch of the Commercial Bank Co., Ltd. (hereinafter referred to as the "Rural Branch of the Rural Commercial Bank") obtained short-term loans of RMB 90.5

million.

2). For details of foreign currency borrowings, please refer to Note V (46) "Notes on Foreign Currency Monetary Items".

(15). Accounts payables

1). Breakdown

Age	Closing Balance	Opening Balance
Within 1 year	151,988,456.10	100,860,358.08
1-2 years	21,604,493.41	53,316,608.94
2-3 years	26,392,189.56	19,363,422.10
Over 3 years	12,036,539.43	13,808,564.97
Total	212,021,678.50	187,348,954.09

2). Description of large accounts payables aged over 1 year

Company Name	Closing Balance	The reason for the outstanding or carried over
Shandong Baocheng Co., Ltd	11,066,319.27	Not yet reached the settlement period
Shandong Gaoyang Construction Co., Ltd	8,640,992.61	Not yet reached the settlement period
Volkstift (China) Co., Ltd	1,847,000.00	Not yet reached the settlement period
Jinan Construction and Design Institute	1,726,285.90	Not yet reached the settlement period
Total	23,280,597.78	

3). Details of accounts payable in foreign currencies are described in Note V (46) "Monetary Foreign Currency Items".

(16). Advance receipts

1). Breakdown

Age	Closing Balance	Opening Balance
Within 1 year	32,269,456.67	117,370,436.50
1-2 years	9,240,108.96	50,741,086.00
2-3 years	20,601,140.81	154,465,848.00
Over 3 years	134,616,656.43	123,963,788.10
Total	196,727,362.87	446,541,158.60

2). Description of large accounts payables aged over 1 year		Closing Balance	The reason for the outstanding or carried over
Company Name			
Zibo Jingyuan CO., Ltd		40,216,130.00	Not yet completed
Zibo Rongsheng CO., Ltd		25,290,000.00	Not yet completed
Zibo City Centre Hospital		6,000,000.00	Not yet delivered
Zhengtong		5,050,000.00	Not yet delivered
Total		76,556,130.00	

3). The following accounts are listed according to the project or nature as follows

Item	Closing balance	Opening balance
OCT phase 1	199,658.10	959,778.10
OCT phase 2		425,000.00
OCT phase 3	8,214,376.00	17,647,836.00
OCT phase 4	131,469.00	1,338,871.00
OCT phase 5		3,833,737.00
OCT phase 6	185,404,003.01	422,335,936.50
Prepay Rent	2,777,856.76	
Total	196,727,362.87	446,541,158.60

(17). Payroll payables

1). Presentation of payroll payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Foreign currency translation difference	Closing balance
1 short-term compensation	14,024,784.46	158,990,359.45	158,346,410.53	-260,209.55	14,408,523.83
2 Post-employment benefits – defined contribution plan	1,594,842.47	1,241,602.11	1,241,602.11	-35,379.76	1,559,462.71
3 Termination benefits					
4 Other benefits due within a year					
Total	15,619,626.93	160,231,961.56	159,588,012.64	-295,589.31	15,967,986.54

2). Presentation of short-term compensation

Item	Opening balance	Increase in the current period	Decrease in the current period	Foreign currency translation differences	Closing balance
1 Salary, bonus, allowance and subsidy	4,406,140.99	135,288,768.81	135,956,337.67	-113,484.77	3,625,087.36
2 Employee benefits		468,966.57	464,698.79	-62.54	4,205.24

3 Social insurance expenses	1,742,915.05	2,837,305.50	2,585,779.54	-50,673.66	1,943,767.35
Including: medical insurance expenses	66,948.39	489,285.66	489,285.66		66,948.39
Work injury insurance expenses	1,675,966.66	2,291,649.42	2,040,123.46	-50,673.66	1,876,818.96
Maternity insurance expenses		56,370.42	56,370.42		
4 Housing provident fund	170,115.99	16,000,848.59	15,475,416.32	-7,710.47	687,837.79
5 Labour union expenditure and employee education expenses	4,646,122.67	431,725.68	72,527.52		5,005,320.83
6 Short-term absence pay	3,059,489.76	3,962,744.30	3,791,650.69	-88,278.11	3,142,305.26
7 Short-term profit sharing plan					
Total	14,024,784.46	158,990,359.45	158,346,410.53	-260,209.55	14,408,523.83

3). Saving plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Foreign currency translation differences	Closing balance
1 Basic pension insurance expenses	284,750.66	1,197,575.52	1,197,575.52		284,750.66
2 Unemployment insurance expenses	48,025.25	44,026.59	44,026.59		48,025.25
3 Other	1,262,066.56			-35,379.76	1,226,686.80
Total	1,594,842.47	1,241,602.11	1,241,602.11	-35,379.76	1,559,462.71

Note: Other expenses are VGML's provision fund.

4). Other instructions

At the end of the period, there is no salary payable that is arrears.

(18). Tax payables

Tax categories	Closing balance	Opening balance
VAT	1,916,604.39	935,339.87
Business tax		34,639.85
Urban construction tax	150,296.85	77,914.82
Corporate income tax	202,141.12	13,244,828.89
Property tax	318,107.03	301,513.04
Stamp tax	8,814.80	18,420.80

Land use tax	355,486.04	444,509.07
Education surcharge	107,354.90	55,653.45
Water conservancy construction fund	6,876.85	11,130.69
Deduction of personal income tax	512,444.81	737,698.25
Other	811,606.22	988,192.14
Total	4,389,733.01	16,849,840.87

(19). Interest payables

1). Breakdown

Items	Closing Balance	Opening Balance
Short-term loans payable interest	682,527.08	498,437.50
Interest on long-term borrowings with interest payments due on installments	83,064.14	-
Other	49,590,878.45	22,995,444.66
Total	50,356,469.67	23,493,882.16

2). Other instructions

Others are borrowings from non-financial institutions that have accrued unpaid interest.

3). Details of interest payable in foreign currencies are described in Note V (46) "Monetary Items of Foreign Currency".

(20). Other payables

1). Presentation by nature

Item	Closing balance	Opening balance
Current accounts	296,937,564.58	390,147,324.28
Amounts received on behalf for development	16,183,774.46	22,712,140.55
Amounts for pre-sale of commercial residential houses	5,552,411.24	4,856,429.24
Taxes to be settled	45,074,126.69	39,581,459.21
Other	4,122,598.99	4,446,597.80
Total	367,870,475.96	461,743,951.08

2). Other important payables with an ageing of over one year

Item	Closing balance	Reason for failure to pay or carry over
Cui Wei	140,000,000.00	Personal Loan

Shandong Bona Investment Co., Ltd	39,166,533.92	Borrowing from shareholders of subsidiaries
Liu Jiading	30,000,000.00	Personal Loan
Ningbo Dingliang Huitong Investment Centre	25,000,000.00	Unit Loan
Tibet Sinolink Gathered Rich Investment Management CO., Ltd	25,000,000.00	Unit Loan
Total	259,166,533.92	

3). For details of other foreign currency payables, please refer to Note V (46) "Notes on Foreign Currency Monetary Items".

21. Non-current liabilities due within one year

1). Breakdown

Category	Closing balance	Opening balance
Long-term payable due within one year	125,445,097.27	29,957,742.64

2). Long-term loans due within one year of the top five amounts

Loan companies	Borrowing start date	Borrowing maturity date	Currency	Annual interest rate (%)	Closing Balance		Opening Balance	
					Original currency	RMB	RMB	RMB
VGML	2017/1/5	2018/12/31	USD	4.50	3,316,425.86	21,479,450.23	-	-
VGML Plc	2015/6/5	2018/3/16	Euro	1.80	13,325,000.00	103,965,647.04	-	-
Total	-	-	-	-	-	125,445,097.27	-	-

22. Other non-current liabilities

Items	Closing balance	Opening balance
Vatukoula Social Assistance Trust Fund		765,148.57

Note 1: The Social Assistance Trust Fund is a trust fund established by the previous operations of VGML and local mining society based on the Trust Deed signed on 7 December 2009 to provide assistance to employees made redundant. According to the Trust Deed, VGML will pay a total of Fijian \$60 million. As of 31 December 2015, VGML still has an amount of Fijian \$1,233,289.07 payable.

23. Long-term loan

(1) Long-term loan category

Borrowing terms	Closing balance	Opening balance
Mortgage + Guaranteed borrowing		97,362,663.59

(2). For details of foreign currency long-term borrowings, please refer to Note V (46) "Notes on Foreign Currency Monetary Items".

