Zhongrun Resources Investment Corporation

Audit Report and Financial Statements

Financial Year 2019

Zhongrun Resources Investment Corporation

Audit Report and Financial Statements

(January 1, 2019 – December 31, 2019)

Audit Report

BDO AR [2020] No.

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 2019), Balance Sheet of Parent Company (dated 31 December 2019), 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 positions of ZRC as of December 31, 2019 and the operating results and cash flow of ZRC in 2019, both on a consolidated basis and of the parent company.

2. Basis for Formation of Qualified Audit Opinions

(1) As stated in Note XIII (7) 1 to the financial statements, as of December 31, 2019, ZRC was entitled to receive an earnest money of US$80 million from Li Xiaoming, equivalent to RMB 558,096,000. and the advanced litigation fee amounted to RMB 3,167,100, totaling RMB 561,263,100. A credit loss provision of RMB 167,587,200 was made based on the expected credit loss amount. As of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence on the credit loss 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 credit loss provision.

(2) As stated in Note XIII (7)2 to the financial statements, as of December 31, 2019, ZRC is entitled to receive a debt repayment of RMB 48,933,800 from PESI Co., Ltd. ("PESI" hereinafter). A credit loss provision of RMB 14,283,100 was made based on the expected credit loss amount. As of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence on credit loss provision made for the creditor's right to PESI and we could not determine whether it is necessary to adjust the balance of the debt due from PESI and the credit loss provision.

(3) As stated in Note XIII (7)8 to the financial statements, on April 15, 2020, ZRC received

the investigation notification letter from China Securities Regulatory Commission, as the historical information disclosure may have violated the securities laws and regulations, and the China Securities Regulatory Commission would initiate an investigation. As of the date of audit report, the investigation was still in progress, we were unable to judge the implication of the investigation outcome on the overall financial statements.

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. 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
(1) Net realizable value of inventories	
Refer to the accounting policies stated in note 11 of "III. Major accounting policies and accounting estimates followed by ZRC" and note 5 of "V. Notes to Items of Consolidated Financial Statement". As of December 31, 2019, the book balance of raw materials, unfinished products, development costs, development products and auxiliary materials (hereinafter referred to as "inventories") of ZRC was RMB 417,776,373.51, the depreciation provision was RMB 24,412,663.31, and the book value was RMB 393,363,710.20, accounting for 15.00% of the total assets. The inventories are measured at the lower of cost and net realizable value. As of the balance sheet date, the inventories depreciation provision was made based on the difference between the cost and the net	The audit procedures performed by us for evaluating the net realizable value of inventories include: (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; (2) Review the management's forecast on the actual net realizable value of inventories and the actual operating results in previous years, evaluate the accuracy of management's forecast. (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; For real estate:

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 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. Such process involves significant judgment and estimates by the management. In addition to the significant book value of inventory as of December 31, 2019, the estimation of development costs and future selling prices of the developed products involves inherent risks. The estimates and judgment used to calculate the net realizable value also involve the risk of management bias. As such, we have identified the evaluation of the net realizable value of the inventories of ZRC as a key audit matter.	(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) Perform 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.

4. Additional Information

The management of ZRC is responsible for additional information. Additional information includes the information covered in 2019 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 this process, we consider whether there is any significant inconsistency or other material misstatement with 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 and PESI, and it is not possible to determine whether it is necessary to make adjustments to the balance of other receivables and credit loss provision above. We were also unable to judge the implication of the investigation outcome on the overall financial statements. 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 2019 Annual Report of ZRC, no material information has been found to be materially misrepresented.

5 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’s 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, cease operations or has no other realistic options.

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

6 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 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 non-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 (including disclosure), structure, and content 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.

This stamp page is used solely for BDO AR report no. ZB*** no. [2019], and shall not be used for other purposes

BDO China ShuLun Pan CPA **Certified public accountant of China:** **(Project Partner)**

(Special General Partnership)

Certified public accountant of China:

Shanghai • China **April 28, 2020**

Zhongrun Resources Investment Corporation
Consolidated Balance Sheet
As of December 31, 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Assets	Note	Closing Balance	Closing Balance of last year
Current assets:			
Monetary funds	(1)	101,082,969.43	50,289,684.65
Cash reserves for settlement			
Lending funds			
Trading financial assets			
Financial assets measured at fair value with the changes in fair value recognized in the current profit and loss			
Derivative financial assets			
Notes receivable			
Account receivable	(2)	11,144,542.36	4,505,364.61
Accounts receivable financing			
Prepayment	(3)	11,314,975.85	20,317,507.52
Premium receivable			
Reinsurance premium receivable			
Provision of cession receivable			
Other receivables	(4)	457,444,923.35	879,294,455.24
Redemptory financial assets for sale			
Inventories	(5)	393,363,710.20	424,591,641.58
Assets held for sale			
Non-current assets due within one year			
Other current assets	(6)	39,193,109.23	25,986,775.33
Total of current assets		1,013,544,230.42	1,404,985,428.93
Non-current assets:			
Issued loan and advances			
Debt investment	(7)	26,842,244.45	
Available-for-sale financial assets	(8)		6,045,719.99
Other debt investment			
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	(9)	35,336,518.46	31,388,101.39
Other equity instrument investment	(10)	6,811,177.50	
Other non-current financial assets			
Investment property	(11)	694,632,781.97	214,897,015.05
Fixed assets	(12)	534,235,570.84	566,676,700.27
Construction in progress	(13)	57,147,669.49	35,641,662.53
Productive biological assets			
Oil and gas assets			
Intangible assets	(14)	209,215,879.48	224,830,828.77
Development expenditure			

Assets	Note	Closing Balance	Closing Balance of last year
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	(15)	43,624,816.11	46,094,916.91
Other non-current assets	(16)	493,629.59	2,200,283.02
Total non-current assets		1,608,340,287.89	1,127,775,227.93
Total assets		2,621,884,518.31	2,532,760,656.86

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, 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Liabilities and Owner's Equity	Note	Closing Balance	Closing Balance of last year
Current liabilities:			
Short-term borrowings	(17)	116,011,109.13	355,394,742.72
Borrowings from central bank			
Borrowing funds			
Trading financial liabilities			
Financial liabilities measured at fair value with changes in fair value recognized in the current profits and losses			
Derivative financial liabilities			
Notes payable			
Accounts payable	(18)	182,779,138.50	259,049,408.25
Advances received	(19)	179,071,315.18	170,148,315.94
Financial assets sold for repurchase			
Deposit from customers and other banks			
Acting trading securities			
Acting underwriting securities			
Payroll payable	(20)	19,804,304.94	19,764,908.98
Tax payable	(21)	3,039,365.50	2,602,486.30
Other accounts payable	(22)	572,194,118.55	486,067,281.09
Handling charge and commission payable			
Reinsurance premium payable			
Available-for-sale liabilities			
Non-current liabilities due within one year	(23)		10,000,000.00
Other current liabilities			
Total current liabilities		1,072,899,351.80	1,303,027,143.28
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	(24)	250,000,000.00	40,000,000.00
Bonds payables			
Including: Preferred shares			
Perpetual bonds			
Long-term account payable			
Long-term payroll payable	(25)	1,066,910.26	868,960.30
Estimated liabilities	(26)	80,338,426.78	70,085,152.06
Deferred income			
Deferred income tax liabilities	(15)	3,640,863.13	4,219,022.55
Other non-current liabilities	(27)	120,000,000.00	
Total non-current liabilities		455,046,200.17	115,173,134.91
Total liabilities		1,527,945,551.97	1,418,200,278.19
Owner's equity:			
Share capital	(28)	929,017,761.00	929,017,761.00

Liabilities and Owner's Equity	Note	Closing Balance	Closing Balance of last year
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	(29)	51,259,534.18	51,259,534.18
Less: Treasury stock			
Other comprehensive income	(30)	10,055,556.23	-3,518,732.50
Special reserves	(31)	13,921.38	13,921.38
Surplus statutory reserve	(32)	77,898,985.76	77,898,985.76
General Risk Reserve			
Undistributed profit	(33)	-20,409,590.01	-2,204,944.31
Total owner's equity attributable to the parent company		1,047,836,168.54	1,052,466,525.51
Non-controlling interest		46,102,797.80	62,093,853.16
Total owner's equity		1,093,938,966.34	1,114,560,378.67
Total liabilities and owner's equity		2,621,884,518.31	2,532,760,656.86

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, 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Assets	Note	Closing Balance	Closing Balance of last year
Current assets:			
Monetary funds		1,690,487.66	685,462.57
Trading financial assets			
Financial assets measured at fair value with changes in fair value recognized in the current profit and loss			
Derivative financial assets			
Notes receivable			
Account receivable			
Accounts receivable financing			
Prepayment			
Other accounts receivable	(1)	963,944,266.98	1,363,678,140.18
Inventories			
Assets held for sale			
Non-current assets due within one year			
Other current assets		2,842,161.31	505,667.22
Total current assets		968,476,915.95	1,364,869,269.97
Non-current assets:			
Debt investment		26,842,244.45	
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	(2)	1,043,821,197.01	613,623,797.01
Other equity instrument investment			
Other non-current financial assets			
Investment property		140,432,957.20	44,186,978.73
Fixed assets		273,705.75	279,223.16
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets		235,186.78	291,117.82
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		1,211,605,291.19	658,381,116.72
Total assets		2,180,082,207.14	2,023,250,386.69

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, 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Liabilities and Owner's Equity	**Note**	**Closing Balance**	**Closing Balance of last year**
Current liabilities:			
Short-term borrowings		93,000,000.00	344,000,000.00
Trading financial liabilities			
Financial liabilities measured at fair value with changes in fair value recognized in the current profits and losses			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advance received		2,475,920.92	
Payroll payable		3,289,743.26	2,969,323.16
Tax payable		359,408.96	660,803.07
Other accounts payable		644,376,601.77	620,778,757.54
Available-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		743,501,674.91	968,408,883.77
Non-current liabilities:			
Long-term borrowings		250,000,000.00	
Bonds payables			
Including: Preferred shares			
Perpetual bonds			
Long-term account payable			
Long-term payroll payable			
Estimated liabilities		59,047,813.70	41,197,813.70
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities		120,000,000.00	
Total non-current liabilities		429,047,813.70	41,197,813.70
Total liabilities		1,172,549,488.61	1,009,606,697.47
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		-142,738,929.05	-136,627,958.36
Total owner's equity		1,007,532,718.53	1,013,643,689.22
Total liabilities and owner's equity		2,180,082,207.14	2,023,250,386.69

