

# **Zhongrun Resources Investment Corporation**

## **Financial Statements and Audit Report**

**2018**

# **Zhongrun Resources Investment Corporation**

## **Financial Statements and Audit Report**

(January 1, 2018 – December 31, 2018)

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# Audit Report

BDO AR [2019] No. ZB10967

**To all shareholders of Zhongrun Resources Investment Corporation:**

## 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 2018), Balance Sheet of Parent Company (dated 31 December 2018), Consolidated Profit and Loss Statement, Profit and Loss 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 except the impact of the matters described in the "Basis for Formation of Qualified Audit Opinions" section, the attached financial statements were prepared in accordance with the requirements of the *Accounting Standards for Business Enterprises* in all material respects, and they have fairly reflected the financial position of ZRC as of December 31, 2018 and the operating results and cash flow of ZRC in 2018, both on a consolidated basis and of the parent company.

## 2. Basis for Formation of Qualified Audit Opinions

(1) As stated in Note XIII (8) 1 to the financial statements, as of December 31, 2018, ZRC was entitled to receive an earnest money of US\$80.00 million from Li Xiaoming, equivalent to RMB 549,056,000. A bad debt provision of RMB 109,811,200 was made according to the account age method. As of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence on the bad debt provision made for the creditor's right to Li Xiaoming and we could not determine whether it is necessary to adjust the balance of the earnest money owed by Li Xiaoming and the bad debt provision.

(2) As stated in Note XIII (8) 8 to the financial statements, as of December 31, 2018, ZRC is entitled to receive a debt repayment of RMB 48,933,800 from PESI Co., Ltd. ("PESI" hereinafter). A bad debt provision of RMB 9,389,800 was made according to the account age method. As of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence on bad debt provision made for the creditor's right to PESI and we could not determine whether it is necessary to adjust the balance of the earnest money owed by PESI and the bad debt provision.

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 elaborates our responsibilities under these guidelines. According to the *Code of*

*Ethics for Chinese Certified Public Accountants*, we are independent of ZRC and fulfill 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. Matters to be Noted

The users of the financial statements are reminded to note that, as stated in Note XIII (7)2 to the financial statements, ZRC is entitled to an debt repayment of RMB 166,943,000 (book value) owed by Qilu Real Estate Co., Ltd., of which the account age exceeded 5 years and a bad debt provision of RMB 166,943,000 was made. The court ruled Qilu Real Estate Co., Ltd. to repay the debt by a house valued RMB 98,280,200, but the property right transfer procedures have not been completed yet. Therefore the bad debt provision was not carried forward. It does not affect the audit opinions expressed by us.

### 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 audit opinion. We do not comment on these matters separately. In addition to the matters described in the “Basis for Formation of Qualified Audit Opinions” section, we determine that the following matters are the key audit matters that need to be communicated in the audit report.

Key Audit Matters	Response in Audit
<b>(1) Net realizable value of inventories</b>	
<p>Refer to the accounting policies stated in note 12 of “III. Major accounting policies and accounting estimates followed by ZRC” and note 5 of “V. Notes to Items of Consolidated Financial Statement”.</p> <p>As of December 31, 2018, the book balance of raw materials, unfinished products, development costs, development products and auxiliary materials (hereinafter referred to as “inventories”) of ZRC was RMB 444,085,264.05, the depreciation provision was RMB 19,493,622.47, and the book value was RMB 424,591,641.58 accounting for 16.76% of the total assets. The inventories are measured at the lower of cost and net realizable value.</p> <p>As of the balance sheet date, the inventories are measured at the lower of the cost and the</p>	<p>The audit procedures performed by us for evaluating the net realizable value of inventories include:</p> <p>(1) Understand the key internal control related to the net realizable value of inventories, evaluate the design of such control, determine if it is implemented, and test the operational effectiveness of the relevant internal control;</p> <p>(2) Review the management’s forecast on the actual net realizable value of inventories and the actual operating results in previous years, to evaluate the accuracy of management's forecast.</p> <p>(3) Obtain the calculations made by ZRC on the depreciation provision of inventories and test whether the management's calculation of the net realizable value of inventories is accurate;</p>

net realizable value, and the depreciation provision was made based on the difference between the cost and the net realizable value of the inventories. Considering the purpose of holding the inventories, the management determines the net realizable value of inventories based on the estimated selling price less the costs and expenses to be incurred until the completion, estimated selling costs, and relevant taxes. The estimated selling price is determined according to the contracted selling price, the market price of same or similar products, and other factors. This process involves significant judgment and estimates of the management.

We have identified the evaluation of the net realizable value of the inventories of ZRC as key audit matter because the estimation of development costs and future selling prices of the developed products involves inherent risks, and the estimates and judgment used to calculate the net realizable value involve the risk of management bias.

For real estate:

- (1) Locally observe the inventories on a sampling basis, and ask about the progress of these inventories and the total estimated development cost reflected in the latest forecasts for each item;
- (2) Make sensitivity analysis to determine the extent to which such estimates result in a material misstatement of the development project, and consider the likelihood of such changes in key estimates and assumptions, as well as the potential management bias;

For gold mine:

- (1) Obtain the selling price in open market, independently query the price information in the open market, and compare it with the estimated selling price;
- (2) By inventories supervision, check whether any item of the closing inventories has long account age, outdated model, and other problems, and evaluate whether the management has reasonably estimated the net realizable value.

## 5. Additional Information

The management of ZRC is responsible for additional information. Additional information includes the information covered in 2018 annual report of ZRC, but does not include the financial statements and our audit report.

Our audit opinions expressed on the financial statements do not cover additional information and we do not express any form of assurance conclusion on additional information.

In conjunction with our audit of the financial statements, our responsibility is to read additional information. In the process, we consider whether there is any significant inconsistency or other material misstatement with what we have obtained from 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 in the additional information, we should report that fact. As stated above in "Basis for Formation of Qualified Audit Opinion" section, we are unable to obtain adequate and appropriate audit evidence on the recoverable amount from Li Xiaoming in other receivables, and it is not possible to determine whether it is necessary to make adjustments to the balance of other

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receivables and bad debt provision above. Therefore, except the impact of the matters described in the “Basis for Formation of Qualified Audit Opinion” section above on the related amount or other items in the 2018 Annual Report of ZRC, no material information has been found to be materially misrepresented.

## **6 Management and Governance’ Responsibilities 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 ZRC’ ability to continue as a going concern, disclosing issues related to going-concern (if applicable), and applying the going concern assumption unless the management plans to liquidate ZRC, terminate operations or has no other realistic choices.

The governance is responsible for overseeing the financial reporting process of ZRC.

## **7 Auditor’s Responsibility for Audited 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 in an audit performed in accordance with auditing standards, the major misstatement can always be discovered when it exists. Misstatement may be caused by fraud or error, and if as reasonably expected, a misstatement, along or with other information, may affect the economic decision made by the users of financial statements based on the financial statements, such misstatement is generally considered to be material.

In the process of conducting the 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 the risk 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). Draw conclusions on the appropriateness of the management’s use of the going-concern assumption. Based on the audit evidence obtained, give conclusions as to whether there

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are significant uncertainties in the matters or circumstances that have significant doubts about the sustainability of ZRC. 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 express unqualified 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 ZRC 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.

(6). Obtain adequate and appropriate audit evidence on the financial information of entities or business activities of ZRC to express audit opinion on the financial statements. We are responsible for guiding, supervising and implementing the group audit and assume full responsibility for the audit opinion.

We communicate with the governance on the 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 communicated with the governance, 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.

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**BDO China ShuLun Pan CPA (Special General Partnership)**

**Registered accountant of China: (Project Partner)**

**Registered accountant of China:**

**Shanghai • China**

**April 25, 2019**

**Zhongrun Resources Investment Corporation**  
**Consolidated Balance Sheet**  
**As of December 31, 2018**

(All amounts are expressed in Chinese yuan (RMB) unless other specified.)

Assets	Note V	Closing Balance	Opening Balance
Current assets:			
Monetary funds	(1)	50,289,684.65	104,668,890.25
Cash reserves for settlement			
Lending funds			
Financial assets measured at fair value with the changes in fair value recognized in the current profit and loss			
Derivative financial assets			
Notes receivable and account receivable	(2)	4,505,364.61	9,366,920.90
Prepayment	(3)	20,317,507.52	54,518,086.91
Premium receivable			
Reinsurance premium receivable			
Provision of cession receivable			
Other receivables	(4)	879,294,455.24	776,667,317.70
Redemptory financial assets for sale			
Inventories	(5)	424,591,641.58	517,305,733.17
Assets held for sale			
Non-current assets due within one year			
Other current assets	(6)	25,986,775.33	29,529,497.17
<b>Total of current assets</b>		<b>1,404,985,428.93</b>	<b>1,492,056,446.10</b>
Non-current assets:			
Issued loan and advances			
Available-for-sale financial assets	(7)	6,045,719.99	12,872,227.49
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	(8)	31,388,101.39	
Investment property	(9)	214,897,015.05	163,277,527.18
Fixed assets	(10)	566,676,700.27	566,067,114.89
Construction in progress	(11)	35,641,662.53	13,255,249.03
Productive biological assets			
Oil and gas assets			
Intangible assets	(12)	224,830,828.77	250,186,197.24
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	(13)	46,094,916.91	46,138,060.95
Other non-current assets	(14)	2,200,283.02	3,524,519.32
<b>Total non-current assets</b>		<b>1,127,775,227.93</b>	<b>1,055,320,896.10</b>
<b>Total assets</b>		<b>2,532,760,656.86</b>	<b>2,547,377,342.20</b>

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

**Zhongrun Resources Investment Corporation**  
**Consolidated Balance Sheet(continued)**  
**As of December 31, 2018**

(All amounts are expressed in Chinese yuan (RMB) unless other specified.)

Liabilities and Owner's Equity	Note V	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings	(15)	355,394,742.72	407,626,947.78
Borrowings from central bank			
Deposits from customers and other banks			
Borrowing funds			
Financial liabilities measured at fair value with changes in fair value recognized in the current profits and losses			
Derivative financial liabilities			
Notes payable and accounts payable	(16)	259,049,408.25	212,021,678.50
Advances received	(17)	170,148,315.94	196,727,362.87
Financial assets sold for repurchase			
Handling charge and commission payable			
Payroll payable	(18)	19,764,908.98	15,967,986.54
Tax payable	(19)	2,602,486.30	4,389,733.01
Other accounts payable	(20)	486,067,281.09	418,226,945.63
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	(21)	10,000,000.00	125,445,097.27
Other current liabilities			
<b>Total current liabilities</b>		1,303,027,143.28	1,380,405,751.60
Non-current liabilities:			
Long-term borrowings	(22)	40,000,000.00	
Bonds payables			
Including: preferred shares			
perpetual bonds			
Long-term account payable			
Long-term payroll payable	(23)	868,960.30	1,022,272.96
Estimated liabilities	(24)	70,085,152.06	81,785,696.76
Deferred income			
Deferred income tax liabilities	(13)	4,219,022.55	5,680,754.62
Other non-current liabilities			
<b>Total non-current liabilities</b>		115,173,134.91	88,488,724.34
<b>Total liabilities</b>		1,418,200,278.19	1,468,894,475.94
Owner's equity:			
Share capital	(25)	929,017,761.00	929,017,761.00
Other equity instruments			
Including: preferred shares			
perpetual bonds			

<b>Liabilities and Owner's Equity</b>	<b>Note V</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Capital reserve	(26)	51,259,534.18	51,259,534.18
Less:treasury stock			
Other comprehensive income	(27)	-3,518,732.50	-4,275,210.95
Special reserves	(28)	13,921.38	13,921.38
Surplus statutory reserve	(29)	77,898,985.76	77,898,985.76
General risk provision			
Undistributed profit	(30)	-2,204,944.31	-44,394,785.25
Total owner's equity attributable to the parent company		1,052,466,525.51	1,009,520,206.12
Non-controlling interest		62,093,853.16	68,962,660.14
<b>Total owner's equity</b>		1,114,560,378.67	1,078,482,866.26
<b>Total liabilities and owner's equity</b>		2,532,760,656.86	2,547,377,342.20

The attached notes constitute part of the financial statement.

Legal Representative:Accountant: Accounting leader:

**Zhongrun Resources Investment Corporation**  
**Balance Sheet of Parent Company**  
**As of December 31, 2018**  
**(All amounts are expressed in Chinese yuan (RMB) unless other specified.)**

Assets	Note XIV	Closing Balance	Opening Balance
Current assets:			
Monetary funds		685,462.57	35,255,104.47
Financial assets measured at fair value with changes in fair value recognized in the current profit and loss			
Derivative financial assets			
Notes receivable and account receivable			
Prepayment			
Other accounts receivable	(1)	1,363,678,140.18	1,126,794,773.62
Inventories			
Assets held for sale			
Non-current assets due within one year			
Other current assets		505,667.22	242,068.59
<b>Total current assets</b>		<b>1,364,869,269.97</b>	<b>1,162,291,946.68</b>
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	(2)	613,623,797.01	613,623,797.01
Investment property		44,186,978.73	
Fixed assets		279,223.16	1,037,260.21
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets		291,117.82	288,750.00
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>658,381,116.72</b>	<b>614,949,807.22</b>
<b>Total assets</b>		<b>2,023,250,386.69</b>	<b>1,777,241,753.90</b>

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

**Zhongrun Resources Investment Corporation**  
**Balance Sheet of Parent Company (continued)**  
**As of December 31, 2018**

(All amounts are expressed in Chinese yuan (RMB) unless other specified.)

Liabilities and Owner's Equity	Note	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings		344,000,000.00	395,000,000.00
Financial liabilities measured at fair value with changes in fair value recognized in the current profits and losses			
Derivative financial liabilities			
Notes payable and accounts payable			
Advance received			
Payroll payable		2,969,323.16	1,829,120.28
Tax payable		660,803.07	81,373.29
Other accounts payable		620,778,757.54	422,608,551.15
Available-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		968,408,883.77	819,519,044.72
Non-current liabilities:			
Long-term borrowings			
Bonds payables			
Including preferred shares			
Perpetual bonds			
Long-term account payable			
Long-term payroll payable			
Estimated liabilities		41,197,813.70	22,116,465.75
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		41,197,813.70	22,116,465.75
<b>Total liabilities</b>		1,009,606,697.47	841,635,510.47
Owner's equity:			
Share 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 reserve			
Surplus statutory reserve		65,431,085.56	65,431,085.56
Undistributed profit		-136,627,958.36	-214,665,404.15
<b>Total owner's equity</b>		1,013,643,689.22	935,606,243.43
<b>Total liabilities and owner's equity</b>		2,023,250,386.69	1,777,241,753.90

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

**Zhongrun Resources Investment Corporation**  
**Consolidated Profit and Loss Statement**  
**As of December 31, 2018**

(All amounts are expressed in Chinese yuan (RMB) unless other specified.)

Item	Note V	This period	Last period
I. Total Revenue		496,460,231.64	769,082,244.46
Including: Operating income	(31)	496,460,231.64	769,082,244.46
Interest income			
Earned insurance premium			
Handling fee and commission income			
II. Total Operating Cost		478,774,322.42	1,236,481,768.51
Including: Operating cost	(31)	466,846,313.56	688,134,786.87
Interest expense			
Handling fee and commission expenditures			
Surrender value			
Ney payments for insurance claims			
Net provision for insurance contracts			
Payment of dividend to policyholder			
Reinsurance expense			
Business tax and surcharges	(32)	22,141,602.55	36,468,099.68
Sales expense	(33)	8,851,215.29	15,901,340.96
Management expense	(34)	77,660,166.68	101,397,463.77
R&D expenses			
Financial expense	(35)	31,058,282.81	89,781,555.31
Including: interest expenses		57,798,044.63	60,235,328.10
Interest income		532,628.33	4,882,870.43
Asset impairment loss	(36)	-127,783,258.47	304,798,521.92
Plus: other income			
Investment income (indicate the loss with '-')	(37)	-641,729.10	
Including: Investment in joint-venture and cooperative enterprises		-641,729.10	
Gains from changes in fair value (indicate the loss with '-')			
Asset disposal income(indicate the loss with '-')	(38)	119,559.24	-3,023,856.62
Exchange earnings (indicate the loss with '-')			
III. Operating profit (indicate the loss with '-')		17,163,739.36	-470,423,380.67
Plus: non-operating income	(39)	34,525,504.24	382,500.53
Less: non-operating expense	(40)	23,253,184.84	19,457,282.26
IV. Total profit (indicate total loss with '-')		28,436,058.76	-489,498,162.40
Less: Income tax expenses	(41)	-1,418,588.03	-14,082,127.66
V. Net profit (indicate total loss with '-')		29,854,646.79	-475,416,034.74
1. By operation continuity		29,854,646.79	-475,416,034.74
(1) net profit of continued operation(indicate total loss with '-')		29,854,646.79	-475,416,034.74
(2) net profit of discontinued operation (indicate total loss with '-')			
2. By ownership		29,854,646.79	-475,416,034.74
(1) Net profit attributable to the owners of parent company(indicate total loss with '-')		42,189,840.94	-449,133,780.73
(2) Minority shareholders' profit(indicate the		-12,335,194.15	-26,282,254.01

Item	Note V	This period	Last period
net loss with ‘-’)			
VI. Other after tax comprehensive income		3,222,865.62	-23,435,116.25
Other after tax comprehensive income attributable to the owners of parent company		756,478.45	-18,005,520.74
1. Other comprehensive income that cannot be subsequently re-classified as profit and loss			
(1). Re-measured changes in the net liabilities or net assets in defined benefit plan			
(2). Attributable share in other comprehensive income that cannot be re-classified as profit and loss under the equity method			
2. Other comprehensive income that will be subsequently re-classified as profit and loss		756,478.45	-18,005,520.74
(1). Attributable share in other comprehensive income that will be subsequently re-classified as profit and loss under the equity method			
(2) Profit and loss from fair value changes of available-for-sale financial assets		-6,826,507.50	-6,944,821.62
(3). Profit and loss by re-classifying the held-to-maturity investment as available-for-sale financial assets			
(4). Effective part of profit and loss from cash flow hedging			
(5). Difference from translation of foreign currency financial statements		7,582,985.95	-11,060,699.12
(6). Miscellaneous			
Other after tax comprehensive income attributable to minority shareholders		2,466,387.17	-5,429,595.51
VII. Total comprehensive income		33,077,512.41	-498,851,150.99
Total comprehensive income attributable to the owner of the parent company		42,946,319.39	-467,139,301.47
Total comprehensive income attributable to the minority shareholders		-9,868,806.98	-31,711,849.52
VIII. Earnings per share:			
(1) Basic earnings per share (yuan per share)		0.0454	-0.4835
(2) Diluted earnings per share (yuan per share)		0.0454	-0.4835

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

**Zhongrun Resources Investment Corporation**  
**Profit and Loss Statement of Parent Company**  
**As of December 31, 2018**

(All amounts are expressed in Chinese yuan (RMB) unless other specified.)