24: long-term payroll payable

Item	Closing balance	Opening balance
Other long-term benefits	1,022,272.96	1,366,819.40
Including Long-term paid holiday	1,022,272.96	1,366,819.40

25. Estimated liabilities

1). Breakdown

Item	Closing balance	Opening balance	Cause of formation
Expected penalty damage	10,766,465.75		
Estimated loss	17,852,800.00	11,350,000.00	Overdue loan guarantee loss
Estimated liabilities related to mine land reclamation	53,166,431.01	54,542,940.63	Estimated mine repair costs
Total	81,785,696.76	65,892,940.63	

Other instructions

- 2). The above-mentioned loss of expected liquidated damages was caused by failure to return Liu Jiaping's personal borrowings in accordance with the contract.
- 3). The preceding liabilities related to mine land reclamation are estimated by the subsidiary of VGM Plc.

26. Equity Capital

1). Breakdown

Item	Opening Balance			Change			Closing Balance		
	Amount	Percentage (%)	Stock issuing	Dividend	Conversion from reserves	Other	Subtotal	Amount	Percentage (%)
Total shares	929,017,761.00	100.00						929,017,761.00	100.00

2). Explanation of changes in equity in the current period

There was no change in the company's share capital during the reporting period.

27: Capital reserve

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Other capital reserve	51,259,534.18			51,259,534.18

28: Other comprehensive income

Item	Opening balance	Amount incurring in the current period					Closing balance
		Pre-income tax amount for the current period	Less: amount recorded in other comprehensive income in the previous period and reserved to loss ad profit in current period	Less: income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
2 Other comprehensive income that will be subsequently re-categorised as profit and loss							
Profit and loss from fair value changes of available-for-sale financial assets	10,637,745.53	-6,944,821.62		-6,944,821.62		3,692,923.91	
Translation difference in foreign currency financial statements	5,373,907.16	-		-11,060,699.12	-5,429,595.51	5,686,791.96	
Other	-2,281,342.90					2,281,342.90	
Total	13,730,309.79	23,435,116.25		-18,005,520.74	-5,429,595.51	4,275,210.95	

29: Special reserves

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production expenses	15,593.38		1,672.00	13,921.38

30: Earned Surplus

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	77,898,985.76			77,898,985.76

31. Undistributed profits

Items	2017	2016
Undistributed profit at the end of the previous year before adjustment	404,738,995.48	417,282,550.86
The undistributed profits at the beginning of the year adjusted (increase +, decrease -)		
Undistributed profits at the beginning of the year after adjustment	404,738,995.48	417,282,550.86
Plus net profit attributable to the owner of the parent company in the current period	-449,133,780.73	8,789,257.54
Less appropriation of the surplus reserves		
Appropriation of the discretionary surplus reserves		
Appropriation of the general risk reserve		
Ordinary share dividend transferred to equity capital		
Distribution to shareholders		21,332,812.92
Undistributed profits at the end of the period	-44,394,785.25	404,738,995.48

32. Operating income/ operating costs

1). Breakdown

Items	2017		2016	
	Revenue	Costs	Revenue	Costs
Main Business Income	758,655,139.52	682,687,546.96	804,605,741.56	503,263,356.55
Other Business Income	10,427,104.94	5,447,239.91	7,527,271.96	4,078,460.39
Total	769,082,244.46	688,134,786.87	812,133,013.52	507,341,816.94

2). Main Business Income/Costs by types of business

Items	2017		2016	
	Revenue	Costs	Revenue	Costs
Real Estate Sales	383,022,994.17	362,456,886.54	409,102,764.59	225,670,028.01
Gold Sales	375,632,145.35	320,230,660.42	395,502,976.97	277,593,328.54
Items Name	2017		2016	
	Revenue	Costs	Revenue	Costs

Total	758,655,139.52	682,687,546.96	804,605,741.56	503,263,356.55
3.) Main Business Income/Costs by regions				
Region Names	2017		2016	
	Revenue	Costs	Revenue	Costs
Zibo	383,022,994.17	362,456,886.54	409,102,764.59	225,670,028.01
Fiji	375,632,145.35	320,230,660.42	395,502,976.97	277,593,328.54
Total	758,655,139.52	682,687,546.96	804,605,741.56	503,263,356.55

4.) Operating income of the company's top five customers

Company Name	Operating income	The proportion of the total operating income (%)
The Perth Mint	375,632,145.35	48.84
Natural Person 1	12,533,189.52	1.63
Natural Person 2	12,034,838.09	1.56
Natural Person 3	6,188,120.00	0.80
Natural Person 4	3,724,432.38	0.48
Total	410,112,725.34	53.31

Note: The operating income generated by the top five clients of the company and natural persons is the income from sales.

33. Business tax and surcharges

Item	2017	2016
Business tax	7,785,600.57	14,862,921.61
Urban maintenance and construction tax	1,392,254.99	1,422,742.81
Land value increment tax	13,541,074.88	20,684,792.16

Property tax	1,273,508.12	669,753.59
Stamp duty	92,694.00	144,678.59
Education surcharge	782,766.60	847,156.39
Water conservancy construction fund	52,215.20	103,458.08
Gold tax	11,170,104.90	11,732,641.45
Land holding tax	377,880.42	
Total	36,468,099.68	50,468,144.68

[Note] Please refer to Note 4 "Taxes" for details of the payment criteria.

34. Sales expense

Item	2017	2016
Labour cost	3,158,174.49	4,372,229.62
Administrative and marketing expenses	12,587,311.95	12,982,654.77
Other	155,854.52	142,632.74
Total	15,901,340.96	17,497,517.13

35. Management expense

Item	2017	2016
Labour cost	18,805,132.10	19,869,876.33
Administrative and functional expenses	80,446,659.06	78,405,715.31
Property expense	1,538,144.37	2,373,248.17
Tax		361,162.23
Other	607,528.24	1,138,710.57
Total	101,397,463.77	102,148,712.61

36. Financial expense

Item	2017	2016
Interest expenditure	60,235,328.10	48,812,577.64
Less: interest income	4,882,870.43	8,913,868.96

Exchange loss		31,236,053.65	
Less: exchange gain			33,856,469.26
Fee expenses		3,189,840.26	145,876.14
Other		3,203.73	1,960,663.18
Total		89,781,555.31	8,148,778.74

37. Asset impairment loss

Item	2017	2016
Bad debt loss	199,821,375.06	85,540,752.03
Loss on inventory depreciation	25,462,335.64	
Intangible asset impairment loss	79,514,811.22	50,000.00
Total	304,798,521.92	85,590,752.03

38. Asset disposal income

Item	2017	2016
Gains recognized when disposing non-current assets not classified as held for sale	-3,023,856.62	3,657.00
Including: Fixed Assets	-3,023,856.62	3,657.00

39. Non-operating income

1). Breakdown

Item	2017	2016	Amounts included in the non-recurrent profit and loss for the current period
Money for breach of contract	329,634.49	1,447,075.75	329,634.49
Other	52,866.04	65,332.60	52,866.04
Total	382,500.53	1,512,408.35	382,500.53

40. Non-operating expenses

Item	2017	2016	Amounts included in the non-recurrent profit and loss for the current period
Donations	153,600.00	134,450.00	153,600.00

Fines and default penalties	97,388.28			97,388.28
Default penalties	19,143,956.69			8,377,490.94
Other	62,337.29	917,217.97		62,337.29
Total	19,457,282.26	1,051,667.97		8,690,816.51

41. Income tax expenses

(1). Breakdown

Item	2017	2016
Current income tax calculated according to the tax law and relevant provisions		32,170,189.85
Adjustment for deferred income tax		-14,082,127.66
Total		31,516,636.48

(2) Adjustment of accounting profit and deferred income tax expense

Item	2017	2016
Total profits		489,498,162.40
Income tax expense calculated by statutory/applicable tax rate		-122,633,544.29
Effects due to different tax rates applicable to subsidiaries		-259,003.68
Effects due to adjustment on income tax of previous periods		
Effects due to non-taxable incomes		
Effects due to non-deductible costs, expenses and losses		10,840,482.34
Effects due to using deductible losses of unrecognised deferred income tax insets of previous periods		-12,100,561.48
Effects due to deductible temporary difference or deductible losses of unrecognised deferred income tax assets of the current period		110,070,499.45
Income tax expenses		-14,082,127.66

42. Other comprehensive income

Items	2017			
	Pre-tax amount	Income Tax	Post-tax attributed to parent company	Post-tax attributable to minority shareholders
Other comprehensive	-	-	-	-

income that will be reclassified into profit or loss in the future					
1) Gains and losses from changes in fair value of available-for-sale financial assets	-6,944,821.62	-	-6,944,821.62	-	
Less: Included in other comprehensive income in the previous period	-	-	-	-	
Transferred to profit or loss for the current period	-	-	-	-	
Total	-6,944,821.62	-	-6,944,821.62	-	
2) Translation differences in foreign currency financial statements	-16,490,294.63	-	-11,060,699.12	-5,429,595.51	
Less: Earlier in the period of other comprehensive income	-	-	-	-	
			2017		
Items	Pre-tax amount	Income Tax	Post-tax attributed to parent company	Post-tax attributable to minority shareholders	
Transferred to profit and loss					
Total	-16,490,294.63	-	-11,060,699.12	-5,429,595.51	
Total	-23,435,116.25	-	-18,005,520.74	-5,429,595.51	
Continued			2016		
Items	Pre-tax amount	Income Tax	Post-tax attributed to parent company	Post-tax attributable to minority shareholders	