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation
Consolidated Profit and Loss Statement
Financial Year 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Item	Note	Current period	Last period
I. Total Revenue		515,388,115.28	496,460,231.64
Including: Operating income	(34)	515,388,115.28	496,460,231.64
Interest income			
Earned insurance premium			
Handling fee and commission income			
II. Total Operating Cost		643,132,345.19	606,557,580.89
Including: Operating cost	(34)	479,532,525.30	466,846,313.56
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	(35)	18,186,461.26	22,141,602.55
Sales expense	(36)	6,159,964.46	8,851,215.29
Management expense	(37)	79,392,408.27	77,660,166.68
R&D expenses			
Financial expense	(38)	59,860,985.90	31,058,282.81
Including: Interest expenses		69,328,151.91	57,798,044.63
Interest income		1,693,318.72	532,628.33
Plus: Other income		5,000,000.00	
Investment income (indicate the loss with ‘-’)	(39)	3,370,681.12	-641,729.10
Including: Investment in joint-venture and cooperative enterprises	(40)	3,370,681.12	-641,729.10
Gain on derecognized financial assets measured at amortized cost			
Exchange earnings (indicate the loss with ‘-’)			
Net gain on exposure hedging (indicate the loss with ‘-’)			
Gains from changes in fair value (indicate the loss with ‘-’)			
Credit impairment loss (indicate the loss with ‘-’)	(41)	53,879,372.37	
Asset impairment loss (indicate the loss with ‘-’)	(42)	-6,252,454.77	127,783,258.47
Asset disposal income (indicate the loss with ‘-’)	(43)	2,771.00	119,559.24
III.Operating profit (indicate the loss with ‘-’)		-71,743,860.19	17,163,739.36
Plus: Non-operating income	(44)	61,893,047.52	34,525,504.24
Less: Non-operating expense	(45)	20,399,027.54	23,253,184.84
IV. Total profit (indicate total loss with ‘-’)		-30,249,840.21	28,436,058.76
Less: Income tax expenses	(46)	1,891,941.38	-1,418,588.03
V. Net profit (indicate total loss with ‘-’)		-32,141,781.59	29,854,646.79
1. By operation continuity			
(1) net profit of continued operation (indicate total loss with ‘-’)		-32,141,781.59	29,854,646.79
(2) net profit of discontinued operation (indicate total loss with ‘-’)			
2. By ownership			
(1) Net profit attributable to the owners of parent company (indicate total loss with ‘-’)		-18,204,645.70	42,189,840.94

Item	Note	Current period	Last period
(2) Minority shareholders' profit (indicate the net loss with '-')		-13,937,135.89	-12,335,194.15
VI. Other after tax comprehensive income		11,520,369.26	3,222,865.62
Other after tax comprehensive income attributable to the owners of parent company		13,574,288.73	756,478.45
1. Other comprehensive income that cannot be subsequently re-classified as profit and loss		765,457.51	
(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			
(3). Fair value changes in other equity instrument investment		765,457.51	
(4). Fair value changes in credit risk of the company			
2. Other comprehensive income that will be subsequently re-classified as profit and loss		12,808,831.22	756,478.45
(1). Attributable share in other comprehensive income that will be subsequently re-classified as profit and loss under the equity method			
(2). Fair value changes in other debt investment			
(3). Profit and loss from fair value changes in available-for-sale financial assets			-6,826,507.50
(4). Other comprehensive income recognized in the reclassification of the financial assets			
(5). Profit and loss recognized in the reclassification of held-to-maturity investment into available-for-sale financial assets			
(6). Provision for credit impairment loss in other debt investment			
(7). Cash flow hedging reserve (Effective part of profit and loss from cash flow hedging)			
(8). Difference from translation of foreign currency in financial statements		12,808,831.22	7,582,985.95
(9). Miscellaneous			
Other after tax comprehensive income attributable to minority shareholders		-2,053,919.47	2,466,387.17
VII. Total comprehensive income		-20,621,412.33	33,077,512.41
Total comprehensive income attributable to the owner of the parent company		-4,630,356.97	42,946,319.39
Total comprehensive income attributable to the minority shareholders		-15,991,055.36	-9,868,806.98
VIII. Earnings per share:			
(1) Basic earnings per share (yuan per share)		-0.0196	0.0454
(2) Diluted earnings per share (yuan per share)		-0.0196	0.0454

Where a business combination occurs under common control in the current period, the net profit realized by the acquired party before the merger is RMB 0.00, and the net profit realized by the acquired party in the previous period is RMB 0.00. 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
Financial Year 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Item	Note	Current Period	Last Period
I. Operating revenues	(3)	1,298,001.22	
Less: Operating costs	(3)	1,184,625.40	
Business tax and surcharges		820,151.56	146,119.15
Sales expense			
Management expense		35,963,420.31	23,522,913.12
R&D expense			
Financial expense		52,147,869.72	26,622,136.63
Including: Interest expense		62,110,066.11	53,026,067.16
Interest income		932,951.30	98,881.26
Plus: Other income			
Investment income (indicate the loss with '-')			
Including: Income from investment in joint-venture and cooperative enterprises			
Gains on derecognized financial assets measured at amortized cost			
Net gain on exposure hedging (indicate the loss with '-')			
Gains from changes in fair value (indicate the loss with '-')			
Credit impairment loss (indicate the loss with '-')		39,687,939.73	
Asset impairment loss (indicate the loss with '-')			147,623,717.83
Asset disposal income (indicate the loss with '-')			-925.00
II. Operating profit (indicate the loss with '-')		-49,130,126.04	97,331,623.93
Plus: Non-operating income		60,897,400.00	
Less: Non-operating expense		17,878,244.65	19,294,178.14
III. Total profit (indicate the loss with '-')		-6,110,970.69	78,037,445.79
Less: Income tax expenses			
IV. Net profit (indicate the loss with '-')		-6,110,970.69	78,037,445.79
(1) net profit of continued operation (indicate total loss with '-')		-6,110,970.69	78,037,445.79
(2) net profit of discontinued operation (indicate total loss with '-')			
V. Other comprehensive income after tax			
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			
(3). Fair value changes in other equity instrument			

Item	Note	Current Period	Last Period
investment			
(4). Fair value changes in credit risk of the company			
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). Fair value changes in other debt investment			
(3) Profit and loss from fair value changes in available-for-sale financial assets			
(4). Other comprehensive income recognized in the reclassification of the financial assets			
(5). Profit and loss recognized in the reclassification of held-to-maturity investment into available-for-sale financial assets			
(6). Provision for credit impairment loss in other debt investment			
(7). Cash flow hedging reserve (Effective part of profit and loss from cash flow hedging)			
(8). Difference from translation of foreign currency in financial statements			
(9). Miscellaneous			
VI. Total comprehensive incomes		-6,110,970.69	78,037,445.79
VII. Earnings per share:			
1. Basic earnings per share (yuan per share)		-0.0066	0.0800
2. Diluted earnings per share (yuan per share)		-0.0066	0.0800

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation
Consolidated Cash Flow Statement
Financial Year 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Item	Note	Current period	Last period
I. Cash flow from operating activities			
Cash received from sale of goods and services		483,551,689.12	449,670,083.32
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			
Cash from interest payment, handling change and commission			
Net increase in borrowing funds			
Net increase in buy-back funds			
Net cash received from acting trading securities			
Tax refunds received		21,879,414.85	23,452,942.84
Other cash received related to operating activities		114,119,121.31	131,869,213.15
Total cash inflow from operating activities		619,550,225.28	604,992,239.31
Cash paid for purchase of goods and services		255,089,233.80	129,608,414.97
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			
Net increase in lending funds			
Cash to pay the interest, handling change and commission			
Cash to pay policy dividend			
Cash paid to/for staff members		120,355,799.95	121,984,837.70
Taxes paid		23,129,905.92	26,610,887.50
Cash paid related to other operating activities		75,071,323.27	38,645,133.66
Total cash outflow from operating activities		473,646,262.94	316,849,273.83
Net cash flow from operating activities		145,903,962.34	288,142,965.48
II. Cash flow from investing activities			
Cash received from payback of investment			
Cash received from investment earnings			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,900.00	344,151.63
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities			90,000,000.00
Total cash inflow in investing activities		2,900.00	90,344,151.63

Item	Note	Current period	Last period
Cash paid to purchase fixed assets intangible assets or other long-term assets		80,087,536.27	140,939,138.73
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		25,000,000.00	95,000,000.00
Total cash outflow in investment activities		105,087,536.27	235,939,138.73
Net cash flow from investing activities		-105,084,636.27	-145,594,987.10
III. Cash flow from financing activities			
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		615,823,839.57	306,466,564.31
Other cash received related to financing activities		131,000,000.00	18,522,301.37
Total cash inflow in financing activities		746,823,839.57	327,988,865.68
Cash repayments of borrowings		655,500,078.68	427,500,839.46
Cash paid for distribution of dividends and profits or payment of interests		49,356,496.41	38,581,602.85
Including: Dividends and profits paid by the subsidiaries to minority shareholders			
Other cash paid related to financing activities		29,022,301.37	28,500,000.00
Total cash outflow in financing activities		733,878,876.46	494,582,442.31
Net cash flow from financing activities		12,944,963.11	-166,593,576.63
IV. Effects of changes in exchange rate on cash and cash equivalents		-289,702.33	538,702.34
V. Net increase in cash and cash equivalents		53,474,586.85	-23,506,895.91
Plus: Opening balance of cash and cash equivalents		41,152,759.31	64,659,655.22
VI. Closing balance of cash and cash equivalents		94,627,346.16	41,152,759.31

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation
Cash Flow Statement of Parent Company
Financial Year 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

Item	Note	This Period	Last Period
I. Cash flow from operating activities			
Cash received from sale of goods and services		3,233,800.00	
Tax refunds received			
Other cash received related to operating activities		154,269,508.57	252,391,926.25
Total cash inflow from operating activities		157,503,308.57	252,391,926.25
Cash paid for purchase of goods and services			
Cash paid to/for staff members		9,949,720.79	8,702,594.34
Taxes paid		672,220.25	28,139.90
Cash paid related to other operating activities		181,023,584.85	147,853,547.93
Total cash outflow from operating activities		191,645,525.89	156,584,282.17
Net cash flow from operating activities		-34,142,217.32	95,807,644.08
II. Cash flow from investing activities			
Cash received from payback of investment			
Cash received from investment earnings			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities			90,000,000.00
Total cash outflow in investment activities			90,000,000.00
Cash paid to purchase fixed assets, intangible assets or other long-term assets		11,073.09	1,417,449.22
Cash paid for investment			
Net cash received from subsidiaries and other business units			
Other cash paid related to investment activities		25,000,000.00	95,000,000.00
Total cash outflow in investment activities		25,011,073.09	96,417,449.22
Net cash flow from investing activities		-25,011,073.09	-6,417,449.22
III. Cash flow from financing activities			
Cash received from paid-in investment			
Cash received from loans		593,000,000.00	250,000,000.00
Other cash received related to financing activities		131,000,000.00	18,522,301.37
Total cash inflow in financing activities		724,000,000.00	268,522,301.37
Cash repayments of borrowings		594,000,000.00	301,000,000.00
Cash paid for distribution of dividends and profits or payment of interests		40,819,384.77	31,694,013.13
Other cash paid related to financing activities		29,022,301.37	28,500,000.00
Total cash outflow in financing activities		663,841,686.14	361,194,013.13
Net cash flow from financing activities		60,158,313.86	-92,671,711.76

Item	Note	This Period	Last Period
IV. Effects of changes in exchange rate on cash and cash equivalents		1.64	
V. Net increase in cash and cash equivalents		1,005,025.09	-3,281,516.90
Plus: Opening balance of cash and cash equivalents		685,462.57	3,966,979.47
VI. Closing balance of cash and cash equivalents		1,690,487.66	685,462.57

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation
Consolidated Statement of Changes in Owner's Equity
Financial Year 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