Item	Note	This Period	Last Period
I. Operating revenues			
Less: operating costs			
Business tax and surcharges		146,119.15	16,765.45
Costs of sales			
Management expense		23,522,913.12	25,468,822.66
R&D expense			
Financial expense		26,622,136.63	80,117,414.14
Including: interest expense		53,026,067.16	52,482,867.21
Interest income		98,881.26	4,597,787.89
Asset impairment loss		-147,623,717.83	197,511,488.68
Plus: Other income			
Investment income (indicate the loss with '-')			
Including income from investment in joint-venture and cooperative enterprises			
Profit from changes in fair value (indicate the loss with '-')			
Asset disposal income(indicate the loss with '-')		-925.00	-64,933.94
II. Operating profit (indicate the loss with '-')		97,331,623.93	-303,179,424.87
Plus: Non-operating income			
Less: Non-operating expense		19,294,178.14	10,816,465.75
III. Total profits (indicate the loss with '-')		78,037,445.79	-313,995,890.62
Less income tax expenses			
IV. Net profits(indicate the loss with '-')		78,037,445.79	-313,995,890.62
(1) net profit of continued operation (indicate total loss with '-')		78,037,445.79	-313,995,890.62
(2) net profit of discontinued operation (indicate total loss with '-')			
V. Other comprehensive income after tax			
1. Re-measured changes in the net liabilities or net assets in defined benefit plan			
(1) Re-measured changes in the net liabilities or net assets in defined benefit plan			
(2)Attributable share in other comprehensive income that cannot be re-classified as profit and loss of the investee under theequity method			
2. Other comprehensive income that will be subsequently re- classified as profit and loss			
(1). Attributable share in other comprehensive income that will be subsequently re- classified as profit and loss under the equity method			
(2). Profit and loss from fair value changes of available-for-sale financial assets			

<b>Item</b>	<b>Note</b>	<b>ThisPeriod</b>	<b>Last Period</b>
(3). Profit and loss by re-classifying the held-to-maturity investment as available-for-sale financial assets			
(4). Effective part of profit and loss from cash flow hedging			
(5). Differences from translation of foreign currency financial statements			
(6). Miscellaneous			
VI. Total comprehensive incomes		78,037,445.79	-313,995,890.62
VII. Earnings per share:			
1. basic earnings per share (yuan per share)			
2. diluted earnings per share (yuan per share)			

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

**Zhongrun Resources Investment Corporation**  
**Consolidated Cash Flow Statement**  
**As of December 31, 2018**

(All amounts are expressed in Chinese yuan (RMB) unless other specified.)

Item	Note V	This period	Last period
<b>I. Cash flow from operating activities</b>			
Cash received from sale of goods and services		449,670,083.32	533,224,419.58
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		23,452,942.84	41,236,728.96
Other cash received related to operating activities	(42)	131,869,213.15	41,875,177.11
Total cash inflow from operating activities		604,992,239.31	616,336,325.65
Cash paid for purchase of goods and services		129,608,414.97	220,566,493.74
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		121,984,837.70	159,722,082.68
Taxes paid		26,610,887.50	33,038,744.03
Cash paid related to other operating activities	(42)	38,645,133.66	92,287,343.50

<b>Item</b>	<b>Note V</b>	<b>This period</b>	<b>Last period</b>
Total cash outflow from operating activities		316,849,273.83	505,614,663.95
<b>Net cash flow from operating activities</b>		288,142,965.48	110,721,661.70
<b>II. Cash flow from investing activities</b>			
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		344,151.63	120,103.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities	(42)	90,000,000.00	85,000,000.00
Total cash inflow in investing activities		90,344,151.63	85,120,103.00
Cash paid to purchase fixed assets intangible assets or other long-term assets		140,939,138.73	169,802,444.63
Cash paid for investment			
Net increase in pledge loan			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid related to investment activities	(42)	95,000,000.00	
Total cash outflow in investment activities		235,939,138.73	169,802,444.63
<b>Net cash flow from investing activities</b>		-145,594,987.10	-84,682,341.63
<b>III. Cash flow from financing activities</b>			
Cash received from paid-in investment		3,000,000.00	
Including: Cash received from the investment in subsidiaries by minority shareholders		3,000,000.00	
Cash received from loans		306,466,564.31	448,481,167.69
Cash received from bond issue			
Other cash received related to financing activities	(42)	18,522,301.37	538,125.00
Total cash inflow in financing activities		327,988,865.68	449,019,292.69
Cash repayments of borrowings		427,500,839.46	350,364,705.20
Cash paid for distribution of dividends and profits or payment of		38,581,602.85	32,690,516.06

<b>Item</b>	<b>Note V</b>	<b>This period</b>	<b>Last period</b>
interests			
Including dividends and profits paid by the subsidiaries to minority shareholders			
Other cash paid related to financing activities	(42)	28,500,000.00	80,000,000.00
Total cash outflow in financing activities		494,582,442.31	463,055,221.26
<b>Net cash flow in financing activities</b>		-166,593,576.63	-14,035,928.57
<b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>		538,702.34	-319,293.89
<b>V. Net increase in cash and cash equivalents</b>		-23,506,895.91	11,684,097.61
Plus: opening balance of cash and cash equivalents		64,659,655.22	52,975,557.61
<b>VI. Closing balance of cash and cash equivalents</b>		41,152,759.31	64,659,655.22

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

**Zhongrun Resources Investment Corporation**  
**Cash Flow Statement of Parent Company**  
**As of December 31, 2018**  
**(All amounts are expressed in Chinese yuan (RMB) unless other specified.)**

Item	Note	This Period	Last Period
<b>I. Cash flow from operating activities</b>			
Cash received from sale of goods and services			
Tax refunds received			
Other cash received related to operating activities		252,391,926.25	4,559,429.36
Total cash inflow from operating activities		252,391,926.25	4,559,429.36
Cash paid for purchase of goods and services			
Cash paid to/for staff members		8,702,594.34	7,784,232.59
Taxes paid		28,139.90	564,450.79
Cash paid related to other operating activities		147,853,547.93	84,318,406.55
Total cash outflow from operating activities		156,584,282.17	92,667,089.93
<b>Net cash flow from operating activities</b>		<b>95,807,644.08</b>	<b>-88,107,660.57</b>
<b>II. Cash flow from investing activities</b>			
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
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities		90,000,000.00	85,000,000.00
Total cash outflow in investment activities		90,000,000.00	85,120,103.00
Cash paid to purchase fixed assets intangible assets or other long-term assets		1,417,449.22	2,600.00
Cash paid for investment			
Net cash from subsidiaries and other business units			
Other cash paid related to investment activities		95,000,000.00	
Total cash outflow in investment activities		96,417,449.22	2,600.00
<b>Net cash flow from investing activities</b>		<b>-6,417,449.22</b>	<b>85,117,503.00</b>
<b>III. Cash flow from financing activities</b>			
Cash received from paid-in investment			
Cash received from loans		250,000,000.00	395,000,000.00
Cash received from bond issue			
Other cash received related to financing activities		18,522,301.37	538,125.00
Total cash inflow in financing activities		268,522,301.37	395,538,125.00
Cash repayments of borrowings		301,000,000.00	300,000,000.00
Cash paid for distribution of dividends and profits or payment of interests		31,694,013.13	25,703,343.84
Other cash paid related to financing activities		28,500,000.00	80,000,000.00

<b>Item</b>	<b>Note</b>	<b>This Period</b>	<b>Last Period</b>
Total cash outflow in financing activities		361,194,013.13	405,703,343.84
<b>Net cash flow' in financing activities</b>		-92,671,711.76	-10,165,218.84
<b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		-3,281,516.90	-13,155,376.41
Plus opening balance of cash and cash equivalents		3,966,979.47	17,122,355.88
<b>VI. Closing balance of cash and cash equivalents</b>		685,462.57	3,966,979.47

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:



Item	Current Period												
	Owner's equity attributable to the parent company											Non-controlling Interest	Total Owner's Equity
	Share Capital	Other equity instruments			Capital reserve	Less:treasury stock	Other Comprehensive Income	Special Reserve	Surplus Reserves	General Risk Provision	Undistributed Profit		
PreferredShares		PerpetualBonds	Other										
4. Transfer within the owner's equity													
1). Transfer of capital reserve to share capital													
2). Transfer of surplus reserve to share capital													
3). Surplus reserve to cover the deficit													
4). Retained earnings carried forward from changes of the defined benefit plan													
5). Miscellaneous													
5. Special reserves													
1) Reserves withdrawn in current period													
2) Utilised in current period													
6 Miscellaneous													
IV Closing balance	929,017,761.00				51,259,534.18		-3,518,732.50	13,921.38	77,898,985.76		-2,204,944.31	62,093,853.16	1,114,560,378.67

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:



Item	Last Period												
	Owner's equity attributable to the parent company											Non-controlling Interest	Total Owner's Equity
	Share Capital	Other Equity instruments			Capital Reserve	Less: treasury stock	Other Comprehensive Income	Special Reserves	Surplus Reserves	General Risk Provision	Undistributed Profit		
Preferred Shares		Perpetual Bonds	Other										
4 Transfer within the owner's equity													
1). Transfer of capital reserves to share capital													
2). Transfer of surplus reserves to share capital													
3). Surplus reserves to cover the deficit													
4). Retained earnings carried forward from changes of the defined benefit plan													
5). Other													
5 Special reserves								-1,672.00				-528.00	-2,200.00
1) Reserves withdrawn in current period													
2) Utilised in current period								1,672.00				528.00	2,200.00
6 Other													
IV Closing balance	929,017,761.00				51,259,534.18		-4,275,210.95	13,921.38	77,898,985.76		-44,394,785.25	68,962,660.14	1,078,482,866.26

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:



Item	Current Period										
	Share Capital	Other equity instruments			Capital Reserve	Less:treasurystock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owner's Equity
		PreferredShares	PerpetualBonds	Other							
capital											
2). Transfer of surplus reserves to share capital											
3). Surplusreserves tocover the deficit											
4). Retained earnings carried forward from changes of the defined benefit plan											
5). Other											
5. Special reserves											
1) Reserves withdrawn in current period											
2) Utilised in current period											
6 Other											
IV Closing balance	929,017,761.00				155,822,801.02				65,431,085.56	-136,627,958.36	1,013,643,689.22

The attached notes constitute part of the financial statement.

Legal Representative:Accountant: Accounting leader:



Item	Last Period										
	Share Capital	Other equity instruments			Capital Reserve	Less:treasurystock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owner's Equity
		PreferredShares	PerpetualBonds	Other							
3) Miscellaneous											
4 Transfer within the owner's equity											
1). Transfer of capital reserves to share capital											
2). Transfer of surplus reserves to share capital											
3). Surplusreserves tocover the deficit											
4). Retained earnings carried forward from changes of the defined benefit plan											
5). Other											
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	-214,665,404.15	935,606,243.43

The attached notes constitute part of the financial statement.

Legal Representative:Accountant: Accounting leader:

# Zhongrun Resources Investment Corporation

## Notes to Financial Statements

### Year 2018

(All amounts expressed in RMB unless otherwise stated)

#### I. Fast Facts about the Company

##### 1. Company Overview

Zhongrun Resources Investment Corporation (ZRC or the Company hereinafter) was formerly known as Shandong Zhongrun Investment Holding Group Co. Ltd. (hereinafter referred to as Zhongrun Holding), Zhongrun Holding was formerly known as Shandong Huibang Real Estate Co., Ltd. (hereinafter referred to as Huibang Real Estate), Huibang 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). According to the *Approval on Application for Establishing Sichuan Emeishan Salt Industry (Group) Co., Ltd.* (CJJ (1998) Enterprise No. 396) issued by the former Sichuan Provincial Planning and Economic Committee and the *Reply on the Establishment of Sichuan Emeishan Salt Industry (Group) Co., Ltd.* ((88) QJZ No. 38) issued by the former Ministry of Light Industry, Sichuan Emeishan Salt Industry (Group) Co., Ltd. was jointly founded by the former Sichuan Wutongqiao Salt Factory, an enterprise owned by the whole people, China Huaqing Industrial Company, China Light Industry Material Supply and Marketing Corporation, China National Salt Industry Corporation and Sichuan Salt Industry Co., Ltd. On May 11, 1988, Sichuan Emeishan Salt Industry (Group) Co., Ltd. was given the Business License for Enterprise Legal Person, with the license registration number of 91370000206951100B. On March 12, 1993, Sichuan Emeishan Salt Industry (Group) Co., Ltd. was listed on Shenzhen Stock Exchange as an enterprise specializing in mineral resources and real estate according to the *Reply on the Public Listing Application of Sichuan Emeishan Salt Industry (Group) Co., Ltd.* (ZJFZ [1993] No. 11) issued by China Securities Regulatory Commission.

As of Dec. 31, 2018, the up-to-date registration data is as follows: the total number of shares is 929,017,761, the registered capital is 929,017,761 Chinese yuan, the registered address is Building 17, Zhongrun Century Plaza, No.13777 Jingshi Road, Jinan City, Shandong Province, China, and the business scope covers real estate and exploration of mineral resources.

As of Dec. 31, 2018, the controlling shareholder of the Company was Ningbo RanshengShengyuan Investment Management Partnership (Limited Partnership) (RanShengShengyuan hereinafter) and Mr. GuoChangwei was the

actual controller of the Company. These financial statements were approved by all directors (Board of Directors) of the Company on April 25, 2019.

## 2. Scope of Consolidated Financial Statements

As of Dec. 31, 2018, the following subsidiaries are included in the scope of consolidated financial statements:

Subsidiaries included in consolidated financial statements
Zibo Real Estate Co. Ltd. of Shandong Zhongrun Group (Zibo Real Estate hereinafter)
Zhongrun Mining Development Co., Ltd.
Shandong Qiansheng Trading Co., Ltd.
ShengyuanJiyeInvestment Management (Hangzhou) Co., Ltd.
Zhongrun International Mining Co., Ltd.
Inner Mongolia Huiyin Mining Co., Ltd.
ChifengRunyin Mineral Exploration Co., Ltd.
Sichuan PingwuZhongjin Mining Co., Ltd.
Tibet Zhongjin Mining Co., Ltd.
Vatukoula Gold Mines PLC (VGM PLC hereinafter)
Vatukoula Gold Mines Limited (VGML hereinafter)

For the scope of consolidated financial statements for the current period and its changes, please refer to "VI. Change in Consolidation Scope" and "VII. Equity in Other Entities" in these notes.

## 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* promulgated by CSRC, and the important accounting policies and accounting estimates set forth below.

### 2. Going-concern ability

ZRC is unaffected by any factor that may make a significant impact upon its going-concern ability during the current accounting period.

## III. Major Accounting Policies and Accounting Estimates Followed by ZRC

### 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.

### **2. Accounting period**

The accounting year of ZRC is from 1<sup>st</sup> January to 31<sup>st</sup> December.

### **3. Operating cycle**

The Company uses 12 months as an operating cycle.

### **4. Base currency for bookkeeping**

ZRC and its domestic subsidiaries use Chinese yuan (RMB) as accounting currency.

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

These financial statements are prepared in Chinese yuan (RMB).

### **5. Accounting methods for business combination under common control and that not under common control**

**Business combination under common control:** Assets and liabilities acquired by the Company in a business combination are measured according to the book value of assets and liabilities (including the goodwill arising from the acquisition of the merged entity by the ultimate controller) of the merged entity on the merger date in the consolidated financial statements of the ultimate controller. The difference between the book value of net assets acquired in the merger and the book value of the consideration paid for the merger (or the total par value of the shares issued) is adjusted to the capital reserve; if the capital reserve is insufficient to offset, adjust the retained earnings.

**Business combination not under common control:** The assets paid and the liabilities incurred or assumed by the Company as a consideration for the merger on the acquisition date are measured at fair value, and the difference between the fair value and book value is charged into the profit or loss for the current period. The difference between the purchase price and the fair value of the identifiable net assets of the acquiree obtained by the Company on the acquisition date is 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,

the difference is charged into the profit or loss for the current period after review.

Intermediary costs such as expenses on audit, legal services, assessment and consulting, and other related direct 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 issued for the purpose of business combination are offset by interest.

## **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. All subsidiaries (including the divisible part of the investee controlled by ZRC) are included in the consolidation scope.

### **(2). Consolidation procedures**

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 unified accounting policies as well as the determination, measurement, and presentation requirements of relevant corporate accounting standards.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of ZRC. If the accounting policies and the accounting periods adopted by the subsidiaries are inconsistent with ZRC, necessary adjustments are made in the preparation of consolidated financial statements according to the accounting policies and accounting periods adopted by ZRC. For subsidiaries acquired from business combination not under common control, their financial statements are adjusted based on the fair value of identifiable net assets on acquisition date. For subsidiaries acquired from business combination under common control, their financial statements are adjusted based on the book value of its assets and liabilities (including the goodwill arising from acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller.

The owner's equity, net profit or loss for the current period and current comprehensive income attributable to the minority shareholders of the subsidiary are separately presented under the owners' equity item in the

consolidated balance sheet and the net profit item and total comprehensive income item in the consolidated income statement. If the current loss shared by a minority shareholder of the subsidiary exceeds the minority shareholder's share in the owner's equity of the subsidiary at the beginning of the period, the balance arising therefrom is offset by the minority shareholders' equity.

1). Addition of subsidiaries or businesses

If subsidiary or business is added by business combination under common control during the current accounting period, the opening amounts in consolidated balance sheet are adjusted. The income, expenses and profits of the added subsidiary or business from the beginning of to the end of the accounting period in which the merge occurs are included in the consolidated income statements. The cash flow of the added subsidiary or business from the beginning of to the end of the accounting period in which the merge occurs is included in the consolidated cash flow statement. Meanwhile, the related items in the comparative statement are adjusted. It is deemed that the reporting entity after the combination has been existing since the time when the ultimate controller began to control.

If it is possible to control the investee under common control due to additional investment and other reasons, it is deemed that adjustments have been made to the parties participating in the merger based on the current state since the ultimate controller began controlling the merged entities. The equity held prior to acquisition of control over the merged entity, changes in profit and loss, other comprehensive income and other net assets recognized in profit or loss and other comprehensive income during the period from the date of the acquisition of the original equity or the date when the merger and the merged entity are under common control, whichever is later, to the date of merger are offset by the opening retained earnings and the profit or loss for the current period during the statements comparison period.

During the accounting period, if subsidiary or business is added due to business combination not under common control, the opening amounts in the consolidated balance sheet are not adjusted. The income, expenses and profits of the subsidiary or business from the date of acquisition to the end of the accounting period are included in the consolidated statement of profit and loss. The cash flow of the subsidiary or business from the date of acquisition to the end of the accounting period is included in the consolidated cash flow statement.

If it is possible to control the investee under common control due to additional investment and other reasons, the equity of the acquired entity

held by the Company before the acquisition date is re-measured according to the fair value of the equity on the acquisition date, and the difference between fair value and book value is charged into the investment income for the current period. If the equity of the acquired entity held by the Company before the acquisition date involves changes in other comprehensive income under equity method and owner's equity other than net profit or loss, other comprehensive income and profit distribution, such changes are transferred to the investment income for the current period on the acquisition date, except for other comprehensive income arising from re-measurement of the changes in net liabilities or net assets in defined benefit plan by investee.

## 2). Disposal of subsidiaries or businesses

### ① General disposal method

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 of the subsidiary or business from the beginning of the period 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 received 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 in the original subsidiary since the data of acquisition or date of merger, the difference formed is included in the investment income of the current control loss period. Other comprehensive income related to the equity investment of the original subsidiary or other owner's equity changes other than net profit or loss, other comprehensive income and profit distribution is transferred to the current investment income on the date of control loss, except for other comprehensive income arising from the investee's re-measurement of the changes in net liabilities or net assets in the defined benefit plan.

If the Company's shareholding ratio declines and loses control over a subsidiary because other investors increase their shareholding ratio, the above accounting principles apply.

### ② Step-by-step disposal of subsidiary

If the Company disposes of equity investment in a subsidiary through

multiple transactions until it loses control, these transactions should be treated as a package transaction in any of the following cases.

- i. These transactions are made at the same time or made after consideration of mutual influence.
- ii. These transactions as a whole achieve a complete business result.
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction.
- iv. A transaction alone is not economical, but it is economical when considered together with other transactions.

If the disposals of equity investment in a subsidiary until the loss of control are deemed a package transaction, the transactions will be treated as a single transaction to dispose of the subsidiary and lose control. However, the difference between every disposal price and the share of net assets in the subsidiary corresponding to such disposal before loss of control is recognized in the consolidated financial statements as other comprehensive income and is collectively transferred to the profit or loss for the period when control is lost.

If the disposals of equity investment in a subsidiary until the loss of control cannot be deemed a package transaction, before the loss of control, the relevant policies for partial disposal of equity investment in the subsidiary before loss of control are followed in accounting. When the control is lost, general accounting policies for disposal of subsidiary are followed.

### ③ Purchase of minority shares of subsidiary

In case of difference between the long-term equity investment newly acquired by purchase of minority shares in a subsidiary and the share of net assets in the subsidiary that should be continuously calculated from the acquisition date (or date of merger) in accordance with the new shareholding ratio, the share premium in the consolidated balance sheet is adjusted accordingly. If the share premium in capital reserve is insufficient to offset, adjust the retained earnings.