Other comprehensive income that will be reclassified into profit or loss in the future	-	-	-	-
1) Gains and losses from changes in fair value of available-for-sale financial assets	8,056,569.78	-	8,056,569.78	-
Less: Included in other comprehensive income in the previous period	-	-	-	-
Transferred to profit or loss for the current period	-	-	-	-
Total	8,056,569.78	-	8,056,569.78	-
2) Translation differences in foreign currency financial statements	34,905,769.53	-	25,891,088.82	9,014,680.71
Less: Included in other comprehensive income in the previous period	-	-	-	-
Transferred to profit or loss for the current period	-	-	-	-
Total	34,905,769.53	-	25,891,088.82	9,014,680.71
Total	42,962,339.31	-	33,947,658.60	9,014,680.71

43. Consolidated cash flow statement major project notes

Items	2017		2016	
1) Other cash received related to business activities				
Non-operating income		382,500.53		1,452,481.35
Interest		702,920.25		648,818.51
Other		11,164,901.68		71,616,595.66
Use limited other currency funds		29,624,854.65		20,763,336.21

Total		41,875,177.11	94,481,231.73
2). Other cash paid for operating activities			
Items		2017	2016
Management costs		45,309,362.19	51,687,534.58
Sales expense		8,407,608.85	13,125,287.51
Non-Operating expenses		2,188,016.51	1,052,898.97
Financial expenses		3,178,011.44	520,259.47
Use limited other currency funds		14,678.54	30,106,939.20
Other		33,189,665.97	510,655,694.05
Total		92,287,343.50	607,148,613.78
3). Other cash received related to investment activities			
Items		2017	2016
Received Ningbo Huaxin Credit Management Investment Management Partnership (Limited partnership)		5,000,000.00	
Received loans to Perth Co., LTD		80,000,000.00	180,000,000.00
Total		85,000,000.00	180,000,000.00
4). Other cash paid for investment activities			
Items		2017	2016
Pay loans to Perth Co., LTD			277,331,396.40
5). Other cash received related to financing activities			
Items		2017	2016
Letter of credit deposit		538,125.00	-
Received loans from Shu Xiaogang, Cui Wei, etc.		-	400,000,000.00
6). Other cash paid in relation to financing activities			
Items		2017	2016
Pay for Shuqian Qian, Cui Wei, etc.		80,000,000.00	100,000,000.00

44. Supplementary information to the consolidated statement of cash flow

(1) Net profit adjusted to cash flows from operating activities

Item	2017	2016
1 Net profit adjusted to cash flows from operating activities		
Net profit	-475,416,034.74	9,885,052.29
Plus Provisions for asset impairment	304,798,521.92	85,590,752.03
Depreciation of fixed assets depletion of oil and gas assets, and depreciation of productive biological assets	88,410,760.40	61,347,643.62
Amortisation of intangible assets	19,288,768.68	8,900,776.48
Amortisation of long-term deferred expenses		
Losses of disposal fixed assets, intangible assets and other long-term assets ("-" for gains)	3,023,856.62	-3,657.00
Scrap loss of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)	91,566,579.87	42,547,710.46
Investment expenses ("-" for gains)		
Decrease in deferred income tax assets ("-" for gains)	-15,133,043.56	5,084,168.28
Increases in deferred income tax liabilities ("-" for decreases)	1,050,915.90	-5,737,721.65
Decrease of inventors	266,409,263.96	131,676,288.49
Decrease of operation receivables ("-" for increase)	-6,423,479.13	26,195,687.76
Increase of operation payables ("-" for decreases)	-166,854,448.22	-636,139,561.66
Other		
Net cash flows from operating activities	110,721,661.70	-270,652,860.90
2 Investment and financing activities involving no cash receipts and payments		
Debt converted to capital		
Convertible corporate bonds incurring within one year		
Fixed assets acquired under finance leases		
3 Net increase in cash and cash equivalents		
Closing balance of cash	64,659,655.22	52,975,557.61
Less operating balance of cash	52,975,557.61	82,332,215.34
Plus closing balance of cash equivalents		
Less opening balance of cash equivalents		
Net increase in cash and cash equivalents	11,684,097.61	-29,356,657.73
II Cash and cash equivalents		
I Cash	64,659,655.22	52,975,557.61
Including: Cash on hand	24,720.68	60,075.13
Unrestricted bank deposit	64,634,934.54	52,915,482.48
Other unrestricted monetary capital		

Unrestricted deposits with central bank			
Deposits with banks and other financial institutions			
Loans from banks and other financial institutions			
2 Cash equivalents			
Including: Long-term bond investment due within 3 months			
3 Closing balance of cash and cash equivalents		64,659,655.22	52,975,557.61
Including: Cash and cash equivalents restricted for use by the parent company or subsidiaries within the group			

[Note] Description of supplementary information on the cash flow statement:

The cash closing balance in the 2017 cash flow statement is RMB 64,659,655.22. The ending balance of the monetary capital in the balance sheet of December 31, 2017 is RMB 104,668,890.25. The difference is RMB 40,009,235.03. The cash flow performance balance is deducted from the cash and cash equivalents at the end of the period. Standard other monetary funds.

In the 2016 cash flow statement, the cash closing balance is 52,975,557.61 yuan. On December 31, 2016, the closing balance of the monetary capital balance was 122,958,514.02 yuan, and the difference was 69,982,956.41 yuan. The cash flow performance balance at the end of the period was deducted from the cash and cash equivalents. Standard other monetary funds.

45. Assets with restricted ownership or use right	Book value		Restricted Reason
Items			
Money funds		1,254,602.97	Environmental governance deposit
Money funds		3,421,622.96	Mortgage deposit
Money funds		4,044,884.10	VGML deposit for Environmental protection, work injury compensation and other guarantees.
Money funds		31,288,125.00	Letter of credit deposit
Invested real estate		163,277,527.18	Borrowing collateral
Total		203,286,762.21	
As of December 31, 2017, the company's investment real estate was used for borrowing and mortgage			
Secured company	Mortgage	Collateral type	Net book value of collateral
Our Company	Rural Commercial Bank Branches	Investment real estate	69,378,046.99
	Bank of China	Investment real estate	95,000,000.00
	Beiyuan Road Branch	Investment real estate	93,899,480.19
			103,965,647.04
			2018-3-16
			Zibo CO., LTD

[Note] The book value of the assets used for mortgages in the above mortgages was 163,277,527.18 yuan, of which investment real estate was 163,277,527.18 yuan.

46. Foreign currency monetary items

Item	Balance of foreign currency at the end of period	Exchange rate	Balance of converted CNY at the end of period
Monetary fund			
Including: Fiji Dollar	2,348,284.70	3.15674	7,412,924.24
HKD	5,236,890.65	0.83591	4,377,569.26
Accounts receivable			
Including: Fiji dollars	1,099,192.73	3.15674	3,469,865.66
Other receivables			
Including: Fiji Dollar	695,429.59	3.15674	2,195,290.40
HKD	56,294.81	0.83591	47,057.39
USD	80,000,000.00	6.5342	522,736,000.00
Long-term receivables			
Including: GBP	22,660,592.80	8.7792	198,941,876.31
HKD	254,818,612.97	0.83591	213,005,426.77
Accounts payable			
Including: Fiji dollar	24,999,255.24	3.15674	78,916,148.99
Other payables			
Including: GDP	22,206.35	8.7792	194,953.99
Fiji dollar	1,490,195.91	3.15674	4,704,161.04
HKD	1,496,809.41	0.83591	1,251,197.95
Real	5,114.67	1.9630	10,040.10
Other current liabilities			
Including: Euro	13,325,000.00	7.8023	103,965,647.04
USD	3,316,425.86	6.4767	21,479,450.23
Long-term payroll payable			
Including: GBP	30,910,518.53	8.7792	271,369,624.28
Fiji dollar	294,718,829.74	3.15674	930,350,718.59
HKD	667,156,430.71	0.83591	557,682,731.99

2. Foreign Business Entity Description

The company has the following overseas operating entities:

- (1) Zhongrun International Mining Co., Ltd. (hereinafter referred to as "Zhongrun International"), the principal place of business is Hong Kong, and the standard currency for bookkeeping is Hong Kong dollar;
- (2) VGML, the principal place of business is Fiji, and the functional currency is Fiji Dollar;
- (3) VGM Plc, the principal place of business is the United Kingdom, and the standard currency for bookkeeping is GBP.