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 Reserve	Undistributed Profit	Subtotal		
		Preferred Shares	Perpetual Bonds	Other										
I. Closing balance of last year	929,017,761.00				51,259,534.18		-3,518,732.50	13,921.38	77,898,985.76		-2,204,944.31	1,052,466,525.51	62,093,853.16	1,114,560,378.67
Plus: Changes in accounting policies														
Correction of errors in previous period														
Business combination under common control														
Other														
II. Opening balance of current year	929,017,761.00				51,259,534.18		-3,518,732.50	13,921.38	77,898,985.76		-2,204,944.31	1,052,466,525.51	62,093,853.16	1,114,560,378.67
III. Changes in amount incurred in current period (indicate the decrease with '-')							13,574,288.73				-18,204,645.70	-4,630,356.97	-15,991,055.36	-20,621,412.33
1. Total comprehensive income							13,574,288.73				-18,204,645.70	-4,630,356.97	-15,991,055.36	-20,621,412.33
2. Changes in the capital contributed by owners														
1)Common shares invested by shareholders														
2) Capital invested by the holders of other comprehensive instruments														
3)Amount of share-based payment listed as the Owner's equity														
4) Other														
3 Profit distribution														

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 Reserve	Undistributed Profit	Subtotal		
		Preferred Shares	Perpetual Bonds	Other										
1)Appropriation of surplus reserves														
2)Appropriation of the general risk reserve														
3)Profit distributed to the Owners (or shareholders)														
4). Other														
4. Transfer within the owner'sequity														
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). Retained earnings carried forward from other comprehensive income														
6). 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		10,055,556.23	13,921.38	77,898,985.76		-20,409,590.01	1,047,836,168.54	46,102,797.80	1,093,938,966.34

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation
Consolidated Statement of Changes in Owner's Equity (Continued)
Financial Year 2019
(All amounts are expressed in Chinese yuan (RMB) unless otherwise specified.)

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 Reserve	Undistributed Profit	Subtotal		
		Preferred Shares	Perpetual Bonds	Other										
I Closing balance of last year	929,017,761.00				51,259,534.18		-4,275,210.95	13,921.38	77,898,985.76		-44,394,785.25	1,009,520,206.12	68,962,660.14	1,078,482,866.26
Plus: Changes in accounting policies														
Correction of errors in previous period														
Business combination under common control														
Other														
II Opening balance of current year	929,017,761.00				51,259,534.18		-4,275,210.95	13,921.38	77,898,985.76		-44,394,785.25	1,009,520,206.12	68,962,660.14	1,078,482,866.26
III Changes in amount incurred in current period (indicate the decrease with '-')							756,478.45				42,189,840.94	42,946,319.39	-6,868,806.98	36,077,512.41
1 Total comprehensive income							756,478.45				42,189,840.94	42,946,319.39	-9,868,806.98	33,077,512.41
2 Changes in the capital contributed by owners													3,000,000.00	3,000,000.00
1)Common shares invested by shareholders													3,000,000.00	3,000,000.00
2) Capital invested by the holders of other comprehensive instruments														
3) Amount of share-based payment listed as the Owner's equity														
4) Other														

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 Reserve	Undistributed Profit	Subtotal		
		Preferred Shares	Perpetual Bonds	Other										
3 Profit distribution														
1)Appropriation of surplus reserves														
2)Appropriation of the general risk reserve														
3) Profit distributed to the owners (or shareholders)														
4) 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) Reserves withdrawn in current period														
2) Utilised in current period														
6 Other														
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	1,052,466,525.51	62,093,853.16	1,114,560,378.67

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation
Statement of Changes in Owner's Equity of Parent Company

Financial Year 2019

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

Item	Current Period										
	Share Capital	Other equity instruments			Capital Reserve	Less: Treasury stock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owner's Equity
		Preferred Shares	Perpetual Bonds	Other							
I. Closing balance of last year	929,017,761.00				155,822,801.02				65,431,085.56	-136,627,958.36	1,013,643,689.22
Plus: Changes in accounting policies											
Correction of errors in previous period											
Miscellaneous											
II. Opening balance of current year	929,017,761.00				155,822,801.02				65,431,085.56	-136,627,958.36	1,013,643,689.22
III. Changes in amount incurred in current period (indicate the decrease with'-')										-6,110,970.69	-6,110,970.69
1. Total comprehensive income										-6,110,970.69	-6,110,970.69
2 Changes in the capital contributed by owners											
1)Common shares invested by shareholders											
2) Capital invested by the holders of other comprehensive instruments											
3). Amount of share-based payment listed as the Owner's equity											
4) Other											
3. Profit distribution											
1)Appropriation of surplus reserves											
2) Profit distributed to the owners (or shareholders)											
3) Other											

Item	Current Period										
	Share Capital	Other equity instruments			Capital Reserve	Less: Treasury stock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owner's Equity
		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). Retained earnings carried forward from other comprehensive income											
6). 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	-142,738,929.05	1,007,532,718.53

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation

Statement of Changes in Owner's Equity of Parent Company (Continued)

Financial Year 2019

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

Item	Last Period										
	Share Capital	Other equity instruments			Capital Reserve	Less: Treasury stock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owner's Equity
		Preferred Shares	Perpetual Bonds	Other							
I. Closing balance of last year	929,017,761.00				155,822,801.02				65,431,085.56	-214,665,404.15	935,606,243.43
Plus: Changes in accounting policies											
Correction of errors in previous period											
Miscellaneous											
II. Opening balance of current year	929,017,761.00				155,822,801.02				65,431,085.56	-214,665,404.15	935,606,243.43
III. Changes in amount incurred in current period (indicate the decrease with'-')										78,037,445.79	78,037,445.79
1. Total comprehensive income										78,037,445.79	78,037,445.79
2 Changes in the capital contributed by owners											
1)Common shares invested by shareholders											
2) Capital invested by the holders of other comprehensive instruments											
3). Amount of share-based payment listed as the owner's equity											
4) Other											
3. Profit distribution											
1)Appropriation of surplus reserves											

Item	Last Period									
	Share Capital	Other equity instruments			Capital Reserve	Less: Treasury stock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owner's Equity
		Preferred Shares	Perpetual Bonds	Other							
2) Profit distributed to the owners (or shareholders)										
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). Surplus reserves to cover 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	-136,627,958.36	1,013,643,689.22

The attached notes constitute part of the financial statement.

Legal Representative: Accountant: Accounting leader:

Zhongrun Resources Investment Corporation
Notes to Financial Statements
Year 2019

(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 deterred 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, 2019, 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, 2019, 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 28, 2020.

2. Scope of Consolidated Financial Statements

As of Dec. 31, 2019, 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.
Shengyuan Jiye Investment 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)
Jinan Xingrui Business Operation Co., Ltd. (Jinan Xingrui 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 meet the requirements of the *Accounting Standards for Business Enterprises* and truly and completely reflect the financial status as of December 31, 2019, and the operating results and cash flow in 2019, both on a consolidated basis and of the parent company.

2. Accounting period

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

3. Operating cycle

The Company uses 12 months as an operating cycle.

4. Base currency for bookkeeping

The Company uses Chinese yuan (RMB) as accounting currency.

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 acquirer 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 acquirer 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. If the merger cost is higher than the fair value of the identifiable net assets of the acquire acquired in the merger, the difference 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.

The 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 included in the initial measurement value of the equity securities or debt securities.

6. Ways to prepare consolidated financial statements

(1). Principle for determining the consolidation scope

The consolidation scope of consolidated financial statement is determined on a controlling basis. The consolidation scope includes ZRC and all the subsidiaries.

(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 being 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.

Refer to Note III (13) Long-term equity investment for the Company’s accounting policy for investment in joint venture.

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

Accounting policies applicable from January 1, 2019 onwards

According to the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as follows at the time of initial recognition: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments) and financial assets measured at fair value through the current profit and loss.

Business model which aims to receive contractual cash flow and the contractual cash flow is only for the payment of principal and interest based on the amount of the outstanding principal, is classified as financial assets measured at amortized cost; Business model which aims to both receive contractual cash flow and to sell the financial asset, and the contractual cash flow is onl for to the payment of the principal and interest based on the amount of the outstanding principal, is classified as a financial asset measured at fair value through other comprehensive income (debt instruments); other financial assets are classified as financial assets measured at fair value through the current profit and loss.

For non-trading equity instrument investments, the Company determines whether to designate them as financial assets measured at fair value through other comprehensive income (equity instruments) at the time of initial recognition. At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets measured at fair value through the current profit and loss.

At the time of initial recognition, financial liabilities are classified as follows: financial liabilities measured at fair value through the current profit and loss and financial liabilities measured at amortized cost.

Financial liabilities that meet one of the following conditions can be designated as financial liabilities measured at fair value through current period profit and loss at the time of initial recognition:

1) Such designation can eliminate or significantly reduce accounting mismatches.

2) According to the corporate risk management or investment strategy specified in the formal written documents, the financial liability portfolio or the financial assets and financial liability portfolio is managed and evaluated based on fair value and are reported to key management personnel on such basis.

3) The financial liabilities include embedded derivatives that need to be independently separated.

According to the above conditions, the financial liabilities designated by the Company mainly include: (specifically describe the designated circumstances)

Accounting policies applicable before January 1, 2019

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

Accounting policies applicable from January 1, 2019 onwards

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, debt investments, etc., which are initially measured at fair value. Th related transaction costs are included in the initial measurement amount; accounts receivable which do not include significant financing components and accounts receivable with financing components of no more than one year which the Company determined not to consider are initially measured at the contracted transaction value.

The interest calculated by the effective interest rate method during the holding period is included in the current profit and loss.

At the time of recovery or disposal, the difference between the acquired price and the book value of the financial asset is recognized in the current profit and loss.

(2) Financial assets measured at fair value through other comprehensive income (debt instruments)

Financial assets measured at fair value through other comprehensive income (debt instruments), including receivable financing, other debt investments, etc., are initially measured at fair value. The related transaction costs are included in the initial measurement amount. The financial assets are subsequently measured at fair value, and changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method. At the time of derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred out from other comprehensive income and recognized in the current profit and loss.

(3) Financial assets measured at fair value through other comprehensive income (equity instruments)

Financial assets measured at fair value through other comprehensive income (equity instruments), including investments in other equity instruments, are initially measured at fair value. The related transaction costs are included in the initial measurement amount. The financial assets are subsequently measured at fair value, and changes in fair value are recognized in other comprehensive income. The dividends received are recognized in the current profit and loss.

At the time of derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred out from other comprehensive income and included in retained earnings.

(4) Financial assets measured at fair value through the current profit and

loss

Financial assets that are measured at fair value through the current profit and loss, including trading financial assets, derivative financial assets, and other non-current financial assets, are initially measured at fair value. The related transaction costs are recognized in the current profit and loss. The financial assets are subsequently measured at fair value, and changes in fair value are recognized in the current profit and loss.

(5) Financial liabilities measured at fair value through the current profit and loss

Financial liabilities measured at fair value through current profits and losses, include trading financial liabilities, derivative financial liabilities, etc., which are initially measured at fair value. The related transaction costs are recognized in current profits and losses. The financial liabilities are subsequently measured at fair value, and changes in fair value are recognized in the current profit and loss.