### ④ Partial disposal of equity investment in subsidiary without loss of control

In case of difference between the disposal price obtained by partial disposal of long-term equity investment in subsidiary without loss of control and the share of the net assets of the subsidiary continuously calculated from the acquisition date or the date of merger corresponding to the disposal of the long-term equity investment, the share premium in

capital reserve in consolidated balance sheet is adjusted accordingly. If the share premium in capital reserve is insufficient to offset, adjust the retained earnings.

## **7. Classification of joint arrangement and the accounting methods**

Joint arrangement is divided into joint operation and joint venture.

If the Company is a party to a joint arrangement and has rights to the assets, and obligations for the liabilities, relating to the arrangement, the joint arrangement is joint operation.

The Company recognizes 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 Recognize the assets held by the Company individually, and recognize jointly held assets according to the shares of the Company;
- ② Recognize the liabilities assumed by the Company alone, and recognize 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 Recognize the income generated from the sales of joint operations according to the Company's share;
- ⑤ Recognize the costs incurred individually and recognize the expenses incurred in the joint operation according to the Company's share.

## **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. Short-term investments held by companies (usually those that are due within 3 months from the acquisition date), strong liquidity, easy to convert into known amounts of cash, and investments with a small risk of changes in value are recognized as cash equivalent.

## **9. Foreign currency transactions and translation of foreign currency statements**

### **(1). Foreign currency transactions**

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 foreign currency into RMB.

The balances of foreign currency monetary items on balance sheet date

are translated at the spot exchange rate on the balance sheet date. The resulting exchange differences are charged into profit or loss for the current period, except that exchange differences arising from foreign currency specific borrowings relating to the acquisition or construction of assets eligible for capitalization are treated in accordance with the principle of capitalization of borrowing costs.

**(2). Translation of 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" item, are translated at the spot exchange rate at the time of occurrence. Incomes and expenses in profit statement are translated at the approximate exchange rate (current average exchange rate) on the date of the transaction.

When disposing of overseas operations, the translation difference in the foreign currency statements related to the overseas operations is transferred from owner's equity to the profit or loss for the current period.

**10. Financial instruments**

Financial instruments include financial assets, financial liabilities and equity instruments.

**(1). Classification of financial instruments**

Financial assets and liabilities are classified as follows at the time of initial recognition: Financial assets or financial liabilities at fair value through profit or loss, including transactional financial assets or financial liabilities and financial assets or financial liabilities that are designated at fair value through profit or loss; held-to-maturity investment; receivables; available-for-sale financial assets.

**(2). Recognition and measurement of financial instruments**

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

At the time of acquisition, financial assets or financial liabilities 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 earned but not yet paid), and the relevant transaction costs are charged into the profit or loss for the current period.

During holding period, interests or cash dividends obtained are recognized as investment income. At the end of the current period, changes in fair value will be charged into profit or loss for the current

period.

At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the gains or losses from change in fair value are adjusted.

#### 2). Held-to-maturity investment

At the time of acquisition, the sum of the fair value (net of bond interest that has earned but has not yet been paid) and the related transaction expenses are taken as the initially recognized amount.

During holding period, interest income is recognized according to amortized cost and actual interest rate and is charged into investment income. The actual interest rate is determined at the time of acquisition and remains unchanged during its expected period of existence or other applicable shorter period.

At the time disposal, the difference between the acquisition price and the book value of the investment is charged into investment income.

#### 3). Receivables

The receivables incurred by sales of goods or provision of labor services and the debts owed by other companies to the Company other than debt instruments that have no quoted prices in an active market, including accounts receivable, other receivables, etc., are initially recognized according to their contract or agreement prices receivable from purchasers. If it is of financing nature, initial recognition shall be based on its present value.

At the time of receipt or disposal, the difference between the actual transaction price and the book value of the receivable is charged into the profit or loss for the current period.

#### 4). Available-for-sale financial assets

At the time of acquisition, the sum of the fair value (net of cash dividends declared but not yet paid or bond interest earned but not yet paid) and the related transaction expenses are taken as the initially recognized amount.

The interest or cash dividends obtained during the holding period are recognized as investment income. At the end of current period, available-for-sale financial assets are measured at fair value and the fair value change is charged into other comprehensive income. However, equity instrument investments that have no quoted prices in active markets and 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 charged into gain or loss on investment; at the same time, the amount of the corresponding part of the cumulative change in the fair value that has been directly charged into other comprehensive income is transferred out and charged into the profit or loss for the current period.

#### 5). Other financial liabilities

The sum of the fair value and the related transaction expenses are taken as the initially recognized amount. Subsequent measurement is based on amortized cost.

### **(3). Recognition and measurement of financial assets transfer**

If financial asset has been transferred and almost all the risks and rewards on the ownership of the financial asset have been transferred to transferee, such financial asset will be derecognized. If the Company maintains almost all the risks and rewards on the ownership of the financial asset, such financial asset will be still recognized.

When judging whether the transfer of financial assets satisfies the above derecognizing condition, the principle of substance over form is adopted. The Company divides financial asset transfers into overall transfer and partial transfer. If the overall transfer of financial asset satisfies the derecognizing condition, the difference between the following two amounts is charged into the profit or loss for the current period:

- ① Book value of the transferred financial asset;
- ② The sum of the consideration paid upon transfer and the cumulative change in the fair value that has been directly charged into owner's equity (in the case that the financial asset involved is available-for-sale financial asset).

If partial transfer of financial asset satisfies the derecognizing condition, the book value of the financial asset as a whole is apportioned between the derecognized part and the recognized part in accordance with their respective relative fair value, and the difference between the following two amounts is charged into the profit or loss for the current period:

- ① The book value of the derecognized part;
- ② The sum of the consideration received for the derecognized part and the derecognized part of the cumulative change in fair value that has charged directly into the owner's equity.

If the transfer of financial asset does not meet the derecognizing condition, the financial asset will continue to be recognized and the consideration received will be recognized as a financial liability.

**(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 are derecognized and the new financial liabilities are recognized.

If substantial changes are made to all or part of the contractual terms of existing financial liabilities, the existing financial liabilities or part thereof are derecognized, and the financial liability after the modification of the terms is 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 charged into the profit or loss for the current period. If the Company repurchases some of its financial liabilities, the entire book value of the financial liabilities will be allocated on the reacquisition date based on the relative fair values of the part that continues to be recognized 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) is charged into the profit or loss for the current period.

**(5). Determination of fair values of financial asset and financial liability**

For financial instruments that have active markets, the prices quoted in the active markets are taken as their fair values. For financial instruments that do not have active market, their fair values are determined by valuation. At the time of valuation, the Company uses the valuation techniques that are applicable in the current circumstance and are sufficient to support the use of data and other information, and the Company uses the inputs that are consistent with the characteristics of assets or liabilities considered by market participants in transactions of related assets or liabilities. Relevant observable inputs are preferred. Unobservable inputs are used only if the relevant observable inputs are not available or are not practicable to acquire.

**(6). Measurement of and provision 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 financial assets on each balance sheet date. If there is objective evidence that the financial assets are impaired, the Company will make provision for the impairment.

1). Provision for impairment of available-for-sale financial assets

At the end of the period, if the fair value of available-for-sale financial asset is seriously impaired, or if, after comprehensive consideration of various relevant factors, it is expected that such downward trend is non-temporary, it is deemed impairment has occurred, and the accumulated losses resulting from the decline in the fair value originally charged into the owner's equity are transferred out and the impairment loss is recognized.

For available-for-sale debt instrument that has been recognized impaired, if its fair value increases during subsequent accounting period and is objectively related to the events that occur after the recognition of the original impairment loss, the originally recognized impairment loss is withdrawn and charged into the profit or loss for the current period.

Impairment losses arising from investments in available-for-sale equity instruments are not withdrawn via profit or loss.

2). Provision for impairment of held-to-maturity investments

Impairment of held-to-maturity investments is measured using the same impairment measurement method for receivables.

**11. Provision for bad debts of accounts receivable**

**(1). Individual accounts receivable with significant amount and separate bad debt provision**

Judgment basis or amount standard for individual account receivable with significant amount: An account receivable with a balance of 5 million yuan or more.

Bad debt provision for accounts receivable with significant amount:

Carry out separate impairment test. If there is objective evidence that an account receivable has been impaired, provision for bad debt is made based on the difference between the estimated present value of future cash flow and its book value, which is charged into the profit or loss for the current period. The accounts receivable, separate impairment test shows that they have not been impaired, are included in appropriate bad debt provision portfolio.

**(2). Accounts receivable with bad debt provision by credit risk portfolio**

Bad debt provision for credit risk portfolios of accounts receivable	
Portfolio 1	Account age portfolio: account age is the basis for determining credit risk portfolio
Portfolio 2	Low credit risk portfolio: (1) Guarantee deposits and deposits relating to production and operation activities, which expire and can be fully recovered; (2) Amounts due from subsidiaries in the Company's consolidation scope; (3) Amounts for which irrevocable debt repayment agreement has been signed.
Method for bad debt provision by portfolio	
Portfolio 1	Account age analysis method
Portfolio 2	Make bad debt provision based on the difference between the present value of its future cash flow and its book value.

**Bad debt provision by account age analysis method:**

Account age	Provision ratio of accounts receivable (%)	Provision ratio of other receivables (%)
Less than 1 year (inclusive)	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
More than 5 years	100.00	100.00

**(3). Receivables without significant amount but with separate bad debt provision**

Reason for separate provision for bad debts: There is hard evidence that there is a significant difference in recoverability.

Bad debt provision method: Provision for bad debts based on the difference between the present value of its future cash flow and its book value.

## **12. Inventory**

**(1). Classification of inventories**

Inventories can be classified into raw materials, work in process, development cost, product under development, auxiliary materials, etc.

**(2). Measurement of inventory**

Inventories issued by the Company are measured using the monthly weighted average method.

**(3). Determination of net realizable valued of inventories**

For inventory of goods directly used for sale, such as finished goods, commodities, and materials for sale, during normal production and operation, its net realizable value is determined to be its estimated selling

price minus its estimated selling expenses and related taxes. For inventory of materials that need to be processed, during normal production and operation, its net realizable value is determined to be the estimated selling price of the finished product minus the estimated costs to be incurred upon completion, estimated sales expenses and related taxes and fees. For inventory held for performance of sales contract or labor contract, its net realizable value is determined on the basis of contract price. If the quantity of the held inventory is more than the quantity ordered by sales contract, the net realizable value of the excess inventory is determined on the basis of general selling price.

At the end of the period, inventory depreciation provisions are made for individual inventory items. But for inventories with a large quantity and low unit price, provision for inventory depreciation is made according to inventory category. For inventories that are related to product series produced and sold in the same region with the same or similar end-use or purpose and are difficult to measure separately from other items, a collective inventory depreciation provision is made for them.

Except for clear evidence that the market price on the balance sheet date is abnormal, the net realizable values of inventories are determined based on the market prices on balance sheet date.

The net realizable values of inventories at the end of the period are determined based on the market prices on balance sheet date.

**(4). Inventory system**

The inventory system is a perpetual inventory system.

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

① Low-value consumables are amortized by the one-off write-off method.

② Packages are amortized by the one-off write-off method.

**13. Held-for-sale assets**

Non-current assets or disposal groups that meet the following conditions are classified as held-for-sale assets:

- 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.

#### **14. Long-term equity investment**

##### **(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.

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.

##### **(2). Determination of initial investment cost**

###### **1). Long-term equity investment formed by business combination**

Business combination under common control: If the Company pays cash, transfers non-cash assets, assumes debt, or issues equity securities as the merger consideration, the initial investment cost of the long-term equity investment is taken as the share of the book value of the owner's equity in the ultimate controller's consolidated financial statements on the combination date. If it is possible to exercise control over the investee under common control due to additional investment and other reasons, the share of the book value of the net assets of the merged entity in the consolidated financial statements of the ultimate controller is recognized as the initial investment cost of the long-term equity investment on the combination date. The difference between the initial investment cost of long-term equity investment and the sum of 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 combination date is adjusted to the capital stock premium; if the capital stock premium is insufficient to offset, the retained earnings are adjusted.

Business combination not under common control: The Company takes the business combination cost recognized on the acquisition date as the initial investment cost of the long-term equity investment. If it is possible to control the investee not under common control due to additional investment and other reasons, the initial investment cost is calculated by the cost method according to the sum of the book value of the originally

held equity investment and the additional investment cost.

2). Long-term equity investment acquired by other means

For long-term equity investment acquired by cash, the actual purchase price paid is taken as its initial investment cost.

For long-term equity investment acquired by issuance of equity securities, the fair value of the issued equity securities is taken as its initial investment cost.

If the exchange of non-monetary assets is of commercial nature and the fair value of the assets exchanged can be reliably measured, the initial investment cost of the long-term equity investment acquired by exchange of non-monetary assets is taken as the sum of the fair value of the assets exchanged out and the relevant taxes and fees payable, unless there is conclusive evidence that the fair value of the assets exchanged in is more reliable. If the non-monetary assets exchange does not meet the above premise, the sum of the book value of the assets exchanged out and the related taxes and fees payable is taken as the initial investment cost of the long-term equity investment.

For long-term equity investments acquired through debt restructuring, the initial investment cost is recognized on the basis of fair value.

**(3). Subsequent measurement of long-term equity investment and recognition 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 recognizes 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 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 is not adjusted. If the initial investment cost is less than the fair value share of the identifiable net assets of the investee at the time of investment, the difference is charged into the profit or loss for the current period.

The investment income and other comprehensive income are recognized

separately according to the share of net profit and loss and other comprehensive income realized by the investee that should be shared or enjoyed by the Company, and the book value of the long-term equity investment is adjusted at the same time. The book value of the long-term equity investment is reduced according to the share of profit or cash dividend declared by investee to be paid that should be enjoyed by the Company. In case of changes in owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and charged into the owner's equity.

The share of net profit or loss of the investee that should be enjoyed by the Company is determined based on the fair value of the investee's identifiable net assets at the time of acquiring the investment and the net profit of the investee that has been adjusted according to the Company's accounting policies and accounting period. During the period in which the Company holds the investment, if the investee prepares its consolidated financial statements, the part of the changes in net profit, other comprehensive income and other owner's equity items in the consolidated financial statements attributable to the investee is taken as the basis for accounting.

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 investee, which are assets impairment losses, are recognized in full.

When the Company recognizes the share of the investee's losses that should be shared by the Company, it should be dealt with in the following order: First, offset the book value of long-term equity investment. Second, if the book value of the long-term equity investment is not sufficient to offset, continue to recognize the investment loss and offset the book value of long-term receivables against the book value of long-term equity that substantially constitutes the net investment in the investee. Finally, after the above-mentioned process, if the Company still undertakes additional obligations in accordance with the investment contract or agreement, the expected liabilities are recognized according to the expected obligations assumed and charged into the investment loss for the current period.

### 3). 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 charged into the

profit or loss for the current period.

For the long-term equity investment accounted for using the equity method, the part originally charged into other comprehensive income is accounted for in proportion using the same basis as the investee's direct disposal of the relevant assets or liabilities when disposing of the investment. 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, except for other comprehensive income arising from re-measurement of changes in net liabilities or net assets in defined benefit plans by investee.

If the Company loses joint control or significant influence over the investee due to the disposal of some equity investment, the remaining equity after disposal shall be accounted for according to the criteria for recognition and measurement of financial instruments, and the difference between the fair value and book value on the date of loss of joint control or significant influence is charged into the profit or loss for the current period. 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 use of equity method for 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 profit or loss for the current period when terminating the use of equity method for accounting.

Where the Company loses control right over the investee due to disposal of part of equity investment or other investors' capital increase in the subsidiary, in the preparation of individual financial statements, if the remaining equity can exert joint control or significant influence on the investee, it is accounted for by the equity method, and the residual equity is deemed adjusted by equity method since its acquisition. If the remaining equity cannot exert joint control or significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the financial instrument recognition and measurement criteria. The difference between the fair value and the book value on the date of loss of control is recognized in profit or loss for the current period.

When disposing equity acquired by business combination through additional investment or other method, in the preparation of individual financial statements, if the remaining equity after disposal is accounted

for using the cost method or equity method, the equity investment held before the acquisition date is accounted for using the equity method, and other comprehensive income and other owner's equity recognized therefrom are carried forward on a pro-rata basis. If the remaining equity after disposal is accounted for in accordance with the financial instrument recognition and measurement criteria, the recognized other comprehensive income and other owners' equity are carried forward in full.

## **15. Investment property**

Investment property refers to property 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 have been built or developed for rent and those under construction for future rent).

The Company uses the cost model to measure the existing investment property. For investment property measured according to the cost model - the rental building adopts the same depreciation policy as the fixed assets of the Company, and the land use right for rental is executed according to the same amortization policy as the intangible assets.

## **16. Fixed assets**

### **(1). Fixed asset recognition criteria:**

Fixed assets refer to tangible assets that are held for the purpose of producing goods, providing labor services, renting, or business management and have a service life longer than one accounting period. Fixed assets are recognized when they meet both 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.

### **(2). Depreciation method**

The depreciation of fixed assets is calculated using the straight-line method and the production method. The depreciation rate is determined based on the category, estimated service life and estimated net residual value of fixed asset. If the service life of each component of a fixed asset is different or provides economic benefits to the enterprise in different ways, then different depreciation rates or depreciation methods are selected and depreciation is provided separately.

If the fixed assets acquired under finance lease can reasonably determine

that the leased assets will be acquired at the expiration of the lease term, the depreciation shall be made within the useful life of the leased assets; if it is not reasonable to determine the ownership of the leased assets when the lease term expires, depreciation is provided for the shorter of the lease term and the remaining useful life of the leased asset.

Vatukoula 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 straight-line method.

The depreciation period, estimated net residual value rate and annual depreciation rate of fixed assets that are depreciated according to the straight-line method are as follows:

Category	Depreciation method	Depreciation period (year)	Residuals rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line method	3—45 years	0—5%	2.11—33.33
Transportation tools	Straight-line method	3—12 years	0—5%	7.92-33.33
Machines and equipment	Straight-line method	4—12 years	0—5%	7.92-25.00

### **(3). Identification and valuation of fixed assets acquired under finance Lease**

When the fixed assets rented by the Company meet one or more of the following criteria, it is recognized as fixed assets acquired under finance Lease:

- ① At the expiration of the lease term, the ownership of the leased asset is transferred to the Company.
- ② The Company has the option to purchase the leased asset. The purchase price is much lower than the fair value of the leased asset when the option is exercised.
- ③ The lease period accounts for the majority of the useful life of the leased asset.
- ④ The present value of the minimum lease payment on the lease start date is not significantly different from the fair value of the leased asset.

On the lease start date, the lower of the fair value of the leased asset and the current value of the minimum lease payments is taken as the entry value of the leased asset, the minimum lease payment amount is taken as

the entry value of long-term payables, and the difference is taken as the unrecognized financing expense.

17. Construction in progress

For the construction-in-progress item, the Company takes the necessary expenditure incurred for the construction before the asset is ready for its intended use as the entry value of fixed asset. If the fixed assets constructed have reached the expected usable status, but have not yet completed the final accounts, they will be transferred to the fixed assets at the estimated value based on the project budget, cost or actual project cost from the date of reaching the expected usable status, and depreciation of fixed assets is made according to the Company's fixed assets depreciation policy. After the completion of the final accounts, the original temporary valuation will be adjusted according to the actual cost, but the original depreciation amount will not be adjusted.

**18. Borrowing Cost**

**(1). Recognition criteria for capitalized borrowing cost**

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange balance on foreign currency borrowings.

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and credited into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be credited into the current profit and loss.

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and credited into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be credited into the current profit and loss.

Assets eligible for capitalization refer to assets that require long time of acquisition, construction or production activities to achieve the intended use or sale status, such as fixed assets, investment real estate and inventories.

Capitalization begins when the borrowing costs meet the following conditions:

(1) The asset disbursements have already incurred, which shall include

the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization.

(2) The borrowing costs have already incurred.

(3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

**(2). Capitalization period of borrowing costs**

Capitalization period refers to the time of period from the time that the borrowing costs start capitalization to the time that the capitalization ends, excluding the period of suspension of 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 under acquisition, construction or production are completed and can be used separately, the capitalization of the borrowing costs of such assets shall cease.