(4) Sao Carlos Miraracao Ltd (hereinafter referred to as "SCM"), with its principal place of business located in Brazil, and its functional currency is Reais. The overseas subsidiaries of the company determined Hong Kong Dollar, Fiji Dollar, British Pound, and Real as their recording currency according to the currency in the major economic environment in which they operate, and there was no change in the bookkeeping currency of the aforementioned overseas operating entity during the current period.

VI. Change in consolidation scope

There is no change in consolidation scope for the current period.

VII. Equity in other entities

1. Structure of the group company

Name of subsidiary	Grade	Business premise	Registration location	Business nature	Shareholding ratio (%)		Way of acquisition
					Direc	Indire ct	
Zibo Real Estate Co., Ltd	First	Zi Bo, Shandong	Zi Bo, Shandong	Real estate development	100.00		Business combination under common control
Zhongrun Mirral Development Co., Ltd	First	Ji Nan, Shandong	Ji Nan, Shandong	Mineral investment	100.00		Establishment
Sichuan Pingwu Zhongjin Mining Co., Ltd.	Second	Ping Wu, Sichuan	Ping Wu, Sichuan	Gold mining		76.00	Business combination not under common control
Tibet Zhongrun Mining Co., Ltd.	Second	Tibet	Tibet	Mineral products processing and marketing		71.20	Business combination not under common control
Inner Mongolia Huijing Mining Co. Ltd.	Second	Inner Mongolia	Inner Mongolia	Mineral exploration		75.20	Business combination not under common control
Zhongrun International Mining Co. Ltd.	Second	Hong Kong, China	British Virgin Islands	Mineral investment		100.00	Establishment
Vatukoula Gold Mine Plc	Third	Fiji	England and Wales	Gold mining		79.52	Business combination not under common control

2. Important Non-wholly owned subsidiary

Name of subsidiary	Shareholding ratio of minority shareholders	Profits or losses attributable to minority shareholders for the current period	Dividends paid to minority shareholders in the current period	Balance of minority equity at end of the current period
Sichuan Pingwu Zhongjin Mining Co., Ltd.	24.00	-3,327,671.11		-17,418,776.38

Tibet Zhongrun Mining Co., Ltd.	28.80	-72,476.38		10,384,496.72
Inner Mongolia Hurling Mining Co., Ltd	24.80	-21,048,114.75		19,559,877.92
Vatukoula Gold Mines Plc	20.48	-1,833,991.77		56,437,061.88

3. Important financial information of non-wholly owned subsidiaries

Name of subsidiary	31 December 2017			
	Current assets	Non-current assets	Total assets	Total liabilities
Sichuan Pingwu Zhongjin Mining Co., Ltd.	3,807,007.22	101,707,025.46	105,514,032.68	176,931,931.60
Tibet Zhongrun Mining Co., Ltd.	22,578,201.55	13,479,078.77	36,057,280.32	
Inner Mongolia Hurling Mining Co., Ltd	28,416,590.05	53,689,137.05	82,105,727.10	3,498,274.44
Vatukoula Gold Mines Plc	115,784,681.38	662,490,364.86	778,275,046.24	233,242,784.35
			270,072,121.58	503,314,905.93

Continued

Name of subsidiary	31 December 2014			
	Current assets	Non-current assets	Total assets	Total liabilities
Sichuan Pingwu Zhongjin Mining Co., Ltd.	5,151,800.93	107,152,469.89	112,304,270.82	169,854,673.44
Tibet Zhongrun Mining Co., Ltd.	22,917,104.19	13,391,830.23	36,308,934.42	
Inner Mongolia Hurling Mining Co., Ltd	28,757,125.69	140,824,930.75	169,582,056.44	5,933,693.63
Vatukoula Gold Mines Plc	176,810,905.16	559,668,464.56	736,479,369.72	84,388,976.46
			341,666,965.06	426,055,941.52

Continued

Name of subsidiary	2017				2016			
	Operating income	Net profit	Total comprehensive income	Cash flow from business activities	Operating income	Net profit	Total comprehensive income	Cash flow from business activities
Sichuan Pingwu Zhongjin Mining Co., Ltd.	288,743.14	13,865,296.30	-13,865,296.30	5,274,567.91	11,208.55	13,472,608.92	-13,472,608.92	21,114,043.59
Xizang Zhongrun Mining Co., Ltd.		-251,654.10	-251,654.10	148,426.86		-74,804.02	-74,804.02	810.27
Inner Mongolia Hurling Mining Co., Ltd		85,040,910.15	-85,040,910.15	52,099.92		-520,590.40	-520,590.40	93,850.42
Vatukoula Gold Mines Plc	375,632,145.35	-8,954,167.64	-35,463,287.89	162,938,033.33	395,502,976.97	24,529,156.10	61,424,409.19	193,441,002.37

VIII. Risks related to financial instruments

The company is faced with various financial risks during its operation: credit risk, market risk and liquidity risk. The company's major financial instruments include equity investment, borrowings, accounts receivable, accounts payable, etc. For details of various financial instruments, see Note 5 related items. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are described below. The management of the company manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

1. Risk Management Objectives and Policies

The company's major financial instruments include equity investments, loans, receivables, payables and bank deposits. Details of related financial instruments are disclosed in each note. The main risks caused by the above financial instruments are market risk, credit risk and liquidity risk. The management of the company manages and monitors these risks to ensure that appropriate measures are taken in a timely and effective manner.

The goal of the company's risk management is to obtain a proper balance between risk and return, reduce the negative impact of the risk on the company's operating performance to the lowest level, maximize the interests of shareholders and other equity investors, and timely and reliable. Various risks are supervised and the risks are controlled within a limited range.

2. Market Risk

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

(1). Currency Risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The principal business of the company's real estate business is located in China. The main business is settled in RMB. The gold mining and smelting business is located in Fiji. The main business is settled in Fiji dollars and US dollars. Therefore, the foreign exchange market risk assumed by the company mainly comes from the assets and liabilities of overseas operating subsidiaries and other foreign currency receivables from domestic operating entities. Related foreign currency assets and foreign currency liabilities include: monetary funds denominated in foreign currencies, accounts receivable, other receivables, long-term receivables, accounts payable, other payables, short-term borrowings, and non-current liabilities due within one year. For the amount of foreign currency financial assets and foreign currency financial liabilities converted into Renminbi, refer to Note V (46) "Foreign Currency Monetary Items".

(2). Interest Rate Risk

Except short-term loans and long-term loans, the company does not have significant interest-bearing assets and liabilities. According to the financial market environment, the company reasonably arranges the ratio of fixed-rate borrowings, short-term borrowings and medium and long-term borrowings to control the risk of changes in cash flow arising from changes in interest rates.

As of December 31, 2017, the company's short-term borrowings have expired within 12 months and are less affected by fluctuations in interest rates. Non-current liabilities due within one year are fixed-rate financial liabilities and there is no risk of interest rate fluctuations.

(3). Other Price Risks

The company does not hold equity investments in other listed companies and there are no other price risks.

3. Credit Risk

Credit risk refers to the risk that the company's counterparties fail to perform their contractual obligations and cause financial losses to the company.

The company manages credit risk by portfolio classification. On December 31, 2017, the largest exposure of credit risk that may cause financial losses to the company was

mainly due to the loss of financial assets of the company caused by the failure of the other party to fulfill its obligations, mainly including monetary funds, accounts receivable and other. The book value of the receivables represents the highest credit risk the company faces in relation to financial risks.

The bank deposits of the Company are mainly stored in commercial banks with high credit ratings, good assets and low credit risks. They can avoid the credit risk of commercial banks by closely monitoring changes in bank account balances.

The company has developed a comprehensive system of accounts receivable risk management and internal control. It strictly reviews customer credits and strictly implements collection procedures for accounts receivable to reduce the credit risk of accounts receivable. In addition, the Company reviews the recovery of each individual receivable at each balance sheet date to ensure that sufficient provision for bad debts is made for irrecoverable amounts.

As of December 31, 2017, the balance of other receivables of the company was RMB 1,299,454,237.02 and the book value was RMB 776,667,317.7. It mainly includes the receivables of disposing of subsidiaries' equity, earnest money debts, and the construction of Perth's iron ore and capital occupation fees. For the aforesaid payments, the company has adopted security measures including, but not limited to, third-party guarantees, pledges, etc., and regularly monitor the credit history of the debtor. For debtors with bad credit records, the company will use written reminders, lawyers to send letters and other measures. To ensure that the company's overall credit risk is within control, However, due to the large sum of money mentioned above, some of the debtors failed to fully implement the repayment agreement, and the company's other receivables are subject to certain credit risks.

The maximum exposure to credit risk of the company is the book value of each financial asset in the balance sheet. For details, see section IV. List of related liquidity risks.