At the time of derecognition, the difference between the book value and the consideration paid shall be recognized in the current profit and loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable, and long-term payables, which are initially measured at fair value. The related transaction costs are included in the initial measurement amount.

The interest calculated by the effective interest rate method during the holding period is included in the current profit and loss.

At the time of derecognition, the difference between the consideration paid and the book value of the financial liability is recognized in the current profit and loss.

Accounting policies applicable before January 1, 2019

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:

①Book value of the transferred financial asset;

②The 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 assets involved are financial assets measured at fair value through other comprehensive income (debt instruments) and 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:

①The book value of the derecognized part;

②The 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 (in the case that the financial assets involved are financial assets measured at fair value through other comprehensive income (debt instruments) and available-for-sale financial asset).

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 be recognized as a new financial liability.

When a financial liability is derecognized wholly or partially, the difference between the book value of the financial liability derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is 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 and accounting treatment for the impairment of financial assets

Accounting policies applicable from January 1, 2019 onwards

The company considers all reasonable and reliable information, including forward-looking information, estimation of the expected credit loss by single item or a combination of financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income (debt instrument). The measurement of expected credit losses depends on whether the financial assets have experienced a significant increase in credit risk since their initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision at an amount equivalent to the expected credit loss during the entire duration of the financial instrument; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company measures its loss provision at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The resulted increase or decrease in the loss provision shall be included in the current profit and loss as an impairment loss or gain.

Usually if a financial instrument is more than 30 days overdue, the Company believes that its credit risk has increased significantly, unless there is conclusive evidence demonstrating that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risk of a financial instrument is low as of the balance sheet date, the company believes that the credit risk of the financial instrument has not increased significantly since its initial recognition.

If there is objective evidence that a certain financial asset has been credit-impaired, the Company shall make provision for impairment of the financial asset on a single-item basis.

Regarding accounts receivable, regardless of whether it contains a significant financing component, the Company always measures its loss provision at an amount equivalent to expected credit losses during the entire duration.

For lease receivables and long-term receivables due to the Company through sales of goods or services, the Company always chooses to measure its loss provision at an amount equivalent to expected credit losses during the entire duration.

Accounting policies applicable before January 1, 2019

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 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.

②Accounts 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

③Receivables 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.

3). 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. 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 are measured using first-in-first-out method when issued and monthly weighted average method at the end of the month.

(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

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

②Packaging are amortized by the month-end weighted average method.

12. Held-for-sale

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.

13. 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 ventures 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 recognition value is determined based on the fair value of the waived creditor’s right and other costs such as taxes directly attributable to the assets. The difference between the fair value of the waived creditor’s right and the book value is charged into the current profit and loss.

(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. Where the Company entered into asset investment or sale transaction with associates or joint ventures, if the assets constitute a business, the accounting policies disclosed under Note III. 5 Accounting treatment methods for business combinations under common control and that not common control and III. (6) Ways to prepare consolidated financial statements shall be followed.

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 losses 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.

14. 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.

15. 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.

16. 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.

17. 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.

18 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 based on 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 waived creditor's rights and other costs such as tax that can be directly attributable to bringing the asset to a condition for its intended use. The difference between the fair value of the waived creditor's rights and the book value is recognized 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 does not meet the above conditions, 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 it 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

Disclosure requirement: for an intangible asset with an indefinite useful life, the judgment basis for the indefinite useful life and the review procedures for reviewing its useful life shall be disclosed.

(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.

19 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, intangible assets having indefinite useful life and intangible assets that have yet to reach usable state 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, the Company allocates according to the relative benefits that the relevant asset group or asset group combination can obtain from the synergies of the business combination and conducts the goodwill impairment test on this basis.

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.

20 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.

21 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.

22 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.

23 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 acquirement 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.

24 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.

25 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 leasee, the Company will deduct such expenses from the total rent, and the rent after deduction will be allocated over the lease term.

(2). Accounting treatment of financial leasing

(1) Financial leased in assets: On the start date of the lease, the lower of the fair value of the leased asset and the present value of the minimum lease payment is taken as the initial book value of the leased asset, and the minimum lease payment is taken as the long-term payable. The

difference is recorded as unrecognized financing expenses. The company uses the effective interest method to amortize unrecognized financing expenses over the asset lease period and charges in financial expenses. The initial direct costs incurred by the company are included in the value of the leased assets.

(2) Financial leased out assets: The Company recognizes the financing lease payments receivable and the difference between the sum of unguaranteed residual value and its present value as unrealized financing income on the lease start date, and it will be recognized as lease income during each period when the rent is received in the future. The initial direct expenses related to the lease transaction incurred by the Company are included in the initial measurement of the financial lease receivable, which reduces the amount of income recognized over the lease period.

26 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.

27 Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

(1) Implementation of the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019 Issued by the Ministry of Finance and Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition).

On April 30, 2019 and September 19, 2019, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019 (CK [2019] No. 6) and the Notice On Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition) CK [2019] No. 16) respectively, which revised the format of financial statements of general enterprises. The main impacts on the Company's implementation are listed as follows:

Content and Reasons for Changes in Accounting	Affected Item and Amounts in Financial Statements

Content and Reasons for Changes in Accounting Policies	Affected Item and Amounts in Financial Statements	
	Consolidated	Parent company
(1) In the balance sheet, "Notes receivable and accounts receivable" break down into "Notes receivable" and "Accounts receivable". "Notes payable and accounts payables" break down into "Notes payable" and "Accounts payable". The comparison data is adjusted accordingly.	"Notes receivable and accounts receivable" break down into "Notes receivable" and "Accounts receivable". The closing balance of "Notes receivable" is 0.00 in the last period. The closing balance of "Accounts receivable" is 4,505,364.61 in the last period. The "Notes payable and accounts payables" break down into "Notes payable" and "Accounts payable". The closing balance of "Notes payable" is 0.00 in the last period. The closing balance of "Accounts payable" is 259,049,408.25 in the last period.	"Notes receivable and accounts receivable" break down into "Notes receivable" and "Accounts receivable". The closing balance of "Notes receivable" is 0.00 in the last period. The closing balance of "Accounts receivable" is 0.00 in the last period. The "Notes payable and accounts payables" break down into "Notes payable" and "Accounts payable". The closing balance of "Notes payable" is 0.00 in the last period. The closing balance of "Accounts payable" is 0.00 in the last period.

(2) Implement Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24-Hedging Accounting and Enterprise Accounting Standards No. 37-Presentation of Financial Instruments (revised in 2017)

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets, and Accounting Standards for Business Enterprises No. 24-Hedging Accounting in 2017 And Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments. The revised standard stipulates that for financial instruments that have not been derecognized on the first effective date, if the previous recognition and measurement are inconsistent with the requirements of the revised standard, it shall be adjusted retrospectively.

In case that the comparison financial statement data in the previous period is inconsistent with the requirements of the revised standard, no adjustment is required. The Company adjusts the retained earnings and other comprehensive income at the beginning of the respective year due to the cumulative impact of the retrospective adjustment.

Based on the balance at the end of the previous period after adjustment in accordance with CK[2019] No. 6 and CK [2019] No. 16, the main impacts on the implementation of the above new financial instrument standards are as follows:

Content and Reasons for Changes in Accounting Policies	Affected Item and Amounts in Financial Statements	
	Consolidated	Parent company
(1) Non-trading Available-For-Sale equity instrument investments are designated as "Financial assets measured at fair value through other comprehensive income."	Available-for-sale financial assets: decrease by RMB 6,045,719.99 Investment in other equity instruments: an increase of RMB 6,045,719.99	Available-for-sale financial assets: decrease by RMB 0.00 Investment in other equity instruments: increase by RMB 0.00

Based on the balance at the end of the previous year adjusted in accordance with the provisions of CK [2019] No. 6 and CK [2019] No. 16, The comparison of classification and measurement for various financial assets and financial liabilities according to the financial instrument recognition and measurement standards before and after the revision are as follows:

Consolidated

<table>
<tr><th colspan="3">Original financial instrument standard</th><th colspan="3">New financial instrument standard</th></tr>
<tr><th>Listed items</th><th>Measurement category</th><th>Book value</th><th>Listed items</th><th>Measurement category</th><th>Book value</th></tr>
<tr><td>Monetary funds</td><td>Amortized cost</td><td>50,289,684.65</td><td>Monetary funds</td><td>Amortized cost</td><td>50,289,684.65</td></tr>
<tr><td rowspan="2">Accounts receivable</td><td rowspan="2">Amortized cost</td><td rowspan="2">4,505,364.61</td><td>Accounts receivable</td><td>Amortized cost</td><td>4,505,364.61</td></tr>
<tr><td>Accounts receivable financing</td><td>Measured at fair value with changes in fair value recognized in other comprehensive income</td><td></td></tr>
<tr><td>Other receivables</td><td>Amortized cost</td><td>879,294,455.24</td><td>Other receivables</td><td>Amortized cost</td><td>879,294,455.24</td></tr>
<tr><td>Other current asset</td><td>Amortized cost</td><td>25,986,775.33</td><td>Including other current asset</td><td>Amortized cost</td><td>25,986,775.33</td></tr>
<tr><td rowspan="8">Available-for-sale financial asset (including other current asset)</td><td rowspan="2">Measured at fair value with changes in fair value recognized in other comprehensive income (debt instrument)</td><td rowspan="2"></td><td>Debt investment (including other current asset)</td><td>Amortized cost</td><td></td></tr>
<tr><td>Other debt investment (including other current asset)</td><td>Measured at fair value with changes in fair value recognized in other comprehensive income</td><td></td></tr>
<tr><td rowspan="3">Measured at fair value with changes in fair value recognized in other comprehensive income (equity instrument)</td><td rowspan="3">6,045,719.99</td><td>Trading financial asset</td><td rowspan="2">Measured at fair value with changes in fair value recognized in other comprehensive income</td><td></td></tr>
<tr><td>Other non-current financial asset</td><td></td></tr>
<tr><td>Other equity instrument investment</td><td>Measured at fair value with changes in fair value recognized in other comprehensive income</td><td>6,045,719.99</td></tr>
<tr><td rowspan="3">Measured at cost (equity instrument)</td><td rowspan="3"></td><td>Trading financial asset</td><td rowspan="2">Measured at fair value with changes in fair value recognized in other comprehensive income</td><td></td></tr>
<tr><td>Other non-current financial asset</td><td></td></tr>
<tr><td>Other equity instrument investment</td><td>Measured at fair value with changes in fair value recognized in other comprehensive income</td><td></td></tr>
</table>

Parent company

Original financial instrument standard			New financial instrument standard		
Listed items	Measurement category	Book value	Listed items	Measurement category	Book value
Monetary funds	Amortized cost	685,462.57	Monetary funds	Amortized cost	685,462.57
Other receivables	Amortized cost	1,363,678,140.18	Other receivables	Amortized cost	1,363,678,140.18
Other current asset	Amortized cost	505,667.22	Other current asset	Amortized cost	505,667.22

(3) Implementation of "Accounting Standards for Business Enterprises No. 7-Exchange of Non-Monetary Assets" (revised in 2019)

The Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 7-Exchange of Non-monetary Assets" (2019 Revision) (CK [2019] No. 8) on May 9, 2019. The revised standards are effective from June 10, 2019. The exchange of non-monetary assets between January 1, 2019 and the effective date of this standard shall be adjusted in accordance with this standard. For non-monetary asset exchanges that occurred before January 1, 2019, retrospective adjustment in accordance with this standard is not required. The Company's implementation of the above standards does not have significant impact in the reporting period.