When the various parts of the assets purchased, constructed or produced are completed separately, but they must not be used or sold until the entire assets are completed, the capitalization of the borrowing costs related to such parts ceases.

**(3). Suspension Period 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. If the suspension is necessary for the assets acquired, constructed, or produced to reach the intended use or sale status, the borrowing costs shall continue to be capitalized. The borrowing costs incurred during the suspension shall be recognized as the current profit and loss and continued to be capitalized until the acquirement, construction, and production activities restart.

**(4). How to calculate the capitalization rate and capitalization amount of borrowing costs**

For the funds specifically borrowed for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined as the actual borrowing costs incurred on that borrowing during the period less the interest of unutilized amount of the borrowing and any investment income on the temporary investment of

those borrowings. For the funds borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying the weighted average capital expenditure of the accumulated capital expenditure in excess of the specially borrowed funds to the capitalization rate of the general borrowings used. The capitalization rate is determined based on the weighted average interest rate of the general borrowings.

## **19 Intangible Assets**

### **(1). Measurement of intangible assets**

1) Intangible assets are initially measured at cost.

The costs of purchased intangible assets include the purchase price, related taxes, and other expenses directly attributable to the asset's 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 profit and loss.

Where the non-monetary assets exchange is commercial in nature and the fair value of the assets 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.

2) Subsequent measurement

The Company judges the useful life of an intangible asset when acquiring it.

The intangible asset shall be deemed as having indefinite useful life and shall not be amortized in the period in which it brings economic benefits to the Company could not be predicted.

### **(2). Estimation of intangible assets having definite useful life**

Intangible assets having definite useful life are amortized over the useful

life systematically and reasonably in the expected way that the economic benefits associated with the intangible assets are realized. 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.

**(3) Basis for determination of intangible assets having indefinite useful life and the procedures for reviewing of the useful life**

An intangible asset with an indefinite useful life shall not be amortized, but shall be tested for impairment and the useful life shall be reviewed every year.

**(4). Specific criteria for classifying research and development stages**

Expenditure on internal research and development projects is divided into research stage expenditures and development stage expenditures

Research stage: Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

**(5). Specific conditions for capitalization of development phase expenditures**

In the research phase of an internal project, the expenditure is recognized as an intangible asset if, and only if all of the following can be demonstrated:

- 1) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) its intention to complete the intangible asset and use or sell it.
- 3) how the intangible asset will generate probable future economic benefits, Among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- 4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditures in development stage are recorded into the current profit and loss when they are incurred if not meeting the conditions above. The expenditures in development phase are recorded into the current profit and loss when they are incurred.

## **20 Impairment of long-term assets**

Long-term equity investment, investment property measured in cost mode, fixed assets, construction in progress, and intangible assets with definite useful life shall be tested for impairment if any indication of impairment exists as of the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is lower than its book value, impairment provision shall be made based on the difference and recorded into impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the expected future cash flow of the asset. If it is difficult to estimate the recoverable amount of an individual asset, determine the recoverable amount of the asset group to which the asset belongs. An asset group is the smallest portfolio of assets that can generate cash inflow independently. Asset impairment provision is calculated and recognized on the basis of individual asset.

Goodwill and intangible assets having indefinite useful life shall be tested for impairment at least at the end of each year.

The Company tests the goodwill for impairment. For the goodwill acquired in business combination, the book value is amortized to the relevant asset group on a reasonable basis from the date of purchase. If it is difficult to classify the intangible asset to a relevant asset group, classify it to the relevant asset group combination. When allocating the book value of goodwill to the relevant asset group or asset group combination, allocate the fair value of each asset group or combination according to proportion of the fair value of the relevant asset group or asset group combination in the total fair value. If the fair value is hard to be reliably measured, allocate it according to proportion of the book value of each asset group or asset group combination in the total book value.

When performing impairment test on the relevant asset group or asset group combination containing goodwill, if there is any sign of impairment of the asset group or asset group combination related to goodwill, firstly test the asset group or asset group combination that does not contain goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then test the asset group or asset group combination containing goodwill for impairment, and compare the book value of these related asset groups or asset group combinations (including the book

value of the amortized goodwill) and the recoverable amount. If the recoverable amount of the asset group combination is lower than its book value, the impairment loss of goodwill is recognized. The above asset impairment loss is not carried forward in the subsequent accounting period once recognized.

## **21 Employee Compensation**

### **(1). Accounting of short-term compensation**

During the accounting period in which the employees work for the Company, the Company recognizes the actual short-term compensation actually incurred as liabilities and record into the profit or loss or cost of related asset in the current period.

For the social insurance contributions and housing provident fund paid by the Company for employees, and the labor union funds and employee education funds provided according to the regulations, the Company recognizes the amount of employee benefits according to the basis and proportion during the accounting periods in which the employees render services for the Company.

Non-monetary benefits are measured at the fair value if they may be measured reliably.

### **(2). Accounting treatment of post-employment benefits**

#### **1) Defined benefit plan**

The Company pays basic pension insurance and unemployment insurance for the employees according to the relevant regulations of local government, which are calculated in the accounting period in which employees render services for the Company according to the local payment base and proportion, recognized as liabilities, and recorded into the current profit and loss or cost of related asset.

### **(3). Accounting of termination benefits**

The Company is required to recognize the employee compensation liabilities resulting from termination benefits at the earlier of when it can no longer withdraw the provided benefits due to termination of employment or when it recognizes the costs or expenses related to restructuring of the termination benefits.

## **22 Estimated liabilities**

### **(1). Recognition of estimated liabilities**

The obligation pertinent to litigation, debt guarantee, onerous contract, reorganization or contingency is recognized as estimated liabilities when

all the following conditions are met:

- 1) Such obligations are current to the Company;
- 2) Such obligations, if fulfilled, will probably result in outflow of economic benefits from the Company;
- 3) Such obligations bear an amount that can be reliably measured.

**(2) Measurement of estimated liabilities**

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 in the determination of the best estimate, 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 section), 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. when the required expenditures could not form a continuous range (or section), or although a continuous range is formed but the possibility of occurrence of various results within the range is not the same, if the contingency relates to a single item, then the best estimate shall be determined based on the most possible amount; if the contingency involves multiple items, the best estimate shall be determined based on the various possible outcomes and associated probability.

If all or part of the expenses required by the Company for repayment 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 recognized shall not exceed the book value of the estimated liability.

**23 Revenue**

**(1). General principles for recognition of the income from sale of goods**

- 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 exercises effective control over the goods sold;

- 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). Detailed principles**

1) The revenue from sale of real estate is recognized when the following conditions are met: The operating income is recognized as realized when the major risks in the title and the consideration of the house have been transferred to the buyer, and the seller no longer maintains the management rights normally associated with ownership or takes effective control on the real estate, and the costs related to the sale of the house may be reliably measured. That is to say, the revenue is recognized when the house is completed and passes the acceptance inspection, the Company signs the sale contract, obtains the payment certificate from the buyer, and completes the real estate transfer formalities.

2) Revenue from sale of gold shall be recognized when the following conditions are all satisfied: The major risks and consideration of ownership of gold have been transferred to the buyer, and seller no longer maintains the management rights normally associated with ownership or takes effective control, the buyer has received or obtained the settlement statement from the customer, and the cost related to the sale of the gold can be reliably measured.

**24 Government grants**

**(1). Types**

Government grants refer to the monetary assets and non-monetary asset obtained by the Company from the government free of charge, which are classified into grants related to assets and grants related to income.

Grants related to assets are government grants obtained by the Company for purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets.

The Company recognizes the grants related to assets according to the following criteria:

The government grants are recognized as grants related to assets if they are specially used for acquirement or construction of assets as explicitly required in the government grant document.

The Company recognizes the grants related to income according to the

following criteria:

The government grants are recognized as grants related to income if the government grant document does not explicitly specify that such grants will be specially used for acquisition or construction of assets.

**(2) Time for recognition**

The government grants are recognized when they are actually received or adequate evidences are available to prove that the government grants may be obtained.

**(3) Accounting**

Government grants related to assets are written off against the book value of the underlying assets or recognized as deferred income. The government grants related to assets recognized as deferred income shall be recognized as profit or loss in the current period in a reasonable and systematic manner within the useful life of the relevant assets (as other income if related to the daily activities of the Company, or non-operating income if not);

The government grants related to income, which are used to compensate the related costs/expenses or losses of the Company in the future period, are recognized as deferred income and recognized as profit or loss in the current period in which the relevant costs/expenses or losses are recognized (as other income if related to the daily activities of the Company, or non-operating income if not), or written off against the relevant expenses or losses; if they are used to compensate the related costs or losses incurred by the Company, they are directly recognized as profit or loss in the current profit and loss (as other income if related to the daily activities of the Company, or non-operating income if not) or written off against the relevant expenses or losses.

The policy preferential loan interest discounts granted to the Company are divided into the following two cases for separate accounting:

(1) If the finance department allocates the interest subsidy funds to the loan bank, and the loan bank issues loan to the Company at the policy preferential interest rate, the Company will take the actual amount of the borrowed money as the book value of the loan, and calculate the borrowing cost according to the loan principal and the policy preferential interest rate.

(2) If the finance department directly allocates the discounted funds to the Company, the Company will write off against the relevant borrowing costs.

## **25 Deferred income tax assets and deferred income tax liabilities**

The deferred income tax assets for deductible temporary differences shall be recognized up to the taxable income that might be obtained in the future period to set off against the deductible temporary differences. For deductible losses and tax credits that can be carried forward in subsequent years, the deferred income tax assets are recognized up to the taxable income that might be obtained in the future period to set off against the deductible loss and tax credits.

Taxable temporary differences are recognized as deferred income tax liabilities unless any special circumstance exists.

The special circumstances under which deferred income tax assets or deferred income tax liabilities are not recognized include: initial recognition of goodwill, other transactions or events which do not affect the accounting profit or taxable income (deductible loss) at the occurrence unless business combination.

An entity shall offset current tax assets and current tax liabilities if, and only if, the entity: (a) has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## **26 Lease**

### **(1). Accounting of operating lease**

1) The lease payments paid by the Company for lease of assets shall be recognized as an expense on a straight-line basis over the entire lease term (including the rent-free period). The initial direct expenses paid by the Company for the lease transaction are recognized as expenses in the current period.

When the lessor of the asset bears the expenses related to the lease that should be borne by the Company, the Company will deduct such

expenses from the total rent, and the rent after deduction will be recognized as expenses in the current period over the lease term.

2) The rent received by the Company for leasing assets is recognized as lease related income on a straight-line basis over the entire lease term (including the rent-free period). The initial direct expenses paid by the Company related to the lease transaction are recognized as expenses in the current expenses, and if the amount is significant, are capitalized and recognized as income in the current by installment over the lease term on the same basis with recognition of lease-related income.

When the Company bears the expenses related to the lease that should be borne by the lessee, the Company will deduct such expenses from the total rent, and the rent after deduction will be recognized allocated over the lease term.

## 27 **Discontinued operations**

Discontinued operation 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 "held 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.

## 28 **Changes in significant accounting policies and accounting estimates**

### (1). **Changes in significant accounting policies**

Implementation of the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2018 Issued by the Ministry of Finance

On June 15, 2018, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2018 (CK [2018] No. 15 to revise the financial statement format of general enterprises. The main impacts on the Company are listed as follows:

Content and Reasons for Changes in Accounting Policies	Affected Item and Amounts in Financial Statements
(1) In the balance sheet, the "Notes receivable" and "Accountsreceivable" are combined as "Notes receivable and	The "Notes receivable" and "Accountsreceivable" are combined as "Notes receivable and accounts receivable",

Content and Reasons for Changes in Accounting Policies	Affected Item and Amounts in Financial Statements
<p>accounts receivable”, “Notes payable” and “Accounts payable” are combined as “Notes payable and accounts payables”, "Interest receivable" and "Dividend receivable" are incorporated into “Other receivables”, "Interest payable" and "Dividend payable" are incorporated into "Other payables", "Fixed assets disposal" is incorporated into “Fixed assets”, “Project materials” is incorporated into “Construction in progress”, and “Special payables” is incorporated into “Long-term payables”. The comparison data is adjusted accordingly.</p>	<p>for which the amount is 4,505,364.61 in the current period and 9,366,920.90 in the last period.</p> <p>The “Notes payable” and “Accounts payable” are combined as “Notes payable and accounts payables”, for which the amount is 259,049,408.25 in the current period and 212,021,678.50 in the last period.</p> <p>The amount increased in “Other receivables” is 0.00 for both the current period and the last period.</p> <p>The amount of “Other payables” is increased by 69,572,911.45 for the current period and 50,356,469.67 for the last period.</p> <p>The amount of “Fixed assets” is increased by 0.00 for both the current period and the last period.</p> <p>The amount of “Construction in progress” is increased by 0.00 for both the current period and the last period.</p> <p>The amount of “Long-term payables” is increased by 0.00 for both the current period and the last period.</p>
<p>(2) A new item “R&amp;D Expenses” is added in the Profit &amp; Loss Statement, under which the “R&amp;D expenses” under “Management Expenses” is presented separately. Under the “Financial expenses” in the Profit &amp; Loss Statement, two items "Including: Interest expenses" and “Interest income” are added. The comparison data is adjusted accordingly.</p>	<p>The amount of “Management expenses” is decreased by 0.00 for both the current period and the last period, and it is reclassified into “R&amp;D expenses”.</p>
<p>(3) In the “Statement of Changes in Owners’ Equity”, a new item “Items Carried Forward and Retained for Changes in Defined Benefit Plan”. The comparison data is adjusted accordingly.</p>	<p>The amount of “Items Carried Forward and Retained for Changes in Defined Benefit Plan” is 0.00 for both the current period and the last period.</p>

**(2). Changes in significant accounting estimates**

None.

## IV. Taxation

### 1. Main tax type and rate

Tax Type	Tax Basis	Tax Rate (%)
VAT	Income from sales of goods and taxable services calculated according to the tax law, with the allowable input tax amount in the current period deducted.	17%, 16%, 11%, 9%, 6%, 5%
Urban maintenance and construction tax	Actually paid VAT amount	7%, 5%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Corporate income tax	Taxable income	25%, 20%
Land appreciation tax	Added value amount generated from paid transfer of the state-owned land use right and the property rights over the ground buildings and other attachments. For the income from pre-selling of houses, the tax shall be based on the tax rate stipulated in the place where the house is located.	Calculated and paid in 4 levels of extra progressive tax rates (30-60). For provisional tax rate, local regulations in the place where the house is located shall apply.
Property tax	Valorem property tax: 1.2% of the original value of property less 30.00%; Rent-based property tax: 12%.	1.2%, 12%
Gold tax	Gold sales	3%
ROYALTY	Gold sales	3%

According to notice of the Ministry of Mineral Resources of Fiji in May 2018, Vatukoula Gold Mines PLC (Fiji) is required to pay the royalty at 3% of the gold sales to the Ministry of Mineral Resources.

Disclosure of any other taxpayer to which any other income tax rate may apply.

Taxpayer	Income Tax Rate (%)
Vatukoula Gold Mines PLC	20

### 2. Preferential tax

According to CS [2002]No. 142 “Notice on Issues of Gold Taxation Policy” of

the State Administration of Taxation, the sales of gold products produced by the domestic subsidiaries of ZRC are exempt from VAT.

## V. Notes to Major Items of Consolidated Financial Statements

### 1. Monetary funds

Item	Closing Balance	Opening Balance
Cash on hand	37,127.79	24,720.68
Cash in bank	42,248,171.59	64,634,934.54
Other	8,004,385.27	40,009,235.03
Total	50,289,684.65	104,668,890.25
Including: total amount deposited abroad	9,090,514.02	8,199,227.38

The monetary funds of which the use is restricted due to mortgage, pledge, or freezing, or the repatriation is restricted as deposited abroad are detailed as follows:

Item	Closing Balance	Opening Balance
Letter of credit deposit		31,288,125.00
Environmental governance deposit	1,258,423.40	1,254,602.97
Fixed deposit	4,100,262.93	4,044,884.10
Mortgage deposit	2,645,698.94	3,421,622.96
Frozen funds	1,132,540.07	
Total	9,136,925.34	40,009,235.03
Including: total amount deposited abroad	4,100,262.93	4,044,884.10

Additional notes:

(1) For details on the restricted monetary funds, refer to Note V(44)"Assets with Restricted Ownership or Use Right".

(2) For details on the foreign-currency monetary funds, refer to Note V(45) "Foreign-currency Monetary Funds".

### 2. Notes receivable and accounts receivable

Item	Closing Balance	Opening Balance
Notes receivable		
Account receivable	4,505,364.61	9,366,920.90
Total	4,505,364.61	9,366,920.90

(1) Accounts receivable

1) Accounts receivable disclosed by class

Type	Closing Balance					Opening Balance				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable in significant single amount with separate bad debt provision made										
Accounts receivable with bad debt provision made by combination based on credit risk characteristics										
Combination 1	21,556,908.76	100.00	17,051,544.15	79.10	4,505,364.61	26,534,856.75	88.44	20,637,798.15	77.78	5,897,058.60
Subtotal of combination	21,556,908.76	100.00	17,051,544.15	79.10	4,505,364.61	26,534,856.75	88.44	20,637,798.15	77.78	5,897,058.60
Accounts receivable in insignificant single amount with separate bad debt provision made						3,469,862.30	11.56			3,469,862.30
<b>Total</b>	<b>21,556,908.76</b>	<b>100.00</b>	<b>17,051,544.15</b>	<b>79.10</b>	<b>4,505,364.61</b>	<b>30,004,719.05</b>	<b>100.00</b>	<b>20,637,798.15</b>	<b>68.78</b>	<b>9,366,920.90</b>

In the combination, the accounts receivable with bad debt provision made in account age method:

Account Age	Closing Balance		
	Account receivable	Bad debt provision	Proportion (%)
Within 1 year	3,446,142.54	172,307.13	5.00
1-2 years	590,588.00	59,058.80	10.00
2-3 years			20.00
3-4 years	1,000,000.00	300,000.00	30.00
4-5 years			40.00
Over 5 years	16,520,178.22	16,520,178.22	100.00
Total	21,556,908.76	17,051,544.15	

2) Bad debt provisions made, carried forward or over in this period:

A provision of 3,586,254.00 was carried forward or over in this period.

3) Top five accounts receivable by closing balance classified by debtor

Debtor	Closing Balance		
	Amount	Proportion in total of accounts receivable (%)	Bad debt provision
Zibo ZhongrunXinmate Co., Ltd.	13,497,006.84	62.61	11,645,158.77
The Perth Mint	1,334,141.79	6.19	66,707.09
Zibo Runze Stores Co., Ltd.	1,000,000.00	4.64	300,000.00
Bin Guobin	590,588.00	2.74	59,058.80
Liu Hongyun	88,207.74	0.41	88,207.74
Total	16,509,944.37	76.59	12,159,132.40

The rent receivable to be paid by Zibo ZhongrunXinmate Co., Ltd. to ZRC was pledged to Zibo Branch of WeihaiCommercial Bank, with the term expiring on November 30, 2023. Refer to Note V(44) “Assets with Restricted Ownership or Use Right” for details.

### 3 Advance payment

#### (1). Advance payment by account age

Account age	Closing Balance		Opening Balance	
	Book Balance	Proportion (%)	Book Balance	Proportion (%)
Within 1 year	19,763,821.11	97.27	25,524,314.16	46.82
1-2 years			8,750.00	0.02
2-3 years	1,000.00	0.01	28,684,645.35	52.61
Over 3 years	552,686.41	2.72	300,377.40	0.55
Total	20,317,507.52	100.00	54,518,086.91	100.00

The decrease in this period refers to the amount of RMB 36.4 million recovered after the Phase III villa project contract with Zibo Real Estate Company Limited was terminated.