4. Liquidity risk

Liquidity risk refers to the risk of shortage of funds when an enterprise fulfils its obligations to settle cash or other financial assets. Liquidity risk is centrally controlled by the company's financial department. By monitoring cash balances, securities that can be realised at any time, and rolling forecasts of cash flows for the next 12 months, the financial department ensures that the company has sufficient funds to repay debts in all reasonably foreseeable situations to meet the company's operating needs and reduce the impact of cash flow fluctuations.

The financial assets, financial liabilities and off-balance-sheet guarantees held by the company are analyzed as follows based on the maturity period of the undiscounted residual contractual cash flow (Unit: RMB 10,000).

Items	Closing Balance					Total
	Within 1 year	1-2 years	2-3 years	Over 3 years	No Fixed Deadline	
Monetary assets						
Money funds	3,533.30	125.46	-	-	6,808.13	10,466.89
Receivables	346.99	-	-	1,423.16	1,230.33	3,000.48
Other Receivables	52,273.60	-	-	-	77,671.82	129,945.42
Total financial assets	56,153.89	125.46	-	1,423.16	85,710.28	143,412.79
Financial liabilities						

Short-term loans	40,762.69	-	-	-	-	-	-	40,762.69
Payables	6,089.80	-	-	-	-	15,511.92	-	21,601.72
Other payables	-	-	-	-	-	36,787.05	-	36,787.05
Non-current liabilities due within one year	12,544.51	-	-	-	-	-	-	12,544.51
Guarantees for companies outside the scope of consolidation	33,000.00	-	-	-	-	-	-	33,000.00

Items	Closing Balance					Total
	Within 1 year	1-2 years	2-3 years	Over 3 years	No fixed deadline	
Total financial liabilities and contingent liabilities	92,397.00	-	-	-	52,298.97	144,695.97

Continued:

Items	Opening Balance						Total
	Within 1 year	1-2 years	2-3 years	Over 3 years	No fixed deadline		
Monetary assets							
Money funds	414.67	3,075.00	119.66	-	8,686.52	12,295.85	
Receivables	184.09	-	-	1,459.07	1,171.33	2,814.49	
Other receivables	536.49	949.00	-	3,076.56	137,129.69	141,691.74	
Total financial assets	1,135.25	4,024.00	119.66	4,535.63	146,987.54	156,802.08	
Financial liabilities							
Short-term loans	30,000.00	-	-	-	-	30,000.00	
Payables	6,154.18	8,863.43	-	984.83	2,732.46	18,734.90	

Other payables	30,219.60	-	-	-	15,954.80	46,174.40
Non-current liabilities due within one year	2,995.77	-	-	-	-	2,995.77
Long-term loans	-	9,736.27	-	-	-	9,736.27
Guarantees for companies outside the scope of consolidation	50,000.00	-	-	-	-	50,000.00
Total financial liabilities and contingent liabilities	119,369.55	18,599.70	984.83	18,687.26	157,641.34	

The amounts of financial assets and financial liabilities disclosed in the above table are undiscounted contractual cash flows, which may differ from the book value in the balance sheet.

(5) Capital Management

The goal of the company's capital management policy is to ensure that the company can continue to operate, thereby providing returns to shareholders and benefiting other stakeholders while maintaining the optimal capital structure to reduce capital costs. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The company monitors the capital structure based on the asset-liability ratio (ie total liabilities divided by total assets). As of December 31, 2017, the company's gearing ratio was 57.66% (December 31, 2016: 51.15%).

VIII. Disclosure of fair value

1. Final fair value of assets and liabilities measured at fair value

Items	Fair value at the end of period				Total
	Measurement of fair value at layer 1	Measurement of fair value at layer 2	Measurement of fair value at layer 3		
Subsequent measurement of fair value					
Available-for-sale financial assets					
Including: (1) Debt instrument investments					
(2) Equity instrument investments	12,872,227.49				12,872,227.49
(3) Other					
Total continuing assets measured at fair value	12,872,227.49				12,872,227.49

2. Determination basis for the market value of continuous and non-sustainable first-level fair value measurement items

The market price of the first-level fair value measurement project of the company is determined based on the open price of the public equity transaction market. Canadian

Zinc Corporation, a subsidiary of the company's subsidiary, China Run International, shares the closing price of 0.165 Canadian dollars per share on the Toronto Stock Exchange on December 31, 2017. The company holds 15 million shares and the market value of the company's shares, 2.475 million Canadian dollars.

X. Related parties and transactions

1. Related party relations

(1). Information about ZRC's parent company

Name	Type of company	Registration location	Registered capital (10,000 Chinese yuan)	Parent company's shareholding ratio in ZRC (%)	Parent company's voting ratio in ZRC (%)
Ransheng Shengyuan	Limited partnership	Ningbo	235,230,000	25.08	25.08

As of December 31, 2017, the ultimate controlling party of the Company was Mr. Guo Changyi. Mr. Guo Changzheng holds 100% equity of Haosheng Wealth Capital Management Co., Ltd. (hereinafter referred to as "Junsheng Wealth Co., Ltd."). Haosheng Wealth Co., Ltd. holds Haosheng (Ningbo) Equity Investment Fund Management Co., Ltd. (Hereinafter referred to as "He Sheng Securities"), 80% equity of the company (""); Qisheng equity fund company as a general partner to achieve control of Sheng Shengyuan.

As of December 31, 2017, Ningbo Meishan Bonded Port Zone Haosheng Shengchang Investment Management Partnership (Limited Partnership) (hereinafter referred to as "Hui Sheng Shengchang") held 45,612,401 shares of the company, which accounted for 4.91% of the company's share capital, and was associated with Sheng Shengyuan. The relationship belongs to the persons who act in concert as stipulated in the Administrative Measures for Information Disclosure of Changes in Shareholdings of Listed Companies.

(2) Information about ZRC's subsidiaries

For the details of the subsidiaries of the Company, please refer to Note VII "Equity in Subsidiaries".

(3). Information other related parties

Company Name	Relationship with the company
Shenzhen Nanwu Bei'an Wealth Management Co., Ltd. (hereinafter referred to as "Nanwu Bei'an Wealth")	Former controlling shareholder of Nanwu Bei'an Control Company
Li Pusheng	Director of the company
Shengjie (Beijing) Investment Consulting Co., Ltd. (hereinafter referred to as "Shengjie Investment")	Company director Li Yusheng serves as legal representative
Ningbo Meishan Bonded Port Area Haosheng Shengrun Investment Management Partnership (Limited Partnership) (hereinafter referred to as "Yusheng Shengrun")	Controlled by the same actual controller
Ransheng Shengchang	Controlled by the same actual controller

2. Related transaction

(1). Key management staff remuneration

Reporting period	2017	2016
Key management staff	14	13
Received compensation from the company	10	9
Total compensation (10,000 yuan)	447.04	475.77

(2). Other related transactions

1). As of December 31, 2017, the company's principal amount of RMB 37,070,000.00 was due, and Perth's fund occupancy fee was RMB 11,863,803.74. Nanwu Bei'an Wealth provided Perth with unconditional joint and several liability guarantees.

2). As of December 31, 2017, the principal amount due to Li Xiaoming was RMB 522,736,000.00. Li Shengsheng and Shengjie Investment provide Li Xiaoming with unconditional joint and several liability guarantees

XI. Commitments and contingencies

1. Significant commitments

Other major financial commitments

For the details of property collateral and pledge guarantees between companies within the scope of consolidation, please refer to Note 11 (II) of the Financial Statements for details of guarantees between companies within the scope of consolidation of the company.

2. Contingencies

(1). Guarantees provided by the company to non-related parties

As of December 31, 2017, the Company provided guarantees for non-related parties (Unit: 10,000 yuan):

Guarantee unit	Secured unit	Loan Financial Institutions	Guaranteed loan balance	Maturity date	Note
Our company	Shandong Trend Energy Co., Ltd.	Yantai Bank Co., Ltd. Yuping Branch	30,000.00	2018-8-29	
Our company	Shandong Trend Energy Co., Ltd.	Yantai Bank Co., Ltd. Yuping Branch	12,000.00	2018-6-12	

(2). The guarantees between companies within the scope of consolidation of the company

1). As of December 31, 2017, guarantee guarantees between companies within the company's consolidated scope (unit: 10,000 yuan)

Guarantee unit	Secured unit	Loan Financial Institutions	Guaranteed loan balance	Maturity date	Note
Zibo real estate CO., Ltd	Our company	Rural Commercial Bank Branches	9,500.00	2018-4-12	

2). As of December 31, 2017, the company's portfolio of property mortgage guarantees within the scope of the company (unit: million)

Guaranteee unit	Secured unit	Pledgee	Mortgage object	Collateral book value	Book value of collateral	Guaranteed loan balance	Maturity date
Zibo real estate CO., Ltd	Our Company	Rural Commercial Bank Branches	Zhongyun Comprehensive Building Real Estate Project and Land Use Rights	7,196.96	6,937.80	9,500.00	2018-4-12
Zibo real estate CO., Ltd	VGM Plc	Bank of China Co., Ltd. Cayman Branch	Zibo Xinnat Real Estate Project and Land Use Rights	12,425.26	9,389.95	10,396.56	2018-3-16
Total				19,622.22	16,327.75	19,896.56	

3). As of December 31, 2017, the guarantee of property pledge between companies within the scope of consolidation of the company (Unit: 10,000 yuan)

Guarantee unit	Secured unit	Pledgee	Mortgage object	Collateral book value	Book value of collateral	Guaranteed loan balance	Maturity date
Our company	VGM Plc	China Bank Bank Limited Company Jinan North Park Road Branch	Reserve letter of credit	3,128.81	3,128.81	10,396.56	2018-3-16

3. Other contingent liabilities and their financial impact

The company's subsidiary, Zibo Real Estate, provides staged guarantees for commercial housing purchaser mortgage loans according to the business practices of real estate companies. The guarantee period starts from the effective date of the guarantee contract and goes to the "real estate license" purchased and purchased by the purchaser of the commercial housing purchaser. After the registration process is completed and the bank is in charge of management, it will be completed. As of December 31, 2017, the subsidiaries of the Company assumed a total amount of RMB 10,143.42 yuan.