(4) Implementation of "Accounting Standards for Business Enterprises No. 12-Debt Restructuring" (Revised in 2019)

The Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 12-Debt Restructuring" (Revised in 2019) (CK [2019] No. 9) on May 16, 2019. The revised standards are effective from June 17, 2019. Debt restructuring that occurred between January 1, 2019 and the effective date of this standard shall be adjusted in accordance with this standard. For debt restructuring that occurred before January 1, 2019, retrospective adjustment in accordance with this standard is not required. The Company's implementation of the above standards does not have significant impact in the reporting period.

2. Changes in important accounting estimates

There was no change in the company's main accounting estimates during the reporting period.

3. Implementation of the new financial instrument standards for the first time, adjustments to the relevant items of the financial statements at the beginning of the year for the first implementation

Consolidated Balance Sheet

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
Current Asst					
Monetary funds	50,289,684.65	50,289,684.65			
Cash reserves for settlement					
Lending funds					
Trading financial assets	Not applicable				
Financial assets measured at fair value with the changes in fair value		Not applicable			

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
recognized in the current profit and loss					
Derivative financial assets					
Notes receivable					
Account receivable	4,505,364.61	4,505,364.61			
Accounts receivable financing	Not applicable	Not applicable			
Prepayment	20,317,507.52	20,317,507.52			
Premium receivable					
Reinsurance premium receivable					
Provision of cession receivable					
Other receivables	879,294,455.24	879,294,455.24			
Redemptory financial assets for sale					
Inventories	424,591,641.58	424,591,641.58			
Assets held for sale					
Non-current assets due within one year					
Other current assets	25,986,775.33	25,986,775.33			
Total of current assets	1,404,985,428.93	1,404,985,428.93			
Non-current assets:					
Issued loan and advances					
Debt investment	Not applicable				
Available-for-sale financial assets	6,045,719.99	Not applicable	-6,045,719.99		-6,045,719.99
Other debt investment	Not applicable				
Held-to-maturity investment		Not applicable			
Long-term accounts receivable					
Long-term equity investment	31,388,101.39	31,388,101.39			
Other equity instrument investment	Not applicable	6,045,719.99	6,045,719.99		6,045,719.99
Other non-current financial assets	Not applicable				
Investment property	214,897,015.05	214,897,015.05			
Fixed assets	566,676,700.27	566,676,700.27			
Construction in progress	35,641,662.53	35,641,662.53			
Productive biological assets					
Oil and gas assets					
Intangible assets	224,830,828.77	224,830,828.77			
Development expenditure					
Goodwill					
Long-term deferred expenses					
Deferred income tax assets	46,094,916.91	46,094,916.91			
Other non-current assets	2,200,283.02	2,200,283.02			

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
Total non-current assets	1,127,775,227.93	1,127,775,227.93			
Total assets	2,532,760,656.86	2,532,760,656.86			
Current liabilities:					
Short-term borrowings	355,394,742.72	355,394,742.72			
Borrowings from central bank					
Borrowing funds					
Trading financial liabilities	Not applicable				
Financial liabilities measured at fair value with changes in fair value recognized in the current profits and losses		Not applicable			
Derivative financial liabilities					
Notes payable					
Accounts payable	259,049,408.25	259,049,408.25			
Advances received	170,148,315.94	170,148,315.94			
Financial assets sold for repurchase					
Deposit from customers and other banks					
Acting trading securities					
Acting underwriting securities					
Payroll payable	19,764,908.98	19,764,908.98			
Tax payable	2,602,486.30	2,602,486.30			
Other accounts payable	486,067,281.09	486,067,281.09			
Handling charge and commission payable					
Reinsurance premium payable					
Available-for-sale liabilities					
Non-current liabilities due within one year	10,000,000.00	10,000,000.00			
Other current liabilities					
Total current liabilities	1,303,027,143.28	1,303,027,143.28			
Non-current liabilities:					
Provision for insurance contracts					
Long-term borrowings	40,000,000.00	40,000,000.00			
Bonds payables					
Including: Preferred shares					
Perpetual bonds					
Long-term account					

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
payable					
Long-term payroll payable	868,960.30	868,960.30			
Estimated liabilities	70,085,152.06	70,085,152.06			
Deferred income					
Deferred income tax liabilities	4,219,022.55	4,219,022.55			
Other non-current liabilities					
Total non-current liabilities	115,173,134.91	115,173,134.91			
Total liabilities	1,418,200,278.19	1,418,200,278.19			
Owner's equity:					
Share capital	929,017,761.00	929,017,761.00			
Other equity instruments					
Including: Preferred shares					
Perpetual bonds					
Capital reserve	51,259,534.18	51,259,534.18			
Less: Treasury stock					
Other comprehensive income	-3,518,732.50	-3,518,732.50			
Special reserves	13,921.38	13,921.38			
Surplus statutory reserve	77,898,985.76	77,898,985.76			
General Risk Reserve					
Undistributed profit	-2,204,944.31	-2,204,944.31			
Total owner's equity attributable to the parent company	1,052,466,525.51	1,052,466,525.51			
Non-controlling interest	62,093,853.16	62,093,853.16			
Total owner's equity	1,114,560,378.67	1,114,560,378.67			
Total liabilities and owner's equity	2,532,760,656.86	2,532,760,656.86			

Balance Sheet of Parent Company

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
Current assets:					
Monetary funds	685,462.57	685,462.57			
Trading financial assets	Not applicable				
Financial assets measured at fair value with changes in fair value recognized in the current profit and		Not applicable			

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
loss					
Derivative financial assets					
Notes receivable					
Accounts receivable					
Accounts receivable financing	Not applicable				
Prepayment					
Other accounts receivable	1,363,678,140.18	1,363,678,140.18			
Inventories					
Assets held for sale					
Non-current assets due within one year					
Other current assets	505,667.22	505,667.22			
Total current assets	1,364,869,269.97	1,364,869,269.97			
Non-current assets:					
Debt investment	Not applicable				
Available-for-sale financial assets		Not applicable			
Other debt investment	Not applicable				
Held-to-maturity investment		Not applicable			
Long-term accounts receivable					
Long-term equity investment	613,623,797.01	613,623,797.01			
Other equity instrument investment	Not applicable				
Other non-current financial assets	Not applicable				
Investment property	44,186,978.73	44,186,978.73			
Fixed assets	279,223.16	279,223.16			
Construction in progress					
Productive biological assets					
Oil and gas assets					
Intangible assets	291,117.82	291,117.82			
Development expenditure					
Goodwill					
Long-term deferred expenses					
Deferred income tax assets					

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
Other non-current assets					
Total non-current assets	658,381,116.72	658,381,116.72			
Total assets	2,023,250,386.69	2,023,250,386.69			
Current liabilities:					
Short-term borrowings	344,000,000.00	344,000,000.00			
Trading financial liabilities	Not applicable				
Financial liabilities measured at fair value with changes in fair value recognized in the current profits and losses		Not applicable			
Derivative financial liabilities					
Notes payable					
Accounts payable					
Advance received					
Payroll payable	2,969,323.16	2,969,323.16			
Tax payable	660,803.07	660,803.07			
Other accounts payable	620,778,757.54	620,778,757.54			
Available-for-sale liabilities					
Non-current liabilities due within one year					
Other current liabilities					
Total current liabilities	968,408,883.77	968,408,883.77			
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	41,197,813.70			
Deferred income					
Deferred income tax liabilities					

Item	Closing balance of last period	Beginning balance	Adjustment		
			Re-classification	Re-measurement	Total
Other non-current liabilities					
Total non-current liabilities	41,197,813.70	41,197,813.70			
Total liabilities	1,009,606,697.47	1,009,606,697.47			
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	-136,627,958.36			
Total owner's equity	1,013,643,689.22	1,013,643,689.22			
Total liabilities and owner's equity	2,023,250,386.69	2,023,250,386.69			

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.	16%, 13%, 10%, 9%, 6%, 5%, 3%
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	Calculated and paid in 4 levels of extra progressive tax rates (30-60). For provisional tax

Tax Type	Tax Basis	Tax Rate
	houses, the tax shall be based on the tax rate stipulated in the place where the house is located.	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	Closing Balance of last year
Cash on hand	20,859.81	37,127.79
Cash in bank	94,606,486.35	42,248,171.59
Other	6,455,623.27	8,004,385.27
Total	101,082,969.43	50,289,684.65
Including: Total amount deposited abroad	6,273,036.21	9,090,514.02

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	Closing Balance of last year
Environmental governance deposit	1,262,225.59	1,258,423.40
Fixed deposit	2,003,569.31	4,100,262.93

Item	Closing Balance	Closing Balance of last year
Mortgage deposit	2,653,060.38	2,645,698.94
Frozen funds		1,132,540.07
Deposits for tailings maintenance and mountain restoration	536,767.99	
Total	6,455,623.27	9,136,925.34

Additional notes:

(1) For details on the restricted monetary funds, refer to Note V(500)"Assets with Restricted Ownership or Use Right".

2. Accounts receivable

1) Accounts receivable by account ageing:

Account ageing	Closing Balance	Closing Balance of last year
Within 1 year	10,533,882.35	3,446,142.54
1-2 years	72,093.00	590,588.00
2-3 years	590,588.00	
3-4 years		1,000,000.00
4-5 years	1,000,000.00	
Over 5 years	15,855,837.45	16,520,178.22
Subtotal	28,052,400.80	21,556,908.76
Less: bad debt provision	16,907,858.44	17,051,544.15
Total	11,144,542.36	4,505,364.61

2) Accounts receivable by bad debt provision method:

Category	Closing balance				
	Book value		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made separately by single item					
Bad debt provision made by combination	28,052,400.80	100.00	16,907,858.44	60.27	11,144,542.36
Including:					
Account ageing combination	28,052,400.80	100.00	16,907,858.44	60.27	11,144,542.36
Total	28,052,400.80	100.00	16,907,858.44		11,144,542.36

Category	Closing balance of last year				
	Book value		Bad debt provision		Book value
	Closing balance	Proportion (%)	Closing balance	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	21,556,908.76	100.00	17,051,544.15	79.10	4,505,364.61
Accounts receivable in insignificant single amount with separate bad debt provision made					
Total	21,556,908.76	100.00	17,051,544.15		4,505,364.61

Provision for bad debts by combination:

Combination provision items:

Description	Closing Balance		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	10,533,882.35	526,694.09	5.00
1-2 years	72,093.00	7,209.30	10.00
2-3 years	590,588.00	118,117.60	20.00
3-4 years			30.00
4-5 years	1,000,000.00	400,000.00	40.00
Over 5 years	15,855,837.45	15,855,837.45	100.00
Total	28,052,400.80	16,907,858.44	

3) Bad debt provisions made, reversed or recovered in this period:

Category	Closing Balance of last year	Opening balance	Change in current period			Closing balance
			Provision made	Reversed or recovered	Transfer or Written-off	
Accounts receivable with bad debt provision made by combination based on credit risk characteristics	17,051,544.15	17,051,544.15	-143,685.71			16,907,858.44
Total	17,051,544.15	17,051,544.15	-143,685.71			16,907,858.44

The impact of translation of foreign-currency financial statements on the bad debt provision in the current period is in the amount of RMB 3,022.05.