#### (2). Top five advance payments by closing balance classified by payer

Payer	Closing Balance	Proportion in Total of Closing Balance of Advance Payments (%)
Zibo Branch of Shandong Huicheng Construction Co., Ltd.	13,222,743.47	65.08
Jinan Qingong International Trade Co., Ltd.	750,644.42	3.69
Tianjin Pipe International Economic & Trading Corporation	698,018.58	3.44
Shandong Xinguo Mining Technical Development Co., Ltd.	492,187.49	2.42
Beijing Yingxiang Science and Technology Co., Ltd.	391,500.87	1.93
Total	15,555,094.83	76.56

### 4 Other accounts receivable

Item	Closing Balance	Opening Balance
Interest receivable		
Dividend receivable		
Other	879,294,455.24	776,667,317.70
Total	879,294,455.24	776,667,317.70

(1). Other accounts receivable

1) Other accounts receivable by class:

Type	Closing Balance					Opening Balance				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable in significant single amount with bad debt provision made separately	166,943,000.04	13.28	166,943,000.04	100.00						
Other receivables with bad debt provision made by combinationbased on credit risk characteristics										
Combination 1	720,304,462.28	57.31	210,413,851.36	29.21	509,890,610.92	1,299,097,769.91	99.97	522,566,062.22	40.23	776,531,707.69
Combination 2	369,300,000.00	29.38			369,300,000.00					
Subtotal of combinations	1,089,604,462.28	86.69	210,413,851.36	19.31	879,190,610.92	1,299,097,769.91	99.97	522,566,062.22	40.23	776,531,707.69
Other receivables in insignificant single amount with bad debt provision made separately	368,999.32	0.03	265,155.00	71.86	103,844.32	400,765.01	0.03	265,155.00	66.16	135,610.01
<b>Total</b>	<b>1,256,916,461.64</b>	<b>100.00</b>	<b>377,622,006.40</b>	<b>30.04</b>	<b>879,294,455.24</b>	<b>1,299,498,534.92</b>	<b>100.00</b>	<b>522,831,217.22</b>	<b>40.23</b>	<b>776,667,317.70</b>

Other receivables with significant single amount and separately made bad debt provision

Other receivables (by company)	Closing Balance			
	Other Receivable	Bad Debt Provision	Proportion (%)	Reason
Qilu Real Estate Co., Ltd.	166,943,000.04	166,943,000.04	100.00	It is estimated that the debt could not be recovered.
Total	166,943,000.04	166,943,000.04	100.00	

In the combinations, other receivables with the bad debt provision made in account age method:

Account Age	Closing Balance		
	Other Receivables	Bad Debt Provision	Proportion (%)
Within 1 year	5,721,288.08	286,064.40	5.00
1-2 years	4,352,640.70	435,264.07	10.00
2-3 years	597,965,462.83	119,593,092.57	20.00
3-4 years	31,432,530.67	9,429,759.20	30.00
4-5 years	271,448.13	108,579.25	40.00
Over 5 years	80,561,091.87	80,561,091.87	100.00
Total	720,304,462.28	210,413,851.36	

In the combinations, other receivables with bad debt provision made in other methods:

Combination	Closing Balance		
	Other Receivables	Bad Debt Provision	Proportion (%)
Combination 2	369,300,000.00		
Total	369,300,000.00		

Notes: For the amounts without bad debt provision, refer to Note XII(1)

2) Bad debt provision made, carried forward or over in this period:

In this period, the amount of bad debt provision made is RMB64,887,977.15, the amount carried forward is RMB210,099,348.65, and the amount impacted by translation of foreign-currency financial statements is RMB 2,160.68.

3) Other receivables classified by nature

Type	Closing Book Balance	Opening Book Balance
Receivables from transfer of shares and creditor's rights	536,243,000.04	598,622,348.69
Receivables in account current	80,763,433.77	76,095,429.80
Earnest money	549,056,000.00	522,736,000.00
Iron ore construction fee and capital occupation fee	48,933,803.74	48,933,803.74
Deposits and margins	39,638,350.92	48,843,633.84
Borrowings from pretty cash	586,527.25	708,093.50
Amounts received or paid on behalf	1,695,345.92	3,559,225.35
Total	1,256,916,461.64	1,299,498,534.92

4) Top five other receivables by closing balance classified by debtor

Debtor	Nature of Receivables	Closing Balance	Account Age	Proportion in Total Closing Balance of Other Receivables (%)	Bad Debt Provision Closing Balance
Li Xiaoming	Earnest money	549,056,000.00	2-3 years	43.68	109,811,200.00
Shandong Ansheng Assets Management Group Co., Ltd.	Transfer of equity and creditor's rights	369,300,000.00	Over 5 years	29.38	
Qilu Real Estate Co.,	Transfer of equity and	166,943,000.04	Over 5 years	13.28	166,943,000.04

Debtor	Nature of Receivables	Closing Balance	Account Age	Proportion in Total Closing Balance of Other Receivables (%)	Bad Debt Provision Closing Balance
Ltd.	creditor's rights				
PSEI International Trade Co., Ltd.	Iron ore construction fee and capital occupation fee	48,933,803.74	1-2 years: 3,969,949.73; 2-3 years: 44,963,854.01	3.89	9,389,765.78
Zibo Housing Bureau	Security and warranty	35,935,600.00	3-4 years: 30,765,600.00; ; Over 5 years: 5,170,000.00	2.86	14,399,680.00
Total		1,170,168,403.78		93.09	300,543,645.82

## 5 Inventories

### (1). Classification of inventories

Item	Closing Balance			Opening Balance		
	Book Balance	Depreciation Provision	Book Value	Book Balance	Depreciation Provision	Book Value
Raw materials	50,127,199.54	1,110,830.11	49,016,369.43	51,936,696.23		51,936,696.23
Unfinished products	18,935,248.01		18,935,248.01	19,084,957.66		19,084,957.66
Development costs	267,295,122.88		267,295,122.88	182,529,465.07		182,529,465.07
Development products	106,531,381.72	18,382,792.36	88,148,589.36	287,946,291.62	25,462,335.64	262,483,955.98
Auxiliary materials	1,196,311.90		1,196,311.90	1,270,658.23		1,270,658.23
Total	444,085,264.05	19,493,622.47	424,591,641.58	542,768,068.81	25,462,335.64	517,305,733.17

For details on the restrictions of inventories, refer to Note V(44) "Assets with Restricted Ownership or Use Rights"

### (2) Depreciation provision for inventories

Item	Opening Balance	Increase in the Current Period		Decrease in the Current Period		Closing Balance
		Amount	Other	Carried Forward or Written-off	Translation of Foreign-currency Statements	
Raw materials		1,147,371.04			36,540.93	1,110,830.11
Development products	25,462,335.64	10,084,754.02		17,164,297.30		18,382,792.36
Total	25,462,335.64	11,232,125.06		17,164,297.30	36,540.93	19,493,622.47

Depreciation provision was carried forward or written off in this period because of the carrying forward of sale costs.

- (3). No borrowing cost is capitalized in the closing balance of inventories.

## 6 Other current assets

Item	Closing Balance	Opening Balance
Tax on pre-received house prices	16,554,469.25	18,707,392.40
VAT to be refunded	9,432,306.08	10,822,104.77
Total	25,986,775.33	29,529,497.17

Additional notes:

“VAT to be refunded” refers to the VAT to be refunded to the subsidiary VGML.

## 7. Financial assets available for sale

- (1) Financial assets available for sale

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment Provision	Book Value	Book Balance	Impairment Provision	Book Value
Debt instruments available for sale						
Equity instruments available for sale	60,234,938.56	54,189,218.57	6,045,719.99	64,569,682.06	51,697,454.57	12,872,227.49
Including: measured at	60,234,938.56	54,189,218.57	6,045,719.99	64,569,682.06	51,697,454.57	12,872,227.49

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment Provision	Book Value	Book Balance	Impairment Provision	Book Value
fair value						
Measured at cost						
Total	60,234,938.56	54,189,218.57	6,045,719.99	64,569,682.06	51,697,454.57	12,872,227.49

(2). Closing available-for-sale financial assets measured at fair value

Classification	Equity Instruments Available for Sale	Debt Instruments Available for Sale	Total
Cost of equity instrument/amortized cost of debt	63,368,522.15		63,368,522.15
Fair value	6,045,719.99		6,045,719.99
Accumulated amount of changes in fair value recorded into other comprehensive income	-3,133,583.59		-3,133,583.59
Impairment provision made	54,189,218.57		54,189,218.57

(3). Changes in impairment of available-for-sale financial assets

Classification of available-for-sale financial assets	Equity Instruments Available for Sale	Debt Instruments Available for Sale	Total
Opening balance of impairment provision	51,697,454.57		51,697,454.57
Amount accrued in this period	2,491,764.00		2,491,764.00
Including: difference from translation of foreign-currency statements	2,491,764.00		2,491,764.00
Decrease in this period			
Including: Amount carried forward for rise of fair value			
Closing balance of impairment provision	54,189,218.57		54,189,218.57

## 8 Long-term equity investment

Investee	Opening Balance	Increase/decrease in this Period							Closing Balance	Impairment Provision Made in This Period	Closing Balance of Impairment Provision
		Additional Investment	Decreased Investment	Investment Gains/Loss Recognized in Equity Method	Adjustment of Other Comprehensive Income	Changes in Other Equity	Declared Cash Dividend or Profit	Translation of Foreign-currency Statements			
1. Joint venture											
2. Associate											
Goldbasin Mining (Fiji) Pte Limited		27,679,296.79						186,103.25	27,865,400.04		
PANGEA GOLD MINING(FIJI) PTE LIMITED		4,140,903.54		-641,729.10				23,526.91	3,522,701.35		
Subtotal		31,820,200.33		-641,729.10				209,630.16	31,388,101.39		
Total		31,820,200.33		-641,729.10				209,630.16	31,388,101.39		

Additional notes:

According to the Joint Venture Agreement entered into by and between the subsidiaries VGML and Marvel Dragon, as the shareholder of Goldbasin Mining (Fiji) pte Limited, Marvel Dragon shall bear all the costs and expenses incurred on the “mining” and “exploration” during the “exploration period” until the completion date or the early termination of this Agreement, whichever occurs earlier. As of December 31, 2018, Goldbasin Mining (Fiji) pte Limited was still in the exploration period, and hence the investment gains/losses were not recognized in this period.

## 9 Investment property

### (1). Investment property measured at cost

Item	Houses and Buildings	Total
1. Original book value		
(1) Opening balance	196,222,252.48	196,222,252.48
(2) Increase in this period	57,440,369.62	57,440,369.62
—Purchase		
—Transferred from inventories	12,905,533.21	12,905,533.21
—Transferred from properties for paying debt	44,534,836.41	44,534,836.41
(3) Decrease in this period		
—Disposal		
(4) Closing balance	253,662,622.10	253,662,622.10
2. Accumulated depreciation and accumulated amortization		
(1) Opening Balance	32,944,725.30	32,944,725.30
(2) Increase in this period	5,820,881.75	5,820,881.75
—Accrual or amortization	5,820,881.75	5,820,881.75
(3) Decrease in this period		
—Disposal		
(4) Closing Balance	38,765,607.05	38,765,607.05
3. Impairment provision		
(1) Opening balance		
(2) Increase in this period		
—Accrual		
(3) Decrease in this period		
—Disposal		
(4) Closing Balance		

Item	Houses and Buildings	Total
4. Book value		
(1) Closing book value	214,897,015.05	214,897,015.05
(2) Opening book value	163,277,527.18	163,277,527.18

Additional notes:

(1) On August 9, 2018, the court made a judgment that Shandong Shengji Investment Co., Ltd. (“Shandong Shengji Investment”), guarantor for Qilu Real Estate Co., Ltd., shall transfer the housesat #1-#10, No. 10, Shantou Road, Wendeng District, Weihai City, which werevalued RMB 43,207,587.00 to the Company. Along with the tax payable RMB 1,327,249.41 for transfer of ownership, totaling RMB 44,534,836.41 were taken as investment property.

(2) Inventories valued 12,905,533.21 were transferred into investment property, for which the ownership certificate has not been obtained.

(3) Details on mortgageover the investment properties at the end of the period:

Item	Original Book Value	Accumulated Depreciation	Book Value
Houses and buildings	196,222,252.48	37,984,048.34	158,238,204.14
Total	196,222,252.48	37,984,048.34	158,238,204.14

## 10. Fixed Assets

### (1). Fixed assets and disposal

Item	Closing Balance	Opening Balance
Fixed assets	566,676,700.27	566,067,114.89
Fixed assets disposal		
Total	566,676,700.27	566,067,114.89

(2). Details of fixed assets

Item	Houses and Buildings	Machinery and Electronic Devices	Transportation Vehicles	Tunnels	Total
1. Original book value					
(1) Opening Balance	92,069,397.23	278,558,218.69	77,893,499.18	380,207,860.41	828,728,975.51
(2) Increase in this period	2,288,472.95	31,231,218.37	8,580,073.20	75,174,522.93	117,274,287.45
—Purchase		44,962.63		75,174,522.93	75,219,485.56
—Transferred from construction in process	2,288,472.95	31,186,255.74	8,580,073.20		42,054,801.89
(3) Decrease in this period	-705,669.48	13,338,227.63	13,543,043.14	34,040,388.82	60,215,990.11
—Disposal or scrapping		17,041,143.27	14,578,271.30	39,485,800.31	71,105,214.88
—Translation of foreign-currency statements	-705,669.48	-3,702,915.64	-1,035,228.16	-5,445,411.49	-10,889,224.77
(4) Closing Balance	95,063,539.66	296,451,209.43	72,930,529.24	421,341,994.52	885,787,272.85
2. Accumulated depreciation					
(1) Opening Balance	39,826,549.57	108,042,491.69	48,465,931.76	66,024,967.67	262,359,940.69
(2) Increase in this period	7,114,960.68	34,335,657.19	9,830,677.26	42,082,114.09	93,363,409.22
—Accrual	7,114,960.68	34,335,657.19	9,830,677.26	42,082,114.09	93,363,409.22
(3) Decrease in this period	-89,407.69	12,090,612.56	11,947,683.14	12,934,380.10	36,883,268.11

Item	Houses and Buildings	Machinery and Electronic Devices	Transportation Vehicles	Tunnels	Total
—Disposal or scrapping		13,532,598.50	12,542,426.44	14,026,963.55	40,101,988.49
—Translation of foreign-currency statements	-89,407.69	-1,441,985.94	-594,743.30	-1,092,583.45	-3,218,720.38
(4) Closing Balance	47,030,917.94	130,287,536.32	46,348,925.88	95,172,701.66	318,840,081.80
3. Impairment provision					
(1) Opening Balance	201,325.05	14,128.10	86,466.78		301,919.93
(2) Increase in this period					
—Accrual					
(3) Decrease in this period	20,957.49	1,470.67	9,000.99		31,429.15
—Disposal or scrapping	20,957.49	1,470.67	9,000.99		31,429.15
(4) Closing Balance	180,367.56	12,657.43	77,465.79		270,490.78
4. Book value					
(1) Closing book value	47,852,254.16	166,151,015.68	26,504,137.57	326,169,292.86	566,676,700.27
(2) Opening book value	52,041,522.61	170,501,598.90	29,341,100.64	314,182,892.74	566,067,114.89

Additional notes:

A depreciation of RMB 93,363,409.22 was made in this period. In the increase in this period, the original value of the fixed assets transferred from construction in process was RMB 42,054,801.89.

## 11 Construction in process

### (1). Construction in process and project materials

Item	Closing Balance	Opening Balance
Construction in process	35,641,662.53	13,255,249.03
Project materials		
Total	35,641,662.53	13,255,249.03

### (2). Breakdown of construction in process

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment Provision	Book Value	Book Balance	Impairment Provision	Book Value
Mine roads and tailing ponds	1,416,128.00		1,416,128.00	1,416,128.00		1,416,128.00
Expansion and renovation of tailing dam	4,387,634.63		4,387,634.63	6,573,362.86		6,573,362.86
Machinery and equipment not installed yet	29,610,953.40		29,610,953.40	5,038,811.67		5,038,811.67
Other	226,946.50		226,946.50	226,946.50		226,946.50
Total	35,641,662.53		35,641,662.53	13,255,249.03		13,255,249.03

(3). Changes of important construction in process in this period

Item	Budget	Opening Balance	Increase in This Period	Transferred to Fixed Asset in This Period	Other decreases in This Period (difference from translation of foreign-currency statements)	Closing Balance	Proportion of Accumulated Investment in Budget (%)	Completion (%)	Accumulated Amount of Capitalized Interest	Including: Amount of capitalized interest in this period	Rate of Interest Capitalized in This Period	Source of Capital
Mine roads and tailing ponds	2,832,256.00	1,416,128.00				1,416,128.00	50.00	50.00				Self-raised
Expansion and renovation of tailing dam	17,912,171.10	6,573,362.86	31,785.85	2,288,472.95	-70,958.87	4,387,634.63	24.50	24.50				Self-raised
Machinery and equipment not installed yet	38,717,503.42	5,038,811.67	64,101,997.15	39,766,328.94	-236,473.52	29,610,953.40	76.48	76.48				Self-raised
Other	283,683.13	226,946.50				226,946.50	80.00	80.00				Self-raised
<b>Total</b>	<b>59,745,613.65</b>	<b>13,255,249.03</b>	<b>64,133,783.00</b>	<b>42,054,801.89</b>	<b>-307,432.39</b>	<b>35,641,662.53</b>						

## 12. Intangible assets

### (1). Details of intangible assets

Item	Mining Rights	Exploration Rights	Others	Total
1. Original book value				
(1) Opening balance	309,987,964.57	127,229,446.43	5,041,139.34	442,258,550.34
(2) Increase in this period	113,207.54		532,182.26	645,389.80
—Acquirement	113,207.54		532,182.26	645,389.80
(3) Decrease in this period	-1,949,809.22		-23,113.22	-1,972,922.44
—Disposal	40,000.00			40,000.00
—Translation of foreign-currency statements	-1,989,809.22		-23,113.22	-2,012,922.44
(4) Closing balance	312,050,981.33	127,229,446.43	5,596,434.82	444,876,862.58
2. Accumulated amortization				
(1) Opening balance	69,939,314.77		2,485,407.05	72,424,721.82
(2) Increase in this period	17,086,073.76		480,719.93	17,566,793.69
—Accrual	17,086,073.76		480,719.93	17,566,793.69
(3) Decrease in this period	-606,211.49		-18,433.56	-624,645.05
—Disposal				
—Translation of foreign-currency statements	-606,211.49		-18,433.56	-624,645.05
(4) Closing Balance	87,631,600.02		2,984,560.54	90,616,160.56
3. Impairment provision				-
(1) Opening Balance	79,514,811.22	39,340,896.19	791,923.87	119,647,631.28
(2) Increase in this period		9,782,241.97		9,782,241.97
—Accrual		9,782,241.97		9,782,241.97
—Others				
(3) Decrease in this period				

Item	Mining Rights	Exploration Rights	Others	Total
—Disposal				
—Others				
(4) Closing balance	79,514,811.22	49,123,138.16	791,923.87	129,429,873.25
4. Book value				-
(1) Closing book value	144,904,570.09	78,106,308.27	1,819,950.41	224,830,828.77
(2) Opening book value	160,533,838.58	87,888,550.24	1,763,808.42	250,186,197.24

Additional notes:

(1) The amount of amortization in this period is RMB17,566,793.69.

(2) In the current period, the impairment of exploration rights was RMB 9,782,241.97, which was accrued because the estimated recoverable amount of the prospecting right and exploration right of the subsidiary Sichuan Pingwuover the Shilonggou Gold Mine was lower than the carrying value as the area is overlapped with the core area of Giant Panda National Park and the core area of Xuebaoding National Nature Reserve.