XII. Non-adjustment events after the balance sheet date

On April 25, 2018, at the 39th meeting of the eighth session of the Board of Directors of the Company, the Company considered and passed the 2017 profit distribution plan. The company decided not to distribute profits in 2017 or convert capital reserve into share capital. Excluding the events above, there are no other post-balance sheet events required to be disclosed by ZRC.

XIII. Other significant events

1. Lease

(1) Business lease

1) For the details of the final book value, accumulated depreciation, etc., of fixed assets that are leased out for operation, see Note 5(8).

2) The amount of lease receipts to be received in subsequent years

Lease period	Lease payment amount
Within 1 year	11,562,833.27
1-2 years	12,928,572.94
3 years	12,999,403.60
Over 3 years	104,353,604.17
Total	141,844,413.98

2. Segment information

(1) Standards for determining reporting segments and accounting policies

The Company determines its operating segments based on its internal organizational structure, management requirements and internal reporting system, and determines reporting segments and discloses segment information on the basis of operating segments.

The operating segment refers to the components of the company that meet the following conditions at the same time:

- ① The component can generate income and expenses in daily activities;
- ② The management of the company can regularly evaluate the operating results of the component. It decides to allocate resources to it and evaluate its performance;
- ③ The company can obtain relevant accounting information on the financial status, operating results, and cash flow of this component. If two or more operating segments have similar economic characteristics and meet certain conditions, they are combined into one operating segment.

The company determines the reporting segment on the basis of operating segments. The operating segment that meets one of the following conditions is determined as the reporting segment:

- ① The segment revenue of the operating segment accounts for 10% or more of the total revenue of all segments.
- ② The absolute amount of the profit (loss) of the segment's segment accounts for 10% or more of the greater of the total profit of all profit segments or the absolute amount of total losses of all loss segments;
- ③ The segment assets of this segment account for 10% or more of the total assets of all segments.

When the proportion of the external transaction income of the operating segment of the reporting segment determined according to the above-mentioned principle does not reach 75% of the total combined revenue, the number of reporting segments shall be increased, and other operating segments that are not reporting segments shall be classified as follows. The department shall include the scope of the report segment until the proportion reaches 75%:

- ① Determine the operating segment that management believes to disclose the information of the operating segment to the users of the accounting information as the report segment;
- ② A division is combined with one or more other operating segments that have similar economic characteristics and meet the conditions for the consolidation of operating segments as a reporting segment.

The accounting policies of the Company's operating segments are the same as the accounting policies described in this Note III. The company adopts significant accounting policies and accounting estimates.

The company determines three reporting divisions based on different products and regions: Zibo Real Estate is engaged in real estate development, VGM Plc is engaged in gold mining and selection abroad, and other companies are engaged in gold mining or other mineral investment or exploration activities in China.

(2) Financial information for segment reporting

Items	Zibo real estate	VGM Plc	Other companies	Offset	Total
Operating income	39,316.14	37,563.21	28.87	-	76,908.22
Including: External transaction income	39,316.14	37,563.21	28.87	-	76,908.22
Domestic transaction income	39,316.14	-	28.87	-	39,345.01
Foreign transaction income	-	37,563.21	-	-	37,563.21
Inter-segment transaction revenue	-	-	-	-	-
Operating cost	36,778.37	32,023.07	12.04	-	68,813.48
Operating profit (loss)	-5,132.93	-895.42	-42,828.64	1,814.65	-47,042.34
Total non-current assets	20,955.52	66,249.04	205,630.84	-187,303.30	105,532.10
Including: China's total non-current assets	20,955.52	-	151,965.16	-134,943.69	37,976.99
Total foreign non-current assets	-	66,249.04	53,665.67	-52,359.62	67,555.09
Total assets	90,969.77	77,827.50	342,608.29	-256,667.83	254,737.73
Total liabilities	43,330.08	50,331.49	200,762.08	-148,610.85	145,812.80

2016

Items	Zibo real estate	VGM Plc	Other companies	Offset	Total
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Operating income	41,661.88	39,550.30	1.12	-	81,213.30
Including: External transaction income	41,661.88	39,550.30	1.12	-	81,213.30
Domestic transaction income	41,661.88	-	1.12	-	41,663.00
Foreign transaction income	-	39,550.30	-	-	39,550.30
Inter-segment transaction revenue	-	-	-	-	-
Operating cost	22,967.99	27,759.33	6.86	-	50,734.18
Operating profit (loss)	12,569.96	2,452.92	-10,999.44	70.66	4,094.10
Total non-current assets	19,828.96	59,677.65	210,643.17	-182,607.86	107,541.92
Including: China's total non-current assets	19,828.96	-	159,857.47	-133,478.87	46,207.56
Total foreign non-current assets	-	59,677.65	50,785.70	-49,179.26	61,284.09
Total assets	120,670.73	73,647.94	372,346.56	-243,774.35	322,890.88
Total liabilities	68,481.84	42,605.59	187,601.79	-133,531.97	165,157.25

(3). Other important issues that have an impact on the decision-making of users of financial statements

1). On October 24, 2017, the company passed the thirty-second resolution of the eighth session of the Board of Directors of the company. The company and Ansheng Assets signed the Letter of Intent for the Transfer Price of Commercial Properties, which was planned to be held by its subsidiary company. The commercial property owed the amount owed to the company.

As of December 31, 2017, the company's original book value of the transfer of equity and creditor's rights of Ansheng Assets amounted to RMB 369,300,000.00, and provision for bad debts of RMB 147,720,000.00 was accrued based on the ageing group. The book value was RMB 221,580,000.00.

As of the date of issue of this report, the company has not yet signed a formal agreement with AXA Assets for commercial property credits.

2). On April 21, 2015, the company and the purchaser Qilu Real Estate, the guarantor Shandong Pengcheng Asset Management Co., Ltd. (hereinafter referred to as "Shandong Pengcheng"), and Kunlun Jiangyuan Industry & Trade Co., Ltd. (hereinafter referred to as "Kunlun Jiangyuan"), Shandong Shengji Investment Co., Ltd. (hereinafter referred to as "Shandong Shengji") signed a supplementary agreement, the parties confirmed that as of the date of signing the agreement, Qilu Property owed the company a total of RMB 229,322.3 million in transfer principal, since the agreement. Within 60 days from the date of entry into force of the book, Qilu Real Estate will pay RMB 15.00 million in cash and RMB 30 million in cash before September 20, 2015, and will pay off all the arrears before December 10, 2015. Each guarantor provided unconditional joint and several liability guarantees, and simultaneously pledged 100% equity of Shandong Shengji held by Kunlun Jiangyuan, and Shandong Sunji voluntarily provided joint liability guarantees for all of its assets for Party B's repayment obligations. Kunlun Jiangyuan has handled the relevant pledge procedures for the Shandong Shengji equity held by it.

As of December 31, 2017, the original book value of the company's equity transfer receivables from Qilu Real Estate was 229,322,348.69 yuan, and provision for bad debts was 229,322,348.69 yuan according to the aging portfolio, with a book value of 0 yuan.

As of the date of issue of this report, the company has legally sealed off some of the properties under the name of Shandong Shengji Company. However, subject to the conditions raised by the opposition and the actual ownership of the relevant real estate, it is impossible to reasonably estimate the recoverable amount of the credit.