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

Name	Closing Balance		
	Accounts receivable	Proportion in total of accounts receivable (%)	Bad debt provision
Zibo Zhongrun Xinmate Co., Ltd.	12,762,448.08	45.50	10,910,600.01
The Perth Mint	7,018,526.19	25.02	350,926.31
Zibo Shengming Jiatong Trading Co., Ltd.	1,554,206.00	5.54	77,710.30
Zibo Runze Stores Co., Ltd.	1,000,000.00	3.56	400,000.00
Individual	590,588.00	2.11	118,117.60
Total	22,925,768.27	81.73	11,857,354.22

3 Advance payment

(1). Advance payment by account ageing

Account ageing	Closing Balance		Closing Balance of last year	
	Book Balance	Proportion (%)	Book Balance	Proportion (%)
Within 1 year	8,055,933.42	71.20	19,763,821.11	97.27
1-2 years	2,944,665.03	26.02		
2-3 years			1,000.00	0.01
Over 3 years	314,377.40	2.78	552,686.41	2.72
Total	11,314,975.85	100.00	20,317,507.52	100.00

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

Payee	Closing Balance	Proportion in Total of Closing Balance of Advance Payments (%)
Hebei Chengxin Group Co., Ltd.	1,087,127.23	9.61
Linyi Wufudao International Trade Co., Ltd.	942,782.22	8.33
Shanghai Dingxin Electric (Group) Co., Ltd.	862,624.45	7.62
Golder Associates Pty Ltd	747,919.75	6.61
Donnlee Engineering (Pty) Ltd	647,500.42	5.72
Total	4,287,954.07	37.89

4 Other accounts receivable

Item	Closing Balance	Closing Balance of last year
Interest receivable		
Dividend receivable		
Other receivable	457,444,923.35	879,294,455.24
Total	457,444,923.35	879,294,455.24

1). Other accounts receivable

(1)By account ageing

Account ageing	Closing balance	Closing balance of last year
Within 1 year	32,004,166.96	5,825,132.40
1-2 years	678,593.39	4,352,640.70
2-3 years	4,204,786.31	598,230,617.83
3-4 years	603,969,768.24	31,432,530.67
4-5 years	479,273.13	271,448.13
Over 5 years	140,001,701.75	616,804,091.91
Total	781,338,289.78	1,256,916,461.64
Less: Bad debt provision	323,893,366.43	377,622,006.40
Total	457,444,923.35	879,294,455.24

Note: The amount of ageing of 3 to 4 years is greater than that of 2 to 3 years in the last period. The receivable due from Li Xiaoming is in the amount of US$80 million. With the increase in exchange rate of RMB against the US dollar has, the amount increase is due to the exchange gains recognized.

(2) By class:

Type	Closing Balance				
	Book Balance		Bad Debt Provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made separately by single item	64,406,155.04	8.24	64,406,155.04	100.00	
Including:					
Other receivables in significant single amount with bad debt provision made separately	64,406,155.04	8.24	64,406,155.04	100.00	
Bad debt provision made by combination	716,932,134.74	91.76	259,487,211.39	36.19	457,444,923.35
Including:					
Other accounts receivable with bad debt provision made by combination based on credit risk characteristics	716,932,134.74	91.76	259,487,211.39	36.19	457,444,923.35
Total	781,338,289.78	100.00	323,893,366.43		457,444,923.35

Type	Closing Balance of last year				
	Book Balance		Bad Debt Provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables in significant single amount with bad debt provision made separately	166,943,000.04	13.28	166,943,000.04	100.00	
Other accounts receivable with bad debt provision made by combination based on credit risk characteristics					
Combination 1	720,304,462.28	57.31	210,413,851.36	29.21	509,890,610.92
Combination 2	369,300,000.00	29.38			369,300,000.00
Combination subtotal	1,089,604,462.28	86.69	210,413,851.36	19.31	879,190,610.92
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
Total	1,256,916,461.64	100.00	377,622,006.40		879,294,455.24

Provision for bad debts on a single item basis:

Name	Closing Balance			
	Book value	Bad debt provision	proportion (%)	Reason
Qilu Real Estate Co., Ltd.	64,406,155.04	64,406,155.04	100.00	Expected to be not recoverable
Total	64,406,155.04	64,406,155.04		

Provision for bad debts by combination:

Combination provision items:

Name	Closing Balance		
	Other Receivables	Bad Debt Provision	Proportion (%)
Within 1 year	32,004,166.96	1,600,208.36	5.00
1-2 years	678,593.39	67,859.34	10.00
2-3 years	4,204,786.31	840,957.26	20.00
3-4 years	603,969,768.24	181,190,930.47	30.00
4-5 years	479,273.13	191,709.25	40.00
Over 5 years	140,001,701.75	140,001,701.75	100.00
Total	781,338,289.78	323,893,366.43	

3) Provision for bad debts

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (without credit impairment)	Expected credit loss for the entire duration (with credit impairment)	
Opening balance	210,679,006.36		166,943,000.04	377,622,006.40
Opening balance in current period	210,679,006.36		166,943,000.04	377,622,006.40
--Transfer to phase 2				
--Transfer to phase 3	-119,517,120.73		119,517,120.73	
--Transfer to phase 2				
--Transfer to phase 1				
Provision in current period	538,547.31		62,669,337.72	63,207,885.03
Reversal in current period	14,399,680.00		102,536,845.00	116,936,525.00
Transfer in in current period				
Write-off in in current period				
Other change				
Closing balance	77,300,752.94		246,592,613.49	323,893,366.43

The impact of translation of foreign-currency financial statements on the bad debt provision in the current period is in the amount of RMB 4,024.64.

Changes in the book balance of other receivables are as follows:

Book value	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (without credit impairment)	Expected credit loss for the entire duration (with credit impairment)	
Opening balance	1,089,973,461.60		166,943,000.04	1,256,916,461.64
Opening balance in current period	1,089,973,461.60		166,943,000.04	1,256,916,461.64
--Transfer to phase 2				
--Transfer to phase 3	-598,305,958.69		598,305,958.69	
--Transfer to phase 2				
--Transfer to phase 1				
Increase in current period	28,837,019.96		12,207,147.00	41,044,166.96
Direct decrease in current period				
Derecognition in in current period	414,085,493.82		102,536,845.00	516,622,338.82
Other change				
Closing balance	106,419,029.05		674,919,260.73	781,338,289.78

4) Bad debt provisions made, reversed or recovered in this period:

Category	Closing Balance of last year	Opening balance	Change in current period		Closing balance
			Provision made	Reversed or recovered	
Other receivables in significant single amount with bad debt provision made separately	166,943,000.04	166,943,000.04		64,406,155.04	166,943,000.04
Other receivable with bad debt provision made by combination based on credit risk characteristics	210,679,006.36	210,679,006.36	63,207,885.03	259,487,211.39	210,679,006.36
Total	377,622,006.40	377,622,006.40	63,207,885.03	323,893,366.43	377,622,006.40

Among them, below listed the significant amount of reversal or recovery of the current bad debt provision:

Name of entity	Reversal or recovery amount	The basis and rationality of determining the original bad debt provision	Reason for reversal or recovery	Recovery method
Qilu Real Estate Co., Ltd.	102,536,845.00	Ageing for more than five years, and the recovery of bankruptcy claims is uncertain	Court execution transfer	Bank deposits and real estate transfer
Zibo Housing Management Bureau	14,399,680.00	Property quality warranty refund	Property quality warranty refund	Bank deposits
Total	116,936,525.00			

5) Other receivables classified by nature

Type	Closing Book Balance	Closing Book Balance last year
Receivables from transfer of shares and creditor’s rights	64,406,155.04	536,243,000.04
Receivables in account current	102,698,322.65	80,763,433.77
Earnest money	561,263,147.00	549,056,000.00
Iron ore construction fee and capital occupation fee	48,933,803.74	48,933,803.74
Deposits and margins	2,507,487.53	39,638,350.92
Borrowings from pretty cash	780,766.70	586,527.25
Amounts received or paid on behalf	748,607.12	1,695,345.92
Total	781,338,289.78	1,256,916,461.64

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

Debtor	Nature of Receivables	Closing Balance	Account Ageing	Proportion in Total Closing Balance of Other Receivables (%)	Bad Debt Provision Closing Balance
Li Xiaoming	Earnest money	561,263,147.00	Within 1 year: 3,167,147.00, 3-4 years: 558,096,000	71.83	167,587,157.35
Qilu Real Estate Co., Ltd.	Transfer of equity and creditor’s rights	64,406,155.04	Over 5 years	8.24	64,406,155.04
PSEI International	Iron ore construction	48,933,803.74	2-3 years: 3,969,949.73,	6.26	14,283,146.15

Debtor	Nature of Receivables	Closing Balance	Account Ageing	Proportion in Total Closing Balance of Other Receivables (%)	Bad Debt Provision Closing Balance
Trade Co., Ltd.	fee and capital occupation fee		3-4 years: 44,963,854.01		
Shanghai Xuxin Import and Export Co., Ltd.	Account current	30,000,000.00	Over 5 years	3.84	30,000,000.00
Zibo Jinquan Building Ceramics Co., Ltd.	Account current	17,053,644.01	Over 5 years	2.18	17,053,644.01
Total		721,656,749.79		92.35	293,330,102.55

5 Inventories

1) Classification of inventories

Item	Closing Balance			Closing Balance of last year		
	Book Balance	Inventory Depreciation Provision	Book Value	Book Balance	Inventory Depreciation Provision	Book Value
Raw materials	48,841,896.97	2,325,341.96	46,516,555.01	50,127,199.54	1,110,830.11	49,016,369.43
Unfinished products	13,301,923.10		13,301,923.10	18,935,248.01		18,935,248.01
Development costs	240,781,807.06		240,781,807.06	267,295,122.88		267,295,122.88
Development products	113,654,434.48	21,451,992.23	92,202,442.25	106,531,381.72	18,382,792.36	88,148,589.36
Auxiliary materials	1,196,311.90	635,329.12	560,982.78	1,196,311.90		1,196,311.90
Total	417,776,373.51	24,412,663.31	393,363,710.20	444,085,264.05	19,493,622.47	424,591,641.58

（1）Development costs

Project name	Start date	Estimated completion date	Estimated total investment	Closing Balance	Closing Balance of last year
Huaqiao City Phase 6	May 2018	December 2019	100,000,000.00	39,743,046.96	145,838,993.45
Huaqiao City Phase 7	December 2018	October 2020	355,000,000.00	201,038,760.10	121,456,129.43
Total				240,781,807.06	267,295,122.88

（2）Development products

Project name	Estimated first completion date	Closing Balance of last year	Increase in current period	Decrease in current period	Closing balance
Huaqiao City Phase 1	July 2006	161,499.84			161,499.84
Huaqiao City Phase 2	May 2007	5,086,302.28	82,912.00		5,169,214.28
Huaqiao City	July 2008	7,872,039.58		73,277.06	7,798,762.52

Project name	Estimated first completion date	Closing Balance of last year	Increase in current period	Decrease in current period	Closing balance
Phase 3					
Huaqiao City Phase 4	December 2010	10,748,036.30			10,748,036.30
Huaqiao City Phase 5	June 2012	13,772,566.72		460,897.03	13,311,669.69
Huaqiao City Phase 6	December 2019	68,890,937.00	158,410,225.26	150,835,910.41	76,465,251.85
Total		106,531,381.72	158,493,137.26	151,370,084.50	113,654,434.48

2) Depreciation provision for inventories

Item	Closing Balance of last year	Increase in the Current Period		Decrease in the Current Period		Closing Balance
		Amount	Other	Reversed or Written-off	Translation of Foreign-currency Statements	
Raw materials	1,110,830.11	1,140,666.28			-73,845.57	2,325,341.96
Development products	18,382,792.36	4,476,459.37		1,407,259.50		21,451,992.23
Auxiliary materials		635,329.12				635,329.12
Total	19,493,622.47	6,252,454.77		1,407,259.50	-73,845.57	24,412,663.31

3) Borrowing cost capitalized in the closing balance of inventories.