### 13 Deferred income tax assets and deferred income tax liabilities

(1). Deferred income tax assets not set off

Item	Closing Balance		Opening Balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Income tax effects on bad debt provision	53,976,436.09	13,494,109.02	55,127,511.10	13,781,877.78
Income tax effectson inventories depreciation provision	18,382,792.36	4,595,698.09	25,462,335.64	6,365,583.91
Income tax effects on pre-received amount	26,592,481.96	6,648,120.49	30,936,540.54	7,734,135.13
Income tax effects on estimated liabilities	7,327,200.00	1,831,800.00	6,502,800.00	1,625,700.00
Deductible loss	42,258,687.29	10,564,671.82	30,286,575.33	7,571,643.83
Income tax effects on taxes and surcharges	35,842,069.94	8,960,517.49	36,236,481.21	9,059,120.30
Total	184,379,667.64	46,094,916.91	184,552,243.82	46,138,060.95

## (2). Non-deducted income tax liabilities

Item	Closing Balance		Opening Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Rent-free lease	13,497,006.84	3,374,251.71	14,231,565.49	3,557,891.37
Income tax credits from the withholding tax	3,379,083.37	844,770.84	8,491,452.98	2,122,863.25
<b>Total</b>	<b>16,876,090.21</b>	<b>4,219,022.55</b>	<b>22,723,018.47</b>	<b>5,680,754.62</b>

## (3). Breakdown of unrecognized deferred income tax assets

Item	Closing Balance	Opening Balance
Deductible temporary differences		
Deductible loss	367,726,890.40	390,051,905.29
Bad debt provision	340,697,114.46	488,341,504.27
Depreciation provision for inventories	1,110,830.11	
Impairment provision for intangible assets	129,429,873.25	119,647,631.28
Impairment provision for fixed assets	270,490.78	301,919.93
Estimated liabilities	62,757,952.06	22,116,465.75
Interest payable	132,613.61	132,613.61
<b>Total</b>	<b>902,125,764.67</b>	<b>1,020,592,040.13</b>

## (4). Due dates of deductible loss of unrecognized deferred income tax assets:

Year	Closing Balance	Opening Balance	Remarks
2018		113,410,207.06	
2019	74,903,529.69	74,903,529.69	
2020	43,234,983.26	43,234,983.26	
2021	32,025,249.70	32,025,249.70	
2022	126,477,935.58	126,477,935.58	
2023	91,085,192.17		
<b>Total</b>	<b>367,726,890.40</b>	<b>390,051,905.29</b>	

**14 Other non-current assets**

Item	Closing Balance	Opening Balance
Advance payment for equipment	2,200,283.02	3,524,519.32
Total	2,200,283.02	3,524,519.32

**15 Short-term borrowing**

## (1). Breakdown

Item	Closing Balance	Opening Balance
Guaranteed borrowing	250,000,000.00	300,000,000.00
Credit borrowing	11,394,742.72	12,626,947.78
Mortgage+guaranteed borrowing	94,000,000.00	95,000,000.00
Total	355,394,742.72	407,626,947.78

Notes for classification of short-term borrowings:

(1) The guaranteed borrowing is guaranteed by Shandong Xinchao Energy Co., Ltd. by Shares;

(2) The credit borrowing is borrowed by the subsidiary VGML from the bank ANZ;

(3) The Company borrowed RMB 94 million from Jinan Rural Commercial Bank, for which the subsidiary Zibo Real Estate provided credit guarantee and house mortgage. The restrictions are detailed in Note V(44) "Assets with the Restricted Ownership or Use Rights".

**16 Notes payable and accounts payable**

Item	Closing Balance	Opening Balance
Notes payable		
Accountspayable	259,049,408.25	212,021,678.50
Total	259,049,408.25	212,021,678.50

## (1). Accounts payable

## 1) Breakdown:

Item	Closing Balance	Opening Balance
Project payment	131,623,494.43	132,036,374.04

Item	Closing Balance	Opening Balance
Equipment payment	17,268,252.45	11,365,417.39
Materials payment	107,379,893.63	66,286,571.59
Other	2,777,767.74	2,333,315.48
Total	259,049,408.25	212,021,678.50

2) Key accounts payable with the account age exceeding one year:

Item	Closing Balance	Reasons for Not Repaying or Carrying Forward
Zibo Branch of Sutong Construction Corporation	31,045,226.76	Not reached the settlement date yet
Shandong Baocheng Real Estate Co., Ltd.	13,237,489.48	Not reached the settlement date yet
Shandong Xincheng Construction Corporation	12,244,538.72	Pending litigation
Shandong Gaoyang Construction Co., Ltd.	6,057,924.83	Not reached the settlement date yet
Total	62,585,179.79	

**17 Advance receipts**

(1). Breakdown

Item	Closing Balance	Opening Balance
House price	165,838,670.37	193,949,506.11
Rent received	4,309,645.57	2,777,856.76
Total	170,148,315.94	196,727,362.87

(2). Important advance receipts with the account age over one year

Item	Closing Balance	Reasons for Not Repaying or Carrying Over
Zibo Jingyuan Real Estate Co., Ltd.	40,216,130.00	Not yet delivered
Zibo Central Hospital	6,000,000.00	Not yet delivered

Item	Closing Balance	Reasons for Not Repaying or Carrying Over
Zibo Branch of Sutong Construction Corporation	4,800,000.00	Not yet delivered
Total	51,016,130.00	

(3). Advancereceipts by project

Project Name	Closing Balance	Opening Balance
Receipts from pre-sale of houses of ZhongrunOCT phase 1	99,658.10	199,658.10
Receipts from pre-sale of houses of ZhongrunOCT phase 2		
Receipts from pre-sale of houses of ZhongrunOCT phase 3	109,905.00	8,214,376.00
Receipts from pre-sale of houses of ZhongrunOCT phase 4	31,469.00	131,469.00
Receipts from pre-sale of houses of ZhongrunOCT phase 5		
Receipts from pre-sale of houses of ZhongrunOCT phase 6	165,597,638.27	185,404,003.01
Rent prepaid	4,309,645.57	2,777,856.76
Total	170,148,315.94	196,727,362.87

**18. Payroll payable**

(1). Breakdown

Item	Opening Balance	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance

Item	Opening Balance	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance
Short-term benefits	14,408,523.83	149,514,394.48	145,769,972.54	-134,473.07	18,287,418.84
Post-employment benefits – defined contribution plan	1,559,462.71	907,990.91	1,013,139.32	-23,175.84	1,477,490.14
Termination benefits		442,492.04	442,492.04		
Other benefits due within one year					
Total	15,967,986.54	150,864,877.43	147,225,603.90	-157,648.91	19,764,908.98

(2). Short-term benefits

Item	Opening Balance	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance
(1) Salary, bonus, allowance and subsidy	3,625,087.36	138,513,963.94	136,335,390.14	-56,750.56	5,860,411.72
(2) Employee benefits	4,205.24	192,685.98	184,158.98		12,732.24
(3) Social insurance expenses	1,943,767.35	2,564,605.43	2,235,041.25	-27,911.52	2,301,243.05
Including: medical insurance expenses	66,948.39	334,630.89	334,630.89		66,948.39
Work injury insurance expenses	1,876,818.96	2,185,305.16	1,855,740.98	-27,911.52	2,234,294.66
Maternity insurance expenses		44,669.38	44,669.38		
(4) Housing provident fund	687,837.79	587,849.23	587,849.23		687,837.79
(5) Labor union expenditure and employee education expenses	5,005,320.83	969,710.62	22,087.00	-3,411.38	5,956,355.83
(6) Paid short-term absence	3,142,305.26	6,685,579.28	6,405,445.94	-46,399.61	3,468,838.21
(7) Short-term					

Item	Opening Balance	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance
profit sharing plan					
Total	14,408,523.83	149,514,394.48	145,769,972.54	-134,473.07	18,287,418.84

(3). Breakdown of defined contribution plan

Item	Opening Balance	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance
Basic pension insurance	284,750.66	844,963.19	844,963.19		284,750.66
Unemployment insurance	48,025.25	59,721.72	59,721.72		48,025.25
Corporate annuity		3,306.00	3,306.00		
Other	1,226,686.80		105,148.41	-23,175.84	1,144,714.23
Total	1,559,462.71	907,990.91	1,013,139.32	-23,175.84	1,477,490.14

Additional notes:

“Other” refers to the provident fund accrued by VGML.

**19 Tax payable**

Category	Closing Balance	Opening Balance
Individual income tax	1,154,241.57	512,444.84
Property tax	470,652.27	318,107.03
Land use tax	402,242.80	355,486.04
Corporate income tax	202,141.12	202,141.12
Stamp duty	9,048.90	8,814.80
VAT		1,916,604.39
Urban maintenance and construction tax		150,296.85
Education surcharges		107,354.90
Water conservancy construction fund		6,876.85
Other	364,159.64	811,606.19
Total	2,602,486.30	4,389,733.01

**20 Other payables**

Item	Closing Balance	Opening Balance
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Item	Closing Balance	Opening Balance
Interest payable	69,572,911.45	50,356,469.67
Dividend payable		
Other	416,494,369.64	367,870,475.96
Total	486,067,281.09	418,226,945.63

(1). Interest payable

Item	Closing Balance	Opening Balance
Interest on long-term borrowings with interest repaid by installment and principal repaid on maturity date		83,064.14
Interest payable on bank loan	1,136,705.97	682,527.08
Interest payable for loan issued by non-financial institutions	68,436,205.48	49,590,878.45
Total	69,572,911.45	50,356,469.67

(2). Other payable

1) By nature

Item	Closing Balance	Opening Balance
Payables in current account	137,257,531.97	71,937,564.58
Borrowing from non-financial institutions	210,022,301.37	225,000,000.00
Amounts received by developer on behalf	15,357,159.34	16,183,774.46
Earnest money for purchase of houses	4,358,415.00	5,552,411.24
Tax to be settled	47,183,178.14	45,074,126.69
Others	2,315,783.82	4,122,598.99
Total	416,494,369.64	367,870,475.96

2) Other important payables with the account age of over one year

Item	Closing Balance	Reason for failure to pay or carry over
Cui Wei	140,000,000.00	Personal borrowing
Shandong Bona Investment Co., Ltd.	39,166,533.92	Borrowing from shareholders of subsidiaries
Ningbo DingliangHuitong Equity Investment Centre	25,000,000.00	Borrowing from other enterprises
Tibet SinolinkWealth Investment Management Co., Ltd.	17,500,000.00	Borrowing from other enterprises
Liu Jiaqing	17,000,000.00	Personal borrowing
Total	238,666,533.92	

## 21 Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term borrowing due within one year	10,000,000.00	125,445,097.27
Bonds payable due within one year		
Long-term payables due within one year		
Total	10,000,000.00	125,445,097.27

## 22 Long-term borrowing

Classification:

Item	Closing Balance	Opening Balance
Pledged borrowing	40,000,000.00	
Total	40,000,000.00	

Additional notes:

(1) The Company borrowed RMB 50 million from Zibo Branch of Weihai Commercial Bank with the term starting from November 30, 2018 to November 30, 2023 and the annual interest rate of 10.00%.

(2) The Company shall repay RMB 10 million by December 20, 2019, for which the Company provides accounts receivables pledge and property mortgage. Refer to Note V(44) “Assets with the Restricted Ownership or Use Rights” for details.

## 23 Long-term payroll payable

(1). Breakdown

Item	Closing Balance	Opening Balance
1. Net liabilities for post-employment benefits-defined benefit plan		
2. Termination benefits		
3. Other long-term benefits	868,960.30	1,022,272.96
Total	868,960.30	1,022,272.96

**24 Estimated liabilities**

Item	Closing Balance	Opening Balance	Reasons
Estimated liquidated damages	37,175,013.70	17,269,265.75	
Estimated liabilities related to mine reclamation	21,560,138.36	53,166,431.01	Estimated mine repair costs
Estimated loss	11,350,000.00	11,350,000.00	Overdue loan guarantee loss
Total	70,085,152.06	81,785,696.76	

Additional notes:

(1) The estimated liquidated damages loss refers to the liquidated damages resulting from the Company's failure to repay the borrowings to Cui Wei, Liu Jiaqing and others in accordance with the contract.

(2) The estimated liabilities related to mine land reclamation refer to the expenses for mine reclamation as estimated by VGML.

**25 Share capital**

Item	Opening Balance	Increase (+)/decrease (–) in this period					Closing Balance
		Issue of new shares	Bonus share	Conversion from reserves	Others	Subtotal	
Total capital share	929,017,761.00						929,017,761.00

**26 Capital reserve**

Item	Opening Balance	Increase in This Period	Decrease in This Period	Closing Balance
Capital premium	51,259,534.18			51,259,534.18

Item	Opening Balance	Increase in This Period	Decrease in This Period	Closing Balance
Total	51,259,534.18			51,259,534.18

27 **Other comprehensive income**

Item	Opening Balance	Amount Incurred in This Period					Closing Balance
		Amount Before income tax amount in this period	Less: Amount recorded in other comprehensive income in the previous period and transferred to loss and profit in this period	Less: income tax amount	After-tax amount attributable to the parent company	After-tax amount attributable to minor shareholders	
Other comprehensive income that will be subsequently reclassified as profit and loss							
Including: Profit and loss from changes in fair value of available-for-sale financial assets	3,692,923.91	-6,826,507.50			-6,826,507.50		-3,133,583.59
Difference from translation of foreign-currency financial statements	-5,686,791.96	10,049,373.12			7,582,985.95	2,466,387.17	1,896,193.99
Others	-2,281,342.90						-2,281,342.90
Total of other comprehensive income	-4,275,210.95	3,222,865.62			756,478.45	2,466,387.17	-3,518,732.50

**28 Special reserve**

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
Work safety expenses	13,921.38			13,921.38
Total	13,921.38			13,921.38

**29 Surplus reserve**

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
Statutory surplus reserve	77,898,985.76			77,898,985.76
Total	77,898,985.76			77,898,985.76

**30 Undistributed profit**

Item	This period	Last period
Undistributed profit at the end of the previous year before adjustment	-44,394,785.25	404,738,995.48
Undistributed profits at the beginning of the year after adjustment (increase +, decrease -)		
Undistributed profits at the beginning of the year after adjustment	-44,394,785.25	404,738,995.48
Plus: net profit attributable to the owner of the parent company in the current period	42,189,840.94	-449,133,780.73
Less: statutory surplus reserve accrued		
Discretionary surplus reserve accrued		
General risk provision accrued		
Ordinary share dividend payable		
Ordinary share dividend transferred to share capital		
Closing undistributed profit	-2,204,944.31	-44,394,785.25

**31 Operating income and operating expenses**

Item	This Period		Last Period	
	Income	Expenses	Income	Expenses
Main business	486,021,070.02	461,373,289.49	758,655,139.52	682,687,546.96
Other businesses	10,439,161.62	5,473,024.07	10,427,104.94	5,447,239.91
Total	496,460,231.64	466,846,313.56	769,082,244.46	688,134,786.87

### 32 Taxes and surcharges

Item	This Period	Last Period
Business tax	4,651,089.86	7,785,600.57
Urban maintenance and construction tax	530,866.96	1,392,254.99
Land appreciation tax	2,584,901.43	13,541,074.88
Property tax	1,445,096.75	1,273,508.12
Stamp duty	73,913.29	92,694.00
Education surcharge	280,505.13	782,766.60
Water conservancy construction fund	15,147.54	52,215.20
Gold tax	12,213,473.99	11,170,104.90
Land use tax	346,607.60	377,880.42
Total	22,141,602.55	36,468,099.68

### 33 Sales expenses

Item	This Period	Last Period
Repair expenses	5,493,787.50	7,189,161.32
Expenses for selling services	2,527,853.02	5,235,105.79
Labor costs	596,039.47	3,158,174.49
Office expenses	69,022.60	67,581.66
Travelling expenses	35,144.47	17,305.70
Entertainment expenses	5,325.00	13,589.00
Other	124,043.23	220,423.00
Total	8,851,215.29	15,901,340.96

**34 Management expenses**

Item	This Period	Last Period
Labor cost	21,092,318.81	18,805,132.10
Depreciation and amortization	26,125,534.51	26,640,213.65
Agency expenses	10,812,268.51	12,304,137.51
Property management and water and electricity expenses	7,032,081.50	8,019,418.84
Office expenses	3,845,284.62	8,587,508.62
Turnover materials	737,472.24	104,111.59
Leasing expenses	3,728,195.56	6,346,244.21
Travelling expenses	1,416,538.83	2,599,334.75
Entertainment expenses	889,924.97	7,411,640.58
Others	1,980,547.13	10,579,721.92
Total	77,660,166.68	101,397,463.77

**35 Financial expenses**

Item	This Period	Last Period
Interest expenses	57,798,044.63	60,235,328.10
Less: interest income	532,628.33	4,882,870.43
Exchange loss	-26,261,552.64	31,236,053.65
Handling charges	54,419.15	3,189,840.26
Other		3,203.73
Total	31,058,282.81	89,781,555.31

**36 Asset impairment loss**

Item	Amount Incurred in This Period	Amount Incurred in Last Period
Bad debt loss	-148,797,625.50	199,821,375.06
Inventory depreciation loss	11,232,125.06	25,462,335.64
Intangible asset impairment loss	9,782,241.97	79,514,811.22
Total	-127,783,258.47	304,798,521.92

**37 Investment income**

Item	Amount Incurred in This Period	Amount Incurred in Last Period
Income from long-term equity investment calculated based on equity method	-641,729.10	
Total	-641,729.10	

**38 Income from asset disposal**

Item	This Period	Last Period	Amount recognized as non-recurrent profit and loss of the current period
Disposal of fixed assets	119,559.24	-3,023,856.62	119,559.24
Total	119,559.24	-3,023,856.62	119,559.24

**39 Non-operating income**

Item	This Period	Last Period	Amount recognized as non-recurrent profit and loss of the current period
Gains from debt restructuring			
Donation received			
Reversal of reclamation expenses	34,048,412.38		34,048,412.38
Other	477,091.86	382,500.53	477,091.86
Total	34,525,504.24	382,500.53	34,525,504.24

Additional notes:

“Reversal of reclamation expenses” refers to the costs for mine reclamation adjusted by the subsidiary VGM L due to environmental changes.