3) According to the Proposal on the Company's Non-Public Issuance of Shares Scheme Proposed by the Twelfth Meeting of the Eighth Board of Directors of the Company, the Company intends to issue non-public shares to companies such as Changsha Hengjian Equity Investment Partnership (Limited Partnership). All the issuers subscribed for this non-public offering of shares in cash. The net proceeds raised after the deduction of issuance expenses will be used for the acquisition of Iron Ore International (Mongolia) Co., Ltd. (hereinafter referred to as "Iron Mine International"), Ming Sang Co., Ltd. and Mongolian New Lahgaote Iron Mine Co., Ltd. The company will hereinafter abbreviate 100% equity of the "target company", repay the company's loans, expand mining projects, and supplement liquidity. As a transaction arrangement, the company paid the earnest money of USD 80,000,000 to Li Xiaoming, the actual controller of the proposed company. Agreement: If the two parties still failed to reach a formal transaction agreement on this cooperation before December 31, 2015, or the relevant trading program of this cooperation failed to obtain the approval of the relevant authority, or Li Xiaoming violated the contract, Li Xiaoming The full amount of the earnest money shall be returned to the company within 3 working days after the company issues a formal written notice.

On July 25, 2017, since the company submitted the non-public offering application documents to the China Securities Regulatory Commission, the state capital market environment and refinancing, mergers and acquisitions and restructuring policies, and domestic and foreign mining markets have undergone major changes, while shareholders The validity period of the assembly's authorization has expired. After the company's board of directors passed the resolution, the company and project partner Li Xiaoming decided to terminate the non-public offering of stocks.

On July 12, 2017, the project partner Li Xiaoming issued a confirmation letter to confirm and agreed to return the 80 million USD in earnest money to the company in full within 120 days from the date of the confirmation letter. Shengjie Investment issued a letter of declaration and continued to provide unconditional and joint guarantee responsibility for Mr. Li Xiaoming's return of the US\$80 million golden bond creditor's right.

On December 17, 2017, Li Xiaoming issued a second letter of commitment and promised to: agree to start counting interest at an interest rate of 9% per annum starting from November 17, 2017. If no later than June 30, 2018, the company still has not collected the interest. For all the earnest money debts (the sum of principal and interest), they shall promptly pay the full amount of the arrears of the earnest money debt to Zhongrun Resources, and raise the interest of the earnest money debt from the annual interest rate of 9% to 12%, and at the same time promise to control it. Some of the iron ore international equity pledged to the company.

As of December 31, 2017, the earnest money claims amounted to RMB 522.7370 million.

As of the date of issue of this report, the company has not received the principal and interest repaid by Li Xiaoming, and has not obtained the right to pledge international iron ore rights.

4) On November 15, 2017, the Board of Directors of the company reviewed and passed the "Proposal on Foreign Investment of the Company". The company plans to acquire 55% of the shares of Hangzhou Rattan Network Technology Co., Ltd. (hereinafter referred to as "Rawwood Network") by means of cash payment. Both parties signed the Asset Purchase Agreement. The company and the counterparty (Party B: Wang Chong, Liu Chengguang, Yang Huifang, and Wang Huiyan) signed the Asset Purchase Agreement. On December 29, 2017, Fujiki Network has completed the corresponding formalities for the change of business registration. The company already holds 55% of the shares of Fujiki Network.

As of December 31, 2017, because the company did not implement control over the Fujikura network, Fujimaki was not included in the scope of consolidation of the company's 2017 financial statements.

On January 10, 2018, the company paid part of the equity transfer funds of 45 million yuan to the counterparty.

On April 20, 2018, due to the changes in business performance and financing environment, the two parties decided to release the Asset Purchase Agreement mentioned above

after friendly negotiations between the parties. Resolutions of the 38th Meeting of the 8th Board of Directors of the company passed the "Proposal on the Lifting of the Asset Purchase Agreement", agreeing to release the Asset Purchase Agreement, signing the Asset Purchase Cancellation Agreement and the Production Purchase Cancellation Agreement Supplemental Agreement.

5). As of the date of this report, the controlling shareholder of the company, Sheng Shengyuan, is planning to promote a major reorganization: It is planned to acquire the Pinglu, Luzhou, Shanxi Province held by Shanxi Chuanghe New Mining Co., Ltd. and Shanxi Longchangjie Trading Co., Ltd. by means of asset replacement and cash purchase. District Sentai Coal Industry Co., Ltd. The company set aside a range of assets: the company's Sichuan Pingwu Equity, Tibet Zhongjin's equity, Inner Mongolia Huiyin's equity, and 40% of Zibo Real Estate's shares; the company's share of Li Xiaoming, Ansheng Assets, and Qilu Real Estate's Other receivables such as claims. In the specific implementation, the main body and scope of asset replacement shall be determined through negotiation between both parties.

6). As of the date of publication of this report, due to the Sichuan Province Giant Panda National Park system pilot and other policies, the company's subsidiary Sichuan Pingwu Shilonggou gold mine census rights (right certificate number: T01120090602031500), Yinchang gold mining rights (right certificate number: C5100002009084120033612) The expiry of the rights has not yet been granted and the continuation of the rights certificate is uncertain. As of December 31, 2017, the carrying value of the census right of the Shilonggou Gold Mine was RMB 9,782,241.97, and the original book value of the mining rights of the Yinchang Gold Mine was RMB 26,652,000.00. Accumulative accumulated amortization was RMB 26,652,000.00, and the book value was RMB 0.

7). On October 24, 2017, the company passed the thirty-second resolution of the Eighth Board of Directors of the company. The company and Haosheng Shengrun signed the "Equity Transfer Framework Agreement". The company plans to transfer 60% of the equity held by Zibo Real Estate to Shengsheng Run. The actual controller of Yusheng Shengrun is Mr. Guo Changjun, who belongs to the same actual controller as the company.
As of the report date, 60% share transfer of Zibo Real Estate is being promoted.

XIV. Notes to important items of the parent company's financial statements

Unless otherwise noted, the following commentary items refer to January 1, 2017. The end of period refers to December 31, 2017; the current period refers to 2017 year, and the previous year refers to 2016 year. The unit of the amount is RMB.

1. Breakdown

1). Disclosure of other receivables by category

Category	31 December 2017				
	Book Balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables in significant amounts with separate provisions for bad debts	1,613,861,847.45	99.99	487,199,310.07	30.19	1,126,662,537.38
Other receivables with provisions for bad debts made by group	132,236.24	0.01			132,236.24
Other receivables in insignificant amounts with separate provisions for bad debts					
Total	1,613,994,083.69	100	487,199,310.07	30.19	1,126,794,773.62

Category	31 December 2016			
	Book Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables in significant amounts with separate provisions for bad debts				
Other receivables with provisions for bad debts made by group	1,658,970,177.82	99.99	289,687,821.39	17.46
Other receivables in insignificant amounts with separate provisions for bad debts	122,954.10	0.01		
Total	1,659,093,131.92	100.00	289,687,821.39	17.46

(2). Other receivables

1) Other receivables in the group with provisions for bad debts made by use of the ageing analysis method

Ageing	Closing balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within 1 year (including 1 year)	3,998,586.96	199,929.35	5.00
1-2 years(including 2 years)	568,171,732.01	56,817,173.20	10.00
2-3 years (including 3 years)			
3-4 years (including 4 years)			
4-5 years(including 5 years)	369,350,999.95	147,740,399.98	40.00
Above 5 years	282,441,807.54	282,441,807.54	100.00
Total	1,223,963,126.46	487,199,310.07	39.81

2) Other combinations

Combination	Book balance	Bad debt preparation	Withdrawal ratio (%)
Low credit risk combination	389,898,720.99		

3) Receivables that are not individually significant at the end of the period but are individually charged for bad debts

Company Name	Book balance	Bad debt preparation	Withdrawal ratio (%)	Reason
Social security fee	25,284.19	-	-	Individual identification does not present impairment risk
Housing fund	106,952.05	-	-	Individual identification does not present impairment risk
Total	132,236.24	-	-	

(3). Bad debt provision for accrual, recovery or reversal in current period
The provision for bad debts in this period was 197,511,488.68 yuan.