None

6 Other current assets

Item	Closing Balance	Closing Balance of last year
Tax on pre-received house prices	17,361,686.98	16,554,469.25
VAT to be refunded	19,705,588.92	9,432,306.08
Deferred expenses	2,125,833.33	
Total	39,193,109.23	25,986,775.33

"VAT to be refunded" refers to the VAT to be refunded to the subsidiary VGML.

7 Debt investment

1) Debt investment

Item	Closing balance		
	Book balance	Impairment Provision	Book value
Loan to Guizhou Rongqiang	26,842,244.45		26,842,244.45
Total	26,842,244.45		26,842,244.45

Changes in the book balance of debt investments are as follows:

Book balance	Phase 1 Expected credit loss in the next 12 months	Phase 2 Expected credit loss for the entire duration (without credit impairment)	Phase 3 Expected credit loss for the entire duration (with credit impairment)	Total
Opening balance				
Opening balance e in current period				
Increase in current period	26,842,244.45			26,842,244.45
Direct decrease in current period				
Derecognition in in current period				
Other change				
Closing balance	26,842,244.45			26,842,244.45

8 Financial assets available for sale

Item	Closing Balance of last year		
	Book Balance	Impairment Provision	Book Value
Equity instruments available for sale	60,234,938.56	54,189,218.57	6,045,719.99
Including: Measured at fair value	60,234,938.56	54,189,218.57	6,045,719.99
Total	60,234,938.56	54,189,218.57	6,045,719.99

9 Long-term equity investment

Investee	Closing Balance of last year	Increase/decrease in this Period								Closing Balance	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	Impairment provision	Declared Cash Dividend or Profit	Translation of Foreign-currency Statements		
1. Joint venture											
Goldbasin Mining (Fiji) pte Limited	27,865,400.04								488,343.89	28,353,743.93	
PANGEA GOLD MINING(FIJI) PTE LIMITED	3,522,701.35			3,370,681.12					89,392.06	6,982,774.53	
Subtotal	31,388,101.39			3,370,681.12					577,735.95	35,336,518.46	
Total	31,388,101.39			3,370,681.12					577,735.95	35,336,518.46	

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, 2019, Goldbasin Mining (Fiji) Pte Limited was still in the exploration period, and hence the investment gains/losses were not recognized in this period.

10 Other equity instrument investment

1) Investment in other equity instrument

Item	Closing balance
Non-trading equity instrument investments measured at fair value through other comprehensive income	6,811,177.50
Total	6,811,177.50

2) Investment in non-trading equity instrument

Item	Dividend income recognized in the current period	Cumulative gain	Accumulated loss	Amount transferred from other comprehensive income to retained earnings	Reasons for designation of measurement at fair value through other comprehensive income	Reasons for transferring other comprehensive income to retained income
Non-trading equity instrument investments measured at fair value through other comprehensive income			54,083,090.36		The investment is not trading in nature and meets the definition of equity	

Note: The gains from change in fair value pf RMB 765,457.51 for the current period are recorded in other comprehensive income. As of December 31, 2019, the cumulative loss recorded in other comprehensive income is RMB 2,368,126.08, and the remaining amount is the Company's cumulative impairment loss included in the profit and loss in the previous periods.

11 Investment property

1) Investment property measured at cost

Item	Houses and Buildings	Total
1. Original book value		
(1) Closing balance of last year	253,662,622.10	253,662,622.10
(2) Increase in this period	517,844,282.76	517,844,282.76
—Purchase		
—Transferred from inventories		
—Transferred from properties for paying debt	517,844,282.76	517,844,282.76
(3) Decrease in this period	12,614,496.12	12,614,496.12
—Disposal		
—Transferred back to inventories	12,614,496.12	12,614,496.12

Item	Houses and Buildings	Total
(4) Closing balance	758,892,408.74	758,892,408.74
2. Accumulated depreciation and accumulated amortization		
(1) Closing balance of last year	38,765,607.05	38,765,607.05
(2) Increase in this period	25,636,683.66	25,636,683.66
—Accrual or amortization	25,636,683.66	25,636,683.66
(3) Decrease in this period	142,663.94	142,663.94
—Disposal		
—Transferred out	142,663.94	142,663.94
(4) Closing Balance	64,259,626.77	64,259,626.77
3. Impairment provision		
(1) Opening balance		
(2) Increase in this period		
—Accrual		
(3) Decrease in this period		
—Disposal		
(4) Closing Balance		
4. Book value		
(1) Closing book value	694,632,781.97	694,632,781.97
(2) Closing book value of last year	214,897,015.05	214,897,015.05

2) Investment property that has not completed the property right certificate

Item	Book value	Reasons for not getting the property right certificate
Zhonghan Commercial Plaza Tower A-No. 205 Zhuhai Road	48,323,166.43	The transferred-in property to offset debt as ordered by court needs to clear the formalities of completion acceptance, fire protection acceptance, and comprehensive filing acceptance. The relevant procedures are being processed.
Zhonghan Commercial Plaza Tower B-No. 207 Zhuhai Road	49,357,350.00	The transferred-in property to offset debt as ordered by court needs to clear the formalities of completion acceptance, fire protection acceptance, and comprehensive filing acceptance. The relevant procedures are being processed.
Total	97,680,516.43	

3) Details of investment properties used for collaterals at the end of the period (amount in RMB 10,000)

Collateral	Collateral	Original book value of collateral	Book value of collateral	Guaranteed loan balance	Loan due date
Shandong Longxin Microfinance Co., Ltd.	Axis 1-10, Commercial Building 1, North District, Zhongrun Huaqiao City	12,425.26	8,715.43	5,000.00	2021/8/18
				7,000.00	2021/8/22

Collateral	Collateral	Original book value of collateral	Book value of collateral	Guaranteed loan balance	Loan due date
Lixia Sub-branch of Jinan Rural Commercial Bank Co., Ltd.	Zhongrun Complex	7,226.07	6,574.99	9,300.00	2020/4/8
Bank of Yantai Co., Ltd. Muping Sub-branch	Zhongrun Century City Commercial -302 Zhongrun Century City Commercial -203 Zhongrun Century City Commercial- 204	41,956.41	40,129.56	200.00	2021/10/14
				13,500.00	2021/10/16
				11,300.00	2021/10/17
Total		61,607.74	55,419.98	46,300.00	

Refer to “12. Events after the balance sheet date 1” for the borrowings from Lixia sub-branch of Jinan Rural Commercial Bank Co., Ltd.

12 Fixed Assets

(1). Fixed assets and disposal

Item	Closing Balance	Closing Balance of last year
Fixed assets	534,235,570.84	566,676,700.27
Fixed assets disposal		
Total	534,235,570.84	566,676,700.27

(2). Details of fixed assets

Item	Houses and Buildings	Machinery and Electronic Devices	Transportation Vehicles	Tunnels	Total
1. Original book value					
(1) Closing Balance of last year	95,063,539.66	296,451,209.43	72,930,529.24	421,341,994.52	885,787,272.85
(2) Increase in this period	2,836.41	686,036.47	1,920,395.81	50,774,611.99	53,383,880.68
—Purchase		12,779.99		50,774,611.99	50,787,391.98
—Transferred from construction in process	2,836.41	673,256.48	1,920,395.81		2,596,488.70
(3) Decrease in this period	-704,092.28	-1,093,418.39	-4,927,746.62	-7,644,268.25	-14,369,525.54
—Disposal or scrapping		2,580.00		1,900,089.88	1,902,669.88
—Translation of foreign-currency statements	-704,092.28	-1,095,998.39	-4,927,746.62	-9,544,358.13	-16,272,195.42
(4) Closing Balance	95,770,468.35	298,230,664.29	79,778,671.67	479,760,874.76	953,540,679.07
2. Accumulated depreciation					
(1) Closing Balance of last year	47,030,917.94	130,287,536.32	46,348,925.88	95,172,701.66	318,840,081.80
(2) Increase in this period	7,110,748.68	9,828,243.62	29,420,200.37	48,489,692.43	94,848,885.10
—Accrual	7,110,748.68	9,828,243.62	29,420,200.37	48,489,692.43	94,848,885.10
(3) Decrease in this period	-161,410.40	-728,647.80	-2,294,801.85	-2,160,790.50	-5,345,650.55
—Disposal or scrapping		2,451.00		1,722,330.25	1,724,781.25
—Translation of foreign-currency statements	-161,410.40	-731,098.80	-2,294,801.85	-3,883,120.75	-7,070,431.80
(4) Closing Balance	54,303,077.02	140,844,427.74	78,063,928.10	145,823,184.59	419,034,617.45

Item	Houses and Buildings	Machinery and Electronic Devices	Transportation Vehicles	Tunnels	Total
3. Impairment provision					
(1) Closing Balance of last year	180,367.56	12,657.43	77,465.79		270,490.78
(2) Increase in this period					
—Accrual					
(3) Decrease in this period					
—Disposal or scrapping					
(4) Closing Balance	180,367.56	12,657.43	77,465.79		270,490.78
4. Book value					
(1) Closing book value	41,287,023.77	157,373,579.12	1,637,277.78	333,937,690.17	534,235,570.84
(2) Closing Balance of last year	47,852,254.16	166,151,015.68	26,504,137.57	326,169,292.86	566,676,700.27

Additional notes:

A depreciation of RMB 94,848,885.10 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 2,596,488.70.