**40 Non-operating expenses**

Item	This Period	Last Period	Amount recognized as non-recurrent profit and loss of the current period
Loss in debt restructuring			
Donation made	504,800.00	153,600.00	504,800.00
Non-recurrent loss			
Inventory loss			
Loss from damage and scrapping of non-current assets	1,418,469.97		1,418,469.97
Liquidated damages for borrowing from non-financial institutions	21,162,318.87	18,688,450.69	21,162,318.87
Other	167,596.00	615,231.57	167,596.00
Total	23,253,184.84	19,457,282.26	23,253,184.84

#### 41 Income tax expenses

##### (1). Breakdown

Item	This Period	Last Period
Current income tax		
Deferred income tax	-1,418,588.03	-14,082,127.66
Total	-1,418,588.03	-14,082,127.66

##### (2). Adjustment of accounting profit and deferred income tax expenses

Item	This Period
Total profit	28,436,058.76
Income tax expense calculated at statutory tax rate	7,109,014.69
Effects due to different tax rates applicable to subsidiaries	-2,114,903.69
Effects due to adjustment on income tax of previous periods	
Effects of non-taxable income	
Effects of non-deductible costs, expenses and losses	11,837,956.46

Item	This Period
Effects due to using deductible losses of unrecognized deferred income tax assets of previous periods	-47,867,224.36
Effects due to deductible temporary difference or deductible losses of unrecognized deferred income tax assets of the current period	29,616,568.87
Income tax expenses	-1,418,588.03

## 42 Items in cash flow statements

### (1). Other cash received related to operating activities

Item	This Period	Last Period
Non-operating income	477,091.86	382,500.53
Interest income	532,628.33	702,920.25
Other account current	99,465,839.85	11,164,901.68
Other monetary funds with the use restricted	31,393,653.11	29,624,854.65
Total	131,869,213.15	41,875,177.11

### (2). Other cash paid related to operating activities

Item	This Period	Last Period
Management expenses	13,776,850.14	45,309,362.19
Sales expenses	282,374.20	8,407,608.85
Non-operating expenses	772,156.00	2,188,016.51
Financial expenses	1,106,211.31	3,178,011.44
Other monetary funds with the use restricted	1,132,540.07	14,678.54
Other account current	21,575,001.94	33,189,665.97
Total	38,645,133.66	92,287,343.50

### (3). Other cash received related to investment activities

Item	This Period	Last Period
Earnest money received from Ningbo HuaxinXincheng Investment	45,000,000.00	5,000,000.00

Item	This Period	Last Period
Management Partnership (Limited partnership)		
Borrowing recovered from PESI		80,000,000.00
Wang Chong (amount received from Wang Chong, shareholder of Tengmu Network, for transfer of shares)	45,000,000.00	
Total	90,000,000.00	85,000,000.00

(4). Othercash paid related to investment activities

Item	This Period	Last Period
Earnest money paid to Ningbo HuaxinXincheng Investment Management Partnership (Limited partnership)	50,000,000.00	
Wang Chong (amount paid to Wang Chong, shareholder of Tengmu Network, for transfer of shares)	45,000,000.00	
Total	95,000,000.00	

(5). Othercash received related to financing activities

Item	This Period	Last Period
Letter of credit deposit		538,125.00
Borrowings from non-financial institutions	18,522,301.37	
Total	18,522,301.37	538,125.00

(6). Other paid cash related to financing activities

Item	This Period	Last Period
Borrowing to non-financial institutions	28,500,000.00	80,000,000.00
Total	28,500,000.00	80,000,000.00

**43 Supplementary information to cash flow statement**

(1). Supplementary information to cash flow statement

Supplementary information	This Period	Last Period
1. Net profit adjusted to cash flows from operating activities		
Net profit	29,854,646.79	-475,416,034.74
Plus: Provision for asset impairment	-127,783,258.47	304,798,521.92
Depreciation of fixed assets	99,184,290.97	88,410,760.40
Amortization of intangible assets	17,566,793.69	19,288,768.68
Amortization of long-term deferred expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (“-” for gains)	-119,559.24	3,023,856.62
Loss from scrapping of fixed assets (“-” for gains)	1,418,469.97	
Loss from changes in fair value (“-” for gains)		
Financial expenses (“-” for gains)	57,798,044.63	91,566,579.87
Investment loss (“-” for gains)	641,729.10	
Decrease in deferred income tax assets (“-” for gains)	43,144.04	-15,133,043.56
Increase in deferred income tax liabilities (“-” for decrease)	-1,461,732.07	1,050,915.90
Decrease of inventories (“-” for increase)	98,682,804.76	266,409,263.96
Decrease of operating receivables (“-” for increase)	90,097,421.09	-6,423,479.13
Increase of operating payables (“-” for decrease)	22,220,170.22	-166,854,448.22
Other		
Net cash flow from operating activities	288,142,965.48	110,721,661.70
2. Important investment and financing activities involving no cash receipts and payments		
Debt converted to capital		

Supplementary information	This Period	Last Period
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents		
Closing balance of cash	41,152,759.31	64,659,655.22
Less: Opening balance of cash	64,659,655.22	52,975,557.61
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-23,506,895.91	11,684,097.61

(2). Composition of cash and cash equivalents

Item	Closing Balance	Opening Balance
I. Cash	41,152,759.31	64,659,655.22
Including: cash on hand	37,127.79	24,720.68
Cash in bank readily available for payment	41,115,631.52	64,634,934.54
Other monetary funds readily available for payment		
Deposits with central bank readily available for payment		
Deposits and other financial institutions		
Loans from other financial institutions		
II. Cash equivalents		
Including: Bond investment due within 3 months		
III. Closing balance of cash and cash equivalents.	41,152,759.31	64,659,655.22
Including: Cash and cash equivalents of which the use by the parent company and group subsidiaries is restricted		

**44 Assets with ownership or use right restricted**

Item	Closing Book Value	Reasons for Restriction
Monetary funds	4,100,262.93	Fixed deposits used by VGML for environmental protection, work injury compensation and other purposes.
Monetary funds	1,258,423.40	Environmental governance deposit
Monetary funds	2,645,698.94	Mortgage deposit
Monetary funds	1,132,540.07	Frozen
Accounts receivable	13,497,006.84	Pledge on borrowings
Inventories	2,884,543.02	House attached
Investment property	158,238,204.14	Mortgage on borrowings
Total	183,756,679.34	

#### 45 Foreign-currency monetary items

##### (1). Foreign-currency monetary items

Item	Closing Balance	Exchange Rate for Translation	Closing Balance Converted to RMB
Money funds			9,090,514.02
Including: Fiji Dollar	2,688,147.88	3.19996	8,601,965.69
HKD	557,576.27	0.87620	488,548.33
Accounts receivable			1,334,143.39
Including: Fiji Dollar	416,925.02	3.19996	1,334,143.39
Other receivables			550,579,562.06
Including: Fiji Dollar	424,119.42	3.19996	1,357,165.18
HKD	189,907.42	0.87620	166,396.88
USD	80,000,000.00	6.86320	549,056,000.00
Accounts payable			125,763,142.57
Including: Fiji Dollar	39,301,473.32	3.19996	125,763,142.57
Other payables			5,071,427.34
Including: GBP	22,206.35	8.67620	192,666.73

Item	Closing Balance	Exchange Rate for Translation	Closing Balance Converted to RMB
Fiji Dollar	1,520,999.05	3.19996	4,867,136.12
HKD	3,000.00	0.87620	2,628.60
Real	5,114.67	1.75884	8,995.89

Overseas operating entities of the Company:

(1) Zhongrun International Mining Co., Ltd. (“Zhongrun International”), whose principal place of business is Hong Kong, and the functional currency is Hong Kong dollar;

(2) VGML, whose principal place of business is Fiji, and the functional currency is Fiji Dollar;

(3) VGM Plc, whose principal place of business is England and the functional currency is Pound.

(4) SaoCarlosMinaracao Ltd (“SCM”), whose principal place of business is Brazil and the functional currency is Real.

These overseas subsidiaries determine Hong Kong Dollar, Fiji Dollar, British Pound, and Real as their functional currency respectively according to the currency used in the major economic environment in which they operate, which have kept unchanged during the current period.

## VI. Changes in Scope of Consolidation

Two newly established subsidiaries are covered in the scope of consolidation in this period, which are Shandong Qiansheng Economic and Trade Company Limited and ShengyuanJiye Investment Management (Hangzhou) Company Limited.

## VII. Interests in Other Entities

### 1 In subsidiaries

#### (1). Structure of the Corporation

Name of Subsidiary	Principal Place of Business	Registered Address	Nature	Shareholding (%)		Acquirement Mode
				Direct	Indirect	
Zibo Real Estate Co. Ltd. of Shandong	Zibo, Shandong	Zibo, Shandong	Real estate	100.00		Business combination under

Name of Subsidiary	Principal Place of Business	Registered Address	Nature	Shareholding (%)		Acquirement Mode
				Direct	Indirect	
Zhongrun Group						common control
Zhongrun Mining Development Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Mining investment	100.00		Incorporation
Shandong Qiansheng Economic & Trade Company Limited	Jinan, Shandong	Jinan, Shandong	Commerce	100.00		Incorporation
ShengyuanJiye Investment Management (Hangzhou) Company Limited	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Investment management	40.00		Incorporation
Zhongrun International Mining Co. Ltd.	HongKong, China	The British Virgin Islands	Mining investment		100.00	Incorporation
Inner Mongolia Huiyin Mining Co., Ltd.	Xilingol League, Inner Mongolia	Xilingol League, Inner Mongolia	Mine exploration		75.25	Business combination not under common control
ChifengRunyin Mineral Exploration Co., Ltd,	Chifeng, Inner Mongolia	Chifeng, Inner Mongolia	Mine exploration		100.00	Business combination not under common control
Sichuan PingwuZhongjinn Mining Co., Ltd.	Pingwu, Sichuan	Mianyang, Sichuan	Gold mining		76.00	Business combination not under common control
Tibet ZhongjinMining Co., Ltd.,	Jomda County, Tibet	Changdu, Tibet	Processing and selling of minerals		71.20	Business combination not under

Name of Subsidiary	Principal Place of Business	Registered Address	Nature	Shareholding (%)		Acquirement Mode
				Direct	Indirect	
						common control
Vatukoula Gold Mines PLC (England)	England	England	Gold mining		79.52	Business combination not under common control
VGML (Fiji)	Fiji	England and Wales	Gold mining		100.00	Business combination not under common control

Additional notes:

The Company holds 40% shares of ShengyuanJiye Investment Management (Hangzhou) Co., Ltd. (“ShengyuanJiye”) which is covered in the scope of consolidation of financial statements. Among the three directors of ShengyuanJiye, two are appointed by the Company, accounting for two-thirds of the total directors, that is to say, the Company exercises control over the operation and management of ShengyuanJiye.

(2). Important non-wholly owned subsidiaries

Name of Subsidiary	Shareholding of Minority Shareholders	Profits or losses attributable to minority shareholders for the current period	Dividends declared to be distributed to minority shareholders in the current period	Balance of minority equity at end of the current period
Inner Mongolia Huiyin Mining Co., Ltd.	24.75	-1,200,428.96		18,359,448.96
Sichuan PingwuZhongjin Mining Co., Ltd.	24.00	-4,615,920.81		-22,034,697.19
Tibet ZhongjinMining Co.,	28.80	-57,811.31		10,326,685.39

Name of Subsidiary	Shareholding of Minority Shareholders	Profits or losses attributable to minority shareholders for the current period	Dividends declared to be distributed to minority shareholders in the current period	Balance of minority equity at end of the current period
Ltd.				
Vatukoula Gold Mines PLC	20.48	-6,461,033.07		52,442,416.00
ShengyuanJiye Investment Management (Hangzhou) Co., Ltd.	60.00			3,000,000.00

(3). Main financial information of important non-wholly owned subsidiaries

Subsidiary	Closing Balance						Opening Balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Inner Mongolia Huiyin Mining Co., Ltd.	24,698,327.99	49,541,229.56	74,239,557.55	61,764.05		61,764.05	28,416,590.05	53,689,137.05	82,105,727.10	3,498,274.44		3,498,274.44
Sichuan PingwuZhongjin Mining Co., Ltd.	3,204,841.16	85,946,603.17	89,151,444.33	180,962,682.63		180,962,682.63	3,807,007.22	101,707,025.46	105,514,032.68	176,931,931.60		176,931,931.60
Tibet Zhongjin Mining Co., Ltd.	22,537,920.79	13,418,625.78	35,956,546.57	100,000.00		100,000.00	22,578,201.55	13,479,078.77	36,057,280.32			
Vatukoula Gold Mines PLC	93,441,074.80	711,125,565.88	804,566,640.68	155,658,716.32	392,841,439.97	548,500,156.29	115,784,681.30	662,490,364.86	778,275,046.16	233,242,784.35	270,072,121.58	503,314,905.93

Name of Subsidiary	This Period				Last Period			
	Operating Income	Net Profit	Total Comprehensive Income	Cash Flow from Operating Activities	Operating Income	Net Profit	Total Comprehensive Income	Cash Flow from Operating Activities
Inner Mongolia Huiyin Mining Co., Ltd.		-4,429,659.16	-4,429,659.16	129,318.99		-85,040,910.15	-85,040,910.15	52,099.92
Sichuan PingwuZhongjin Mining Co., Ltd.		-20,393,339.38	-20,393,339.38	432,053.04	288,743.14	-13,865,296.30	-13,865,296.30	5,274,567.91
Tibet Zhongjin Mining Co., Ltd.,		-200,733.75	-200,733.75	-50.76		-251,654.10	-251,654.10	148,426.86
Vatukoula Gold Mines PLC	350,945,595.94	-30,936,562.03	-67,032,146.80	146,761,700.02	375,632,145.35	-8,954,167.64	-35,463,287.89	162,938,033.33

- 2 Transactions resulting in changes of shares in the owner’s equity of subsidiaries after which the Company still takes control of the subsidiaries

None

- 3 Interest in joint venture or associates

- (1). Financial information of non-important associates

	Closing Balance/Amount in this period	Opening Balance/Amount in last period
Associates		
Total investment by book value	31,388,101.39	
Totals calculated based on shareholding	-641,729.10	
—Net profit	-641,729.10	
—Other comprehensive income		
—Total comprehensive income		

### VIII. Risks Related to Financial Instruments

The Company faces various financial risks during its operation, including credit risk, market risk and liquidity risk. The Board of Directors takes full responsibility for the determination of risk management objectives and policies, and ultimate responsibility for the risk management objectives and policies, provided that the Board of Directors has authorized the audit department of the Company to design and implement proper procedures that ensure the effective implementation of the risk management objectives and policies. The Board of Directors reviews the effectiveness of the implemented procedures and the rationality of the risk management objectives and policies through monthly reports submitted by the audit supervisor. The internal auditors of the Company also audit the risk management policies and procedures and report the findings to the audit committee.

The overall risk management objective of the Company is to develop the risk management policies that minimize the risks without compromising the competitiveness and response capability of the company.

- (1) Credit risk

Credit risk refers to the risk resulting from the failure of one party to a financial instrument to perform its obligations which causes financial losses to the other party. The Company manages the credit risks by class by portfolio.

As of December 31, 2018, the maximum credit risk exposure that may cause financial loss to the company mainly comes from the loss of financial assets it may suffer from due to the failure of the other party to perform its obligations, mainly including monetary funds, accounts receivable, and other receivables. Their carrying values represent the highest credit risk the Company faces in relation to financial risks.

The savings of the Company are mainly deposited in the commercial banks with high credit rating, good asset conditions, and low credit risks. The Company avoids the credit risk of commercial banks by closely monitoring the changes in the account balances.

The Company has developed a comprehensive risk management and internal control system for the accounts receivable. It strictly reviews the customer credit and implements the accounts receivable collection procedures to reduce the credit risk. In addition, it reviews the recovery of each individual receivable at each balance sheet date to ensure that sufficient bad debt provision is made for the amounts that can not be recovered.

As of December 31, 2018, the balance of other receivables of the Company was RMB 1,256,916,461.64, with the book value of RMB 879,294,455.24, mainly including the receivables from disposal of shares in subsidiaries, earnest money, the receivables for construction of iron ore and capital occupation from PESI. For these receivables, the Company has adopted security measures including but not limited to third-party guarantee and pledge and regularly monitoring the credit records of the debtor. For debtors with bad credit records, The Company will issue written notice of collection or lawyer's letter or take other measures to ensure that the overall credit risk of the company is under control. However, due to the large sum of these receivables, some of the debtors failed to fully implement the repayment obligations. The Company still faces credit risk in other receivables to a certain extent.

## (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 exchange risk, interest rate risk and other price risks.

### 1) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk faced by the Company mainly comes from short-term borrowing from banks. At present, the policy of the Company is: fixed-rate borrowings account for 100% of the external borrowings.

As of December 31, 2018, assuming other variables remain unchanged, if the

interest rate for the borrowing calculated based on floating interest rate increases or falls by one base point, the Company's net profit will decrease or increase by RMB 572,333.73 (RMB 602,385.32 on December 31, 2017). The management believes that 100 base points could reasonably reflect the reasonable range of the possible changes in interest rate in the next year.

## 2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value of financial instruments or future cash flow fluctuates due to changes in exchange rate. The Company matches the foreign currency income with the foreign currency expenses as much as possible to mitigate the exchange rate risk. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to mitigate foreign exchange rate risk. In the current and previous periods, the Company has not signed any forward foreign exchange contract or currency swap contract.

The principal place of real estate business of the Company is China, and the main business is settled in RMB. The gold mining and smelting business is operated in Fiji and settled in Fiji dollars and US dollars. Therefore, the market risk of foreign exchange changes suffered by the Company mainly comes from the assets and liabilities of overseas subsidiaries and other foreign-currency receivables of domestic entities. The related foreign currency assets and foreign-currency liabilities include monetary funds, accounts receivable, other receivables, accounts payable, and other payables denominated in foreign currency. For the converted RMB amounts of foreign currency financial assets and financial liabilities, refer to Note V (45) "Foreign Currency Monetary Items".

## 3) Other price risks

The Company holds equity investments in other listed companies. The management believes that the market price risks in these investment activities are acceptable.

The equity investments held by the Company in other listed companies are listed below:

Item	Closing Balance	Opening Balance
Available-for-sale financial assets	6,045,719.99	12,872,227.49
Total	6,045,719.99	12,872,227.49

## (3) Liquidity risk

Liquidity risk refers to the risk of shortage of funds when an enterprise fulfills its obligations settled by cash or other financial assets. The liquidity policy of

the Company is to ensure adequate cash to repay the debt due. The liquidity risks are centrally controlled by the Finance Department of the Company. By monitoring the cash balances, securities readily realizable, and rolling forecasts of cash flow for the next 12 months, the Finance Department ensures that the Company has sufficient funds to repay debts in all reasonably foreseeable situations.

The financial liabilities of the Company are listed below by the due date of undiscounted contractual cash flow:

Item	Closing Balance			
	Within 1 year	1-5 years	Over 5 years	Total
Short-term borrowing	355,394,742.72			355,394,742.72
Notes payable and accounts payable	259,049,408.25			259,049,408.25
Other payables	486,067,281.09			486,067,281.09
Non-current liabilities due within one year	10,000,000.00			10,000,000.00
Long-term borrowing		40,000,000.00		40,000,000.00
Total	1,110,511,432.06	40,000,000.00		1,150,511,432.06

Item	Opening Balance			
	Within 1 year	1-5 years	Over 5 years	Total
Short-term borrowing	407,626,947.78			407,626,947.78
Notes payable and accounts payable	212,021,678.50			212,021,678.50
Other payables	418,226,945.63			418,226,945.63
Non-current liabilities due within one year	125,445,097.27			125,445,097.27
Total	1,163,320,669.18			1,163,320,669.18

## IX. Disclosure of Fair Value

Fair value measurements are categorized into a three-level hierarchy, based on

the type of inputs to the valuation techniques used, as follows:

Level 1 inputs are unadjusted quoted prices in active markets for items identical to the asset or liability being measured.

Level 2 inputs are inputs other than the quoted prices in determined in level 1 that are directly or indirectly observable for that asset or liability.

level 3 inputs are unobservable inputs of the related assets or liabilities.

Each fair value measurement is categorized based on the lowest level input that is significant to it.

1. Closing fair value of assets and liabilities measured at fair value

Item	Closing Fair Value			
	Measurement of Level 1 Fair Value	Measurement of Level 2 Fair Value	Measurement of Level 3 Fair Value	Total
I. Continuing measurement of fair value				
Available-for-sale financial assets	6,045,719.99			6,045,719.99
(1) Debt instrument investments				
(2) Equity instrument investments	6,045,719.99			6,045,719.99
(3) Other				

2 Basis for determining the market value of fair value of continuing and non-continuing measurement of level 1 items

The Company determines the market price of level 1 fair value measurement items based on the open price in the open equity market. The Company holds more than 15 million shares in the subsidiary Canadian Zinc Corporation, the market value of which is over 1.2 million Canadian dollars calculated based on the closing price in Toronto Securities Exchange, 0.080 Canadian dollars per share on December 31, 2018.

**X. Related Parties and Related Transactions**

1 Information about the parent company

Name	Place of Incorporation	Nature	Registered Capital (RMB 10,000)	Shareholding of Parent Company (%)	Voting Ratio of Parent Company (%)
Ranchengcheng Far	Ningbo	Investment management	235,230.00	25.08	25.08

Ultimate controller:

As of December 31, 2018, the ultimate controller of the Company was Mr. GuoChangwei who holds 100% shares of Ransheng Wealth Capital Management Co., Ltd. ("Ransheng Wealth"). Ransheng Wealth holds 80% shares of Ransheng (Ningbo) Equity Investment Fund Management Co., Ltd. ("Ransheng Equity and Fund") which exercises control over Ranchengcheng Far as a general partner.

As of December 31, 2018, Ningbo Meishan Bonded Port Zone RanshengShengchang Investment Management Partnership (Limited Partnership) ("RanshengShengchang") holds 4.91% shares (45,612,401 shares) of the Company, which is related to Ranchengcheng Far and constitute a person acting in concert.

2. Subsidiaries of the Company

Refer to Note 7 "Interests in Other Entities".

3 Joint ventures and associates

Refer to Note 7 "Interests in Other Entities" for the key joint ventures and associates of the Company.