Item		31 December 2017	31 December 2016
(4). Other receivables classified by nature			
Amount paid for equity transfer		598,622,348.69	598,622,348.69
Other transfer by non-affiliated companies		53,065,569.20	53,043,969.20
Gold credit right		522,736,000.00	554,960,000.00
Iron ore construction fee and capital occupation fee		48,933,803.74	124,963,854.01
Deposits and margins		471,878.00	591,878.00
Employee interest fund loans		133,526.83	293,219.23
Social Security and Provident Fund		132,236.24	122,954.10
Affiliate business contacts		389,898,720.99	326,494,908.69
Total		1,613,994,083.69	1,659,093,131.92

(5). Top 5 companies owing other receivables as of 31 December 2017

Customer name	Nature of receivable	Amount	Ageing	Percentage of the total other receivables (%)	Provision for bad debts
Li Xiaoming	Gold credit right	522,736,000.00	1-2 years	32.39	52,273,600.00
Zhongrun Mineral Development Co, Ltd	Exchange	386,604,437.87	Within 1 year, 1-2 years, 2-3 years	23.95	
Shandong Ansheng Assets Management Group Ltd	Transfer of equity	369,300,000.00	4-5 years	22.88	147,720,000.00
Qilu Real Estate Co., Ltd	Transfer of equity	229,322,348.69	Over 5 years	14.21	229,322,348.69
Perth Co., Ltd	Iron ore construction fee and capital occupation fee	48,933,803.74	Within 1 year	3.03	4,694,882.89
Total		1,556,896,590.30		96.46	434,010,831.58

(6). Other receivables to related parties

Company name	Relationship to our companies	Closing balance	Percentage of other receivables balance (%)
Zhongrun Mineral Development Co, Ltd	Subsidiaries	386,604,437.87	23.95
VGML	Shareholding subsidiaries	3,294,283.12	0.20
Total		389,898,720.99	24.15

2. Long-term equity investments

(1). Breakdown

Item	31 December 2017	31 December 2016

	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Investment in subsidiaries	613,623,797.01		613,623,797.01	613,623,797.01		613,623,797.01

(2). Investments in subsidiaries

Investee	31 December 2016	Increase in the current period	Decrease in the current period	31 December 2017	Provision for impairment in the current period	Closing balance of provision for impairment
Shandong Zhongrun Group, Zibo Real Estate Co., Ltd.	113,623,797.01			113,623,797.01		
Zhongrun Mineral Development Co., Ltd	500,000,000.00			500,000,000.00		
Total	613,623,797.01			613,623,797.01		

XV. Supplementary information

1. Extraordinary gains and losses

(1). Current Extraordinary profit and loss schedule

According to the China Securities Regulatory Commission's "Interpretative Announcement for Information Disclosure of Companies That Offer Securities to the Public No.

I— Extraordinary Profits and Losses (2008)", the company's current extraordinary profit and loss details are as follows (gain is +, loss is -):

Item	Amount	Notes
Profits or losses from disposal of non-current assets	-3,023,856.62	
Tax refunding, reduction and exemption not officially approved or approved beyond authority		
Government subsidies recorded in the profit and loss of current period (excluding the government subsidies that are closely related to ZRC business and are rationed in accordance with the national unified standards)		
Fund using expenses collected from non-financial enterprises and recorded in the current profit and loss	4,028,199.55	
Earnings generated when the investment cost for acquiring a subsidiary, associated enterprise or cooperative enterprise is lower than the due fair value of identifiable net assets of the invested		
Losses from exchange of non-monetary assets		
Profit or loss from assets that are entrusted to others to invest or manage		
Asset impairment provisions made due to force majeure such as natural disasters		
Profit and loss from debt restructuring		
Corporate reconstructing expenses such as staff resettlement costs and integration costs		
Profit or loss due to the difference between obviously unfair price and fair value		
Net profit or loss in the current period of subsidiaries resulting from combination of subsidiaries under common control from the beginning of period to combination date		
Profit or loss due to contingencies irrelative with normal operating business		
Profit or loss from the changes in fair values of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets, except the effective hedging business related to the normal operating business of ZRC		

Reversal on impairment provision of account payable for which the impairment test is done separately	
Profit or loss from loans entrusted to external parties	
Profit or loss from changes in fair value of investment real estate for which the subsequent measurement adopts the fair value method	
Effect on the current profit and loss due to adjusting the current profit and loss on a lump-sum basis in accordance with tax or accounting laws and regulations	
Income of trustee fee for entrusted operation	
Other non-operating incomes and expenses	-19,074,781.73
Other profit or loss items falling in the definition scope of non-recurrent profit or loss	
Total	-18,070,438.80
Influence of income tax	
Extraordinary gains and losses	-18,070,438.80
Influence on the equities of minority shareholders	-17,473,725.08
Net non-recurrent profit or loss attributable to common stockholders	-596,713.72

2. Return on equity and earnings per share

(1). Breakdown

According to China Securities Regulatory Commission's "Public Issuance of Securities Companies Information Reporting Rules No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (2010 revision), the company's weighted average return on equity for the current period and Basic earnings per share and diluted earnings per share are as follows:

	Profit for the reporting period	Weighted average return-on-equity ratio (%)	Earnings per share	
			Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders		-36.13	-0.4835	-0.4835
Net profit attributable to common shareholders after deduction of non-recurrent profit or loss		-34.72	-0.4646	-0.4646

(2). Calculation process

1). Weighted average ROE calculation process

Items	Number	2017
Net profit attributable to common shareholders of the company	1	-449,133,780.73
Extraordinary gains and losses	2	-17,473,725.08
Net profit attributable to ordinary shareholders of the company after deducting non-operating profit or loss	3=1-2	-431,660,055.65
Net assets at the beginning of the period attributable to common shareholders	4	1,476,661,179.59
New net assets attributable to ordinary shareholders of the company issued during the reporting period including	5	-

new shares or debt-to-equity swaps		
Total number of months from the next month of new net assets to the end of the reporting period	6	-
Net assets attributable to ordinary shareholders of the company during the reporting period such as repurchase or cash dividend reduction	7	-
Reduction in net assets from the next month to the end of the reporting period	8	-
Changes in net assets caused by other transactions or events	9	-18,007,192.74
The number of accumulated months from the next month of increase or decrease in other net assets to the end of the reporting period	10	6.00
Number of months in the reporting period	11	12.00
Weighted average net assets	12[Note]	1,243,090,692.86
Weighted average return on net assets	13=1/12	-36.13%
After deducting extraordinary gains and losses, weighted average return on net assets	14=3/12	-34.72%

[Note] $12=4+1*0.5+5*6/11-7*8/11+9*10/11$

(2) Calculation of basic earnings per share

Items	Number	2017
Net profit attributable to common shareholders of the company	1	-449,133,780.73
Extraordinary gains and losses	2	-17,473,725.08
Net profit attributable to ordinary shareholders of the company after deducting non-operating profit or loss	3=1-2	-431,660,055.65
Total shares at the beginning of the period	4	929,017,761.00
Increase in the number of shares in the reporting period due to the transfer of public reserve funds to share capital or stock dividends	5	-
Increase in the number of shares due to the issuance of new shares or debt-equity swaps during the reporting period	6	-
Increase the number of accumulated months from the following month to the end of the reporting period	7	-
Reduced number of shares due to buybacks during the reporting period	8	-
Decrease the number of accumulated months from the next month of the shares to the end of the reporting period	9	-
Reduction of the number of shares during the reporting period	10	-
Number of months in the reporting period	11	12.00
Weighted average number of ordinary shares outstanding	12	929,017,761.00
Basic earnings per share	13=1/12	-0.4835
Excluding extraordinary profit and loss basic earnings per share	14=3/12	-0.4646

[Note] $12=4+5+6*7/11-8*9/11-10$

(3) Calculation process of diluted earnings per share

The process of calculating diluted earnings per share is the same as the calculation of basic earnings per share.

3. Abnormalities and Causes of the Company's Major Financial Statement Items

1). Consolidated balance sheet

Items	Changes in closing balances from the beginning of the period	Reasons for change
Inventory	-33.12%	Mainly due to the operating costs of development products developed by Zibo Real Estate
Fixed assets	29.35%	Mainly due to the increase of fixed assets such as newly-built self-built power stations in Fiji VGML
Deferred tax assets	48.81%	Mainly due to the deferred income tax assets arising from the temporary difference in the loss of Qibo Property.
Other non-current assets	-90.50%	Mainly due to the decrease in the amount of Fiji VGML prepaid long-term assets
Short-term loans	35.88%	Mainly due to the increase of short-term loans of RMB 90.5 million from the sub-branch of the rural commercial bank in the current period.
Advance receipts	-55.94%	Mainly due to the income from the advance receipts of Zibo Real Estate in the current period that meet the income recognition requirements.
Interest payables	114.34%	Mainly due to the increase in interest due to other borrowings such as Cui Wei

2). Consolidated income statement

Items	Changes in current period over last year	Reasons for change
Operating costs	35.64%	Mainly due to the operating costs of development products developed by Zibo Real Estate during the period
Financial expenses	1001.78%	Mainly due to the increase in exchange losses due to Li Xiaoming and the increase in interest expense on external borrowings
Asset impairment	256.11%	Mainly due to the increase in the provision for bad debts of Li Xiaoming, Ansheng Assets, and Qilu Real Estate in the current period and the increase in the impairment of the mining rights of Huiyin Bank of Inner Mongolia

Section 12 List of Supporting Documents Available for Reference

1. The financial statements with the signatures and seals of the company's legal representative and the person in charge of accounting department of ZRC.
2. The original copy of the audit report with the seal of the CPA firm and with the signatures and seals of the certified public accountants.
3. The original copies of all the documents and announcements of ZRC publicly disclosed in the newspapers designated by China Securities Regulatory Commission during the reporting period.

Zhongrun Resources Investment Corporation (ZRC)
Legal Representative: Li Mingji
25 April 2018