4 Other related parties

Name of Related Party	Relationship with the Company
Shenzhen NanwuBei'an Wealth Management Co., Ltd. ("NanwuBei'an Wealth")	Controlled enterprise of former controlling shareholder NanwuBei'an
Li Pusheng	Former director of the Company
Shengjie (Beijing) Investment Consulting Co., Ltd. ("Shengjie Investment")	Former director of the Company, Li Pusheng, is the Legal Representative.
RanshengShengchang	Controlled by the same real controller
Shandong Bona Investment Co., Ltd.	Minority shareholder of the Company

5 Related transaction

- (1). Related transaction in purchasing/selling of goods, providing and receiving services

None

- (2). Related transaction in entrusting or entrusted management/contracting

None

- (3). Related transaction in lease

None

- (4). Related transaction in guarantee

As the guarantor:

Guarantee	Guaranteed Amount	Effective Date	Expiry Date	Guarantee Fulfilled or not?
Zibo Real Estate	94,000,000.00	April 14, 2017	April 14, 2019	No

- (5). Borrowing to/from related party

None

- (6). Asset transfer and debt restricting of related party

None

- (7). Remuneration of key management personnel

Item	This Period	Last Period
Remuneration of key management personnel (10,000)	677.03	447.04

- (8). Other related transactions

1) As of December 31, 2018, the Company shall receive the principal of RMB 37,070,000.00 to be paid by PESI, and an amount of RMB 11,863,803.74 of capital occupation fee, for which NanwuBei'an Wealth provides unconditional joint and several guarantee.

2) As of December 31, 2018, the Company shall receive an earnest money of RMB 549,056,000.00 from Li Xiaoming, for which Li Pusheng and Shengjie Investment provide unconditional joint and several guarantee.

6. Receivables and payables of related party

None

## XI. Commitments and Contingencies

### 1 Significant commitment

The Company has no commitment to be disclosed.

### 2 Contingencies

#### (1). Guarantees between companies within the scope of consolidation

1) As of December 31, 2018, credit guarantees provided between companies within the scope of consolidation (unit: 10,000)

Guarantor	Guaranteed	Lender	Balance of Guaranteed Loan	Loan Maturity Date
Zibo Real Estate	The Company	Lixia Branch of Jinan Rural Commercial Bank	9,400.00	April 11, 2019

2) Property-based mortgage guarantees provided between companies in the scope of consolidation as of December 31, 2018 (unit: 10,000)

Guarantor	Guaranteed	Mortgagee	Subject Matter of Mortgage	Original Book Value of Mortgage	Book Value of Mortgage	Outstanding Amount of Guaranteed Loan	Loan Maturity Date
Zibo Real Estate	The Company	Lixia Branch, Jinan Rural Commercial Bank	Zhongrun Comprehensive Building Real Estate Project and Land Use Rights	7,226.07	6,771.13	9,400.00	2019-4-11
Zibo Real Estate	The Company	Weihai Commercial Bank	No. 1 – 10 of #1 Commercial Building, North Area, Zhongrun Chinese Town	12,396.16	9,052.69	5,000.00	2023-11-30

#### (2). Other contingent liabilities and their financial effects

Zibo Real Estate, a subsidiary of the Company, provides phased guarantee for the commercial housing purchaser's mortgage loans according to the business practices of real estate enterprises. As of December 31, 2018, the subsidiaries of the Company had undertaken phased guarantees totaling to RMB 93.247 million.

#### (3). Pending litigation

1) Due to the dispute arising from construction contract, Shandong Xincheng Construction Co., Ltd. filed a lawsuit with the court on December 24, 2018, and applied for property preservation. This case involved an amount

of RMB 12,500,000.00. As of December 31, 2018, an amount of RMB 1,132,540.07 was frozen and the houses of 792.80 square meters with the book value of RMB 2,884,500 were attached by the court. The case has not heard as of the date of this report.

2) Refer to Note XIII (7)1 for the receivables from Li Xiaoming.

3) Refer to Note XIII (8) 8 for the receivables from PESI.

## **XII. Events After the Balance Sheet Date**

### **1. Receivables from Shandong Ansheng Asset Management Group Co., Ltd.**

Shandong Ansheng Asset Management Group Co., Ltd. (“Ansheng Assets”) owes a total of RMB 369.3 million to the Company for transfer of shares and creditor's rights. On June 25, 2018, the Company, Ansheng Assets, and Shandong Zhongrun Real Estate Co., Ltd. (hereinafter referred to as “Zhongrun Real Estate”) signed the Maximum Mortgage Contract for Transfer of Commercial Property, under which the commercial property located in the western section of Zhongrun Century City Commercial Property at No. 13777, Jingshi Road, Lixia District, Jinan, Shandong with an estimated value of RMB430,197,400, was transferred to the Company to pay the entire amounts owed by Ansheng Assets.

On January 23, 2019, the property for repayment of debt was transferred from Zhongrun Real Estate to Jinan Xingrui Commercial Operation Co., Ltd. (“Xingrui”). On January 29, 2019, the Company, Ansheng Assets, Zhongrun Real Estate and Xingrui signed a Supplemental Agreement to the Maximum Mortgage Contract for Transfer of Commercial Property, under which the property was invested into Xingrui. On January 30, 2019, Zhongrun Resources and Zhongrun Real Estate signed the “Equity Transfer Agreement” with Xingrui.

On January 31, 2019, all the registration changes procedures with the industrial and commercial management authority was completed and Xingrui became a wholly-owned subsidiary of the Company.

## **XIII. Other Significant Events**

### **1 Correction of accounting error in previous period**

None

### **2 Debt restructuring**

None

### **3 Asset swap**

None

4 Annuity plan

None

5 Discontinued operation

None

6 Segment information

(1). Basis for determination and accounting policies of report segmentation

The Company determines the operating segments based on the internal organizational structure, management requirements, internal reporting system, and determines the reporting segments based on the operating segments and discloses the segment information.

The Company has identified three reporting segments by product and geographical location: Zibo Real Estate engaged in real estate development, VGML Plc engaged in overseas gold mining, and other companies engaged in gold mining or other mineral investment and exploration activities in China.

(2). Financial information of report segment

2018:Unit: RMB 10,000

Item	Zibo Real Estate	VGML Plc	Other companies	Inter-segment setoff	Total
Operating income	14,551.46	35,094.56			49,646.02
Including: income from foreign transaction	14,551.46	35,094.56			49,646.02
Income from domestic transaction	14,551.46	-			14,551.46
Income from foreign transaction		35,094.56			35,094.56
Income from inter-segment transaction					
Operating cost	14,877.11	31,807.52			46,684.63
Operating profit (loss)	-3,376.26	-6,356.65	9,504.12	1,945.16	1,716.37
Total non-current assets	21,690.54	71,112.56	81,336.81	-61,362.39	112,777.52
Including: total domestic non-current assets	21,690.54		11,739.49	8,234.94	41,664.97
Total foreign non-current assets		71,112.56	69,597.32	-69,597.33	71,112.55
Total assets	95,501.62	80,456.66	222,943.02	-145,625.23	253,276.07
Total liabilities	51,248.34	54,850.02	122,502.93	-86,481.26	142,120.03

2017: Unit: RMB 10,000

Item	Zibo Real Estate	Real VGM Plc	Other companies	Inter-segment setoff	Total
Operating income	39,316.14	37,563.21	28.87		76,908.22
Including: income from foreign transaction	39,316.14	37,563.21	28.87		76,908.22
income from domestic transaction	39,316.14		28.87		39,345.01
income from foreign transaction		37,563.21			37,563.21
Income from inter-segment transaction					
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: total domestic 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

## 7 Other important issues that have impact on the decisions of investors

(1). In 2015, the Company issued non-public shares to acquire 100% shares of Iron Ore International (Mongolia) Co., Ltd. (“Iron Mine International”), Mingsheng Co., Ltd., Mongolian New LaleGott Iron Ore Co., Ltd. (collectively as the “targets”). After being passed by the Board of Directors, the Company paid the actual controller Li Xiaoming an earnest money of 80 million US dollars.

On July 25, 2017, considering the domestic and international mining markets, capital market and financing environment undergo significant changes, and term authorized by the shareholders' meeting has expired, as passed and approved by the Board of Directors, the Company and project partner Li Xiaoming decided to terminate the non-public offering related matters.

On July 12, 2017, Li Xiaoming issued a confirmation letter under which he agreed to return the earnest money of \$80 million to the Company in full within 120 days. Shengjie Investment issued a statement letter stating that it would continue to provide unconditional joint and several guarantee for the

\$ 80 million to be returned by Mr. Li Xiaoming.

In May 2018, the Company filed an arbitration application with the China International Economic and Trade Arbitration Commission on the ground that Li Xiaoming failed to return the earnest money as agreed. After the hearing was conducted by the arbitral tribunal, China International Economic and Trade Arbitration Commission ruled on March 7, 2019 that Li Xiaoming should return the earnest money of US\$80 million to the Company and bear the corresponding interest, for which Shengjie (Beijing) Investment Consulting Co., Ltd. assumed joint and several liabilities.

As of December 31, 2018, the earnest money totaled to RMB 549,056,000.00, for which a bad debt provision of RMB 109,811,200.00 was made according to the account agemethod. The book value was RMB 439,244,800.00. In the current period, the exchange income was RMB 26,320,000.00 due to the translation of statement.

As of the date of this report, the Company has not received any principal and interest repaid by Li Xiaoming.

(2). Creditor's right to Qilu Real Estate Co., Ltd.

On November 7, 2018, Jinan Intermediate People's Court ruled that the properties at No. 205 and 207 on Zhuhai Road in Wendeng District, and the associated land use rights which valued 98,280,216.00 in total should be transferred to the Company for repayment of debt. As of the date of the audit report, the ownership transfer formalities have not been completed yet, and the bad debt provision has not been reversed. As of December 31, 2018, the book balance of the debt of Qilu Real Estate Co., Ltd. was 166,943,000.04, with an equivalent bad debt provision 166,943,000.04 made. The book value was RMB 0.00.

In February 2019, the People's Court of Wendeng District of Weihai accepted the bankruptcy and reorganization application filed by the guarantor Shandong Shengji Investment. For the outstanding amount owed by Qilu Real Estate, the Company had to report the creditor's rights to the administrator and recover it according to the bankruptcy and reorganization.

(3). As of the report date, due to the policies including pilot of Giant Panda National Park in Sichuan province, the extension of prospecting right of Shilonggou Gold Mine (certificate No.: T01120090602031500), mining right of Yinchang Gold Mine (Certificate No.: C5100002009084120033612), and exploration right of gold mine (Certificate No.: T51120080402005069) of the subsidiary Sichuan Pingwu was not granted. As of December 31, 2018, the original book value of the prospecting right of Shilonggou Gold Mine was 9,782,241.97 yuan, for which an impairment provision of 9,782,241.97 yuan was made and the book value was 0 yuan. The original book value of the

mining rights of Yinchang Gold Mine was RMB 26,652,000.00, for which an accumulated amortization of RMB 26,652,000.00 was accrued and the book value was RMB 0. The book value of exploration right of gold mine was RMB 65,610,508.26. As of the report date, the application for extension change of the mining rights of Yinchang Gold Mine and the exploration rights has not been finally approved.

(4). The shares pledge contract between Ranchengcheng Far (the controlling shareholder of the Company) and Tianfeng Securities Co., Ltd. was extended to January 17, 2020. As of the report date, Ranchengcheng Far holds 233,000,000.00 shares of the Company, accounting for 25.08% in the total share capital of the Company. The accumulated shares under pledge have reached 233,000,000.00 shares, accounting for 100% of the shares it holds.

(5). On January 28, 2019, the short-term borrowing 250 million issued by Muping Branch of Yantai Bank to the Company became mature. The borrowing was guaranteed by Shandong Xinchao Energy Co., Ltd. By Shares. At present, the Company is applying for a mortgage loan of RMB 250 million to Yantai Bank with the commercial properties held by Xingrui. The mortgage procedure has been completed. As of the report date, the loan was carried out as scheduled.

(6). As of December 31, 2018, the outstanding borrowings issued by non-financial institutions to the Company which have overdue reached over 157 million yuan, including 140 million yuan to Cui Wei and 17 million to Liu Jiaqing. On March 4, 2019, the Company signed a "Settlement Agreement" with Liu Jiaqing. As of the report date, the Company had paid 6.50 million yuan to Liu Jiaqing.

(7). On May 27, 2018, the 41st Meeting of the 8th Term of Board of Directors of the Company passed and approved the "Proposal on the Plan for Swap of Major Assets, Issuance of Shares, and Acquiring Assets by Cash, Raising Associated Funds and Related Transactions of Zhongrun Resources Investment Corporation" and other related proposals. After the reorganization plan was launched, considering the recovery process of other receivables of the listed companies and the significant fluctuation of stock price after trade resumption, the two parties made communications on the scope of asset swap, price of issued shares, and the number of shares issued. On October 24, 2018, the Company held the 4th Meeting of the 9th Term of Board of Directors on which the Proposal on the Plan for Swap of Major Assets, Issuance of Shares, and Acquiring Assets by Cash, Raising Associated Funds and Related Transactions of Zhongrun Resources Investment Corporation (Revised)" was passed. As of the report date, the audit data on the target assets has expired, and the two parties had to supplement the audit and assessment data. After the new audit and assessment is completed, the Company will convene the Board

of Directors meeting again to review the formal plan for major asset restructuring and related documents.

(8). Receivables from PESI. In order to promote the non-public offering of the Company for the purpose of acquiring Mongolian Dornyn Gobi Iron Ore Company, Mongolian Dornyn Gobi Iron Ore Company proposed in August 2015 to borrowing funds from the Company, to meet the capital needs in the preliminary exploration stage of Dornyn Gobi Iron Ore. Therefore, the two parties signed the “Tripartite Maximum Borrowing Contract for Development Expenses of Mongolian Dornyn Gobi Iron Ore Project”. According to the Contract and the instructions of Mongolian Dornyn Gobi Iron Ore Company, the Company has borrowed RMB 237.07 million to PESI. After the borrowing expired, the Company required PESI to repay the borrowing because the Company has stopped the issuing of shares for the Mongolian Dornyn Gobi Iron Ore Project. But PESI failed to repay the borrowing. In November 2018, the Company filed a lawsuit with the Jinan Intermediate People's Court. As of December 31, 2018, PESI still owed the Company RMB 48,933,800, including principal RMB 37,070,000 and interest of RMB 11,863,800, for which a bad debt provision of RMB 9,389,800 was made and the book value was RMB 39,544,000. As of the report date, the case had not been heard and the Company had not received any principal or interest repaid by PESI.

#### **XIV. Notes to Major Items in Financial Statements of Parent Company**

##### 1 Other receivables

Item	Closing Balance	Opening Balance
Interest receivable		
Dividend receivable		
Other receivables	1,363,678,140.18	1,126,794,773.62
Total	1,363,678,140.18	1,126,794,773.62



Item	Closing Balance					Opening Balance				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Combination 1	654,967,980.98	38.45	172,632,592.20	26.36	482,335,388.78	1,223,963,126.46	75.83	487,199,310.07	39.81	736,763,816.39
Combination 2	881,239,720.54	51.74	-	-	881,239,720.54	389,898,720.99	24.16	-	-	389,898,720.99
Subtotal of combinations	1,536,207,701.52	90.19	172,632,592.20	11.24	1,363,575,109.32	1,613,861,847.45	99.99	487,199,310.07	30.19	1,126,662,537.38
Other receivables in insignificant single amount and with bad debt provision made separately	103,030.86	0.01	-	-	103,030.86	132,236.24	0.01	-	-	132,236.24
Total	1,703,253,732.42	100.00	339,575,592.24	19.94	1,363,678,140.18	1,613,994,083.69	100.00	487,199,310.07	30.19	1,126,794,773.62

In combinations, other receivables with bad debt provision in account age method:

Account Age	Closing Balance		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	3,335,840.44	166,792.03	5.00
1-2 years	3,969,949.73	396,994.97	10.00
2-3 years	594,491,732.01	118,898,346.40	20.00
3-4 years			30.00
4-5 years			40.00
Over 5 years	53,170,458.80	53,170,458.80	100.00
Total	654,967,980.98	172,632,592.20	

Other receivables in the combination with bad debt provision made in other methods

Name of Combination	Closing Balance		
	Book Balance	Bad Debt Provision	Proportion
Combination	881,239,720.54		
Total	881,239,720.54		

2) Bad debt provision made, carried over, or reversed in the current period

In the current period, the amount of bad debt provision made is 62,475,630.82 and that reversed is 210,099,348.65.

3) Other receivables classified by nature

Nature of Receivables	Closing Balance	Book	Opening Balance	Book
Transfer of equities and creditor's rights	536,243,000.04		598,622,348.69	
Current account with other non-affiliates	56,326,195.08		53,065,569.20	
Deposit	549,056,000.00		522,736,000.00	
Iron ore construction fee and capital occupation fee	48,933,803.74		48,933,803.74	

Nature of Receivables	Closing Balance	Book	Opening Balance	Book
Deposit and security	471,878.00		471,878.00	
Borrowing from petty cash	180,104.16		133,526.83	
Social insurance and provident fund	103,030.86		132,236.24	
Current account with other affiliates	511,939,720.54		389,898,720.99	
Total	1,703,253,732.42		1,613,994,083.69	

4) Top five other receivables by closing balance:

Name	Nature	Closing Balance	Account Age	Proportion in Total of Other Receivables (%)	Closing Balance of Bad Debt Provision
Li Xiaoming	Deposit	549,056,000.00	2—3 years	32.24	109,811,200.00
Zhongrun Mining Development Co., Ltd.	Current account with related parties	508,657,709.42	Within 1 year: 282,671,670.28; 1-2 years: 168,946,903.57; 2-3 years: 57,039,135.57	29.86	
Shandong Ansheng Asset Management Group Co., Ltd.	Transfer of shares and creditor's rights	369,300,000.00	Over 5 years	21.68	
Qilu Real Estate Co., Ltd.	Transfer of shares and creditor's rights	166,943,000.04	Over 5 years	9.80	166,943,000.04
PESI Co.,Ltd.	Iron ore construction fee and capital occupation fee	48,933,803.74	1-2 years: 3,969,949.73; 2-3 years: 44,963,854.01	2.87	9,389,765.78
Total		1,642,890,513.20		96.45	286,143,965.82

## 2 Long-term equity investment

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment provision	Book Value	Book Balance	Impairment provision	Book Value
Investment in subsidiaries	613,623,797.01		613,623,797.01	613,623,797.01		613,623,797.01
Total	613,623,797.01		613,623,797.01	613,623,797.01		613,623,797.01

### (1). Investment in subsidiaries

Investee	Opening Balance	Increase in this Period	Decrease in this Period	Closing Balance	Impairment Provision Accrued in this Period	Closing Balance of Impairment Provision
Zibo Real Estate	113,623,797.01			113,623,797.01		
Zhongrun Mining Development Co., Ltd.	500,000,000.00			500,000,000.00		
Shandong Qiansheng Economic and Trade Co., Ltd.						
ShengyuanJiye Investment Management (Hangzhou) Co., Ltd.						
Total	613,623,797.01			613,623,797.01		

## XV. Supplementary Information

### 1 Current non-recurrent profits and losses

Item	Amount	Remarks
Gains or losses from disposal of non-current assets	-1,298,910.73	
Tax refund or exemption by the authorities without approval power or without formal approval document		
Government subsidies recorded into the current profit and loss (except for the government subsidies that are closely related to the		

Item	Amount	Remarks
business of the enterprise and granted according to the quota required by national uniform standards)		
Capital occupational feed charged to non-financial institutions recorded into the current profit and loss		
Income generated when the investment cost for acquiring a subsidiary, joint venture or cooperative enterprise is lower than the due fair value of identifiable net assets of the investee		
Profit and loss 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	210,099,348.65	
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		

Item	Amount	Remarks
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	12,690,789.37	
Other profit or loss items falling in the definition scope of non-recurrent profit or loss	26,320,000.00	
Effect on income tax		
Effect on minority shareholder	-6,682,612.20	
Total	241,128,615.09	

## 2 Return on equity and earnings per share

Profit of Report Period	Weighted average return-on-equity ratio (%)	Earnings per share (yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders	4.09	0.0454	0.0454
Net profit attributable to common shareholders after deduction of non-recurrent profit or loss	-19.30	-0.2141	-0.2141

**Zhongrun Resources Investment Corporation (ZRC)**

**(official seal)**

**April 25, 2019**