13 Construction in process

(1). Construction in process and project materials

Item	Closing Balance	Closing balance of last year
Construction in process	57,147,669.49	35,641,662.53
Total	57,147,669.49	35,641,662.53

(2). Breakdown of construction in process

Item	Closing Balance			Closing Balance of last year		
	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	11,109,552.10		11,109,552.10	4,387,634.63		4,387,634.63
Machinery and equipment not installed yet	44,395,042.89		44,395,042.89	29,610,953.40		29,610,953.40
Other	226,946.50		226,946.50	226,946.50		226,946.50
Total	57,147,669.49		57,147,669.49	35,641,662.53		35,641,662.53

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

Item	Budget	Closing Balance of last year	Increase in This Period	Transferred to Fixed Asset in This Period	Other decreases in This Period	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	4,387,634.63	7,612,877.84		-143,916.58	12,144,429.05	67.80	67.80				Self-raised
Machinery and equipment not installed yet	53,939,467.01	29,610,953.40	15,904,589.07	2,596,488.70	-441,112.17	43,360,165.94	80.39	80.39				Self-raised
Other	283,683.13	226,946.50				226,946.50	80.00	80.00				Self-raised
Total		35,641,662.53	23,517,466.91	2,596,488.70	-585,028.75	57,147,669.49						

14 Intangible assets

(1). Details of intangible assets

Item	Mining Rights	Exploration Rights	Others	Total
1. Original book value				
(1) Closing balance of last year	312,050,981.33	127,229,446.43	5,596,434.82	444,876,862.58
(2) Increase in this period		660,963.46		660,963.46
—Acquisition		660,963.46		660,963.46
(3) Decrease in this period	-2,581,902.51		-34,249.76	-2,616,152.27
—Disposal				
—Translation of foreign-currency statements	-2,581,902.51		-34,249.76	-2,616,152.27
(4) Closing balance	314,632,883.84	127,890,409.89	5,630,684.58	448,153,978.31
2. Accumulated amortization				
(1) Closing balance of last year	87,631,600.02		2,984,560.54	90,616,160.56
(2) Increase in this period	17,835,743.82		375,184.96	18,210,928.78
—Accrual	17,835,743.82		375,184.96	18,210,928.78
(3) Decrease in this period	-657,989.18		-23,147.06	-681,136.24
—Disposal				
—Translation of foreign-currency statements	-657,989.18		-23,147.06	-681,136.24
(4) Closing Balance	106,125,333.02		3,382,892.56	109,508,225.58
3. Impairment provision				
(1) Closing balance of last year	79,514,811.22	49,123,138.16	791,923.87	129,429,873.25
(2) Increase in this period				
—Accrual				
—Others				
(3) Decrease in this period				
—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	128,992,739.60	78,767,271.73	1,455,868.15	209,215,879.48
(2) Closing balance of last year	144,904,570.09	78,106,308.27	1,819,950.41	224,830,828.77

Additional notes:

The amount of amortization in this period is RMB 18,210,928.78.

15 Deferred income tax assets and deferred income tax liabilities

(1). Deferred income tax assets not set off

Item	Closing Balance		Closing Balance of last year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Income tax effects on bad debt provision	39,570,114.72	9,892,528.68	53,976,436.09	13,494,109.02
Income tax effects on inventories depreciation provision	21,451,992.23	5,362,998.06	18,382,792.36	4,595,698.09
Income tax effects on pre-received amount	29,750,303.08	7,437,575.77	26,592,481.96	6,648,120.49
Income tax effects on estimated liabilities			7,327,200.00	1,831,800.00
Deductible loss	50,673,221.30	12,668,305.33	42,258,687.29	10,564,671.82
Income tax effects on taxes and surcharges	33,053,633.08	8,263,408.27	35,842,069.94	8,960,517.49
Total	174,499,264.41	43,624,816.11	184,379,667.64	46,094,916.91

(2). Non-deducted income tax liabilities

Item	Closing Balance		Closing Balance of last year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Rent-free lease	12,719,748.41	3,179,937.10	13,497,006.84	3,374,251.71
Income tax credits from the withholding tax	1,843,704.12	460,926.03	3,379,083.37	844,770.84
Total	14,563,452.53	3,640,863.13	16,876,090.21	4,219,022.55

(3). Breakdown of unrecognized deferred income tax assets

Item	Closing Balance	Closing Balance of last year
Deductible temporary differences		
Deductible loss	326,888,961.64	367,726,890.40
Bad debt provision	301,231,110.15	340,697,114.46
Depreciation provision for inventories	2,960,671.08	1,110,830.11
Impairment provision for intangible	129,429,873.25	129,429,873.25

Item	Closing Balance	Closing Balance of last year
assets		
Impairment provision for fixed assets	270,490.78	270,490.78
Estimated liabilities	80,338,426.78	62,757,952.06
Interest payable	132,613.61	132,613.61
Total	841,252,147.29	902,125,764.67

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

Year	Closing Balance	Closing Balance of last year	Remarks
2019		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	66,486,536.85	91,085,192.17	
2024	58,664,256.25		
Total	326,888,961.64	367,726,890.40	

16 Other non-current assets

Item	Closing Balance			Closing Balance of last year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Advance payment for equipment	493,629.59		493,629.59	2,200,283.02		2,200,283.02
Total	493,629.59		493,629.59	2,200,283.02		2,200,283.02

17 Short-term borrowing

1) Breakdown

Item	Closing Balance	Closing Balance of last year
Guaranteed borrowing		250,000,000.00
Credit borrowing	23,011,109.13	11,394,742.72
Mortage+guaranteed borrowing	93,000,000.00	94,000,000.00
Total	116,011,109.13	355,394,742.72

Notes for classification of short-term borrowings:

(1) The credit borrowing is borrowed by the subsidiary VGML from the bank

ANZ;

(2) Mortgage-guaranteed borrowings are loans of the parent company from the Lixia branch of Jinan Rural Commercial Bank Co., Ltd., for which the subsidiary Zibo Real Estate provided credit guarantee and house mortgage. For details of the mortgage, please refer to Note XI (2). “Contingencies”. The restrictions are detailed in Note V(50) “Assets with the Restricted Ownership or Use Rights”.

18 Accounts payable

1) Breakdown of accounts payable

Item	Closing Balance	Closing Balance of last year
Project payment	88,001,542.47	131,623,494.43
Equipment payment	25,158,439.13	17,268,252.45
Materials payment	67,247,913.55	107,379,893.63
Other	2,371,243.35	2,777,767.74
Total	182,779,138.50	259,049,408.25

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

Item	Closing Balance	Reasons for Not Repaying or Carrying Forward
Shandong Baocheng Real Estate Co., Ltd.	21,803,601.24	Not reached the settlement date yet
PDV INTERNATIONAL (HK) LTD	14,824,775.80	Not reached the settlement date yet
Yantai Industrial Machinery Co., Ltd.	12,409,832.92	Not reached the settlement date yet
Shandong Gaoyang Construction Co., Ltd.	6,057,924.83	Not reached the settlement date yet
Total	55,096,134.79	

19 Advance receipts

1). Breakdown

Item	Closing Balance	Closing Balance of last year
House price	172,526,565.83	165,838,670.37
Rent received	5,737,616.22	4,309,645.57

Item	Closing Balance	Closing Balance of last year
Other	807,133.13	
Total	179,071,315.18	170,148,315.94

Details of housing advance receipts:

Project name	Closing Balance	Closing Balance of last year	Estimated completion date	Proportion of advanced sales
Huaqiao City Phase 1	99,658.10	99,658.10	July 2006	100.00%
Huaqiao City Phase 3	522,000.00	109,905.00	December 2007	99.00%
Huaqiao City Phase 4	43,215.04	31,469.00	December 2010	99.00%
Huaqiao City Phase 5	404,776.00		June 2012	99.00%
Huaqiao City Phase 6	61,848,239.44	165,597,638.27	December 2019	98.00%
Huaqiao City Phase 7	109,608,677.25		October 2020	35.00%
Total	172,526,565.83	165,838,670.37		

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

Item	Closing Balance	Reasons for Not Repaying or Carrying Over
Zibo Jingyuan Real Estate Co., Ltd.	42,216,130.00	Not yet delivered
Zibo Central Hospital	6,000,000.00	Not yet delivered
Zibo Branch of Sutong Construction Corporation	1,564,056.00	Not yet delivered
Total	49,780,186.00	

20 Payroll payable

(1). Breakdown

Item	Closing Balance of last year	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance
Short-term benefits	18,287,418.84	106,828,078.62	106,568,290.44	-191,828.11	18,355,378.91
Post-employment benefits – defined contribution plan	1,477,490.14	13,578,033.08	13,578,033.08	-28,564.11	1,448,926.03
Termination benefits		252,248.88	252,248.88		
Total	18,287,418.84	106,828,078.62	106,568,290.44	-191,828.11	18,355,378.91

(2). Short-term benefits

Item	Closing Balance of last year	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance
(1) Salary, bonus, allowance and subsidy	5,860,411.72	94,447,153.01	94,324,890.79	-86,318.34	5,896,355.60
(2) Employee benefits	12,732.24	2,559,279.54	2,570,448.96	-1,562.82	
(3) Social insurance expenses	2,301,243.05	1,561,097.22	2,111,032.71	-34,362.05	1,716,945.51
Including: medical insurance expenses	66,948.39	665,981.74	665,981.74		66,948.39
Work injury insurance expenses	2,234,294.66	830,980.62	1,380,916.11	-34,362.05	1,649,997.12
Maternity insurance expenses		64,134.86	64,134.86		
(4) Housing provident fund	687,837.79	782,121.64	783,721.64		686,237.79
(5) Labor union expenditure and employee education expenses	5,956,355.83	2,040,242.56	1,544,287.79	-8,666.48	6,443,644.12
(6) Paid short-term absence	3,468,838.21	5,438,184.65	5,233,908.55	-60,918.42	3,612,195.89
(7) Short-term profit sharing plan					
Total	18,287,418.84	106,828,078.62	106,568,290.44	-191,828.11	18,355,378.91

(3). Breakdown of defined contribution plan

Item	Closing Balance of last year	Increase in This Period	Decrease in This Period	Translation of Foreign-currency Statements	Closing Balance
Basic pension insurance	284,750.66	13,523,713.65	13,523,713.65		284,750.66
Unemployment insurance	48,025.25	51,013.43	51,013.43		48,025.25
Corporate annuity		3,306.00	3,306.00		
Other	1,144,714.23			-28,564.11	1,116,150.12
Total	1,477,490.14	13,578,033.08	13,578,033.08	-28,564.11	1,448,926.03

Additional notes:

"Other" refers to the provident fund accrued by VGML.

21 Tax payable

Category	Closing Balance	Closing Balance of last year
Individual income tax	976,621.80	1,154,241.57
Property tax	886,995.98	470,652.27
Land use tax	376,675.06	402,242.80
Corporate income tax	202,141.12	202,141.12
Stamp duty	106,230.47	9,048.90
Other	490,701.07	364,159.64
Total	3,039,365.50	2,602,486.30

22 Other payables

Item	Closing Balance	Closing Balance of last year
Interest payable	92,778,037.23	69,572,911.45
Dividend payable		
Other	479,416,081.32	416,494,369.64
Total	572,194,118.55	486,067,281.09

(1). Interest payable

Item	Closing Balance	Closing Balance of last year
Interest on long-term borrowings with interest repaid by installment and principal repaid on maturity date		
Interest payable on long term and short term loan	942,053.75	1,136,705.97
Interest payable for loan issued by non-financial institutions	91,835,983.48	68,436,205.48
Total	92,778,037.23	69,572,911.45

(2). Other payable

1) By nature

Item	Closing Balance	Closing Balance of last year
Payables in current account	219,130,512.05	137,257,531.97
Borrowing from non-financial institutions	192,000,000.00	210,022,301.37
Amounts received by developer on	2,478,856.23	15,357,159.34

Item	Closing Balance	Closing Balance of last year
behalf		
Earnest money for purchase of houses	14,255,618.24	4,358,415.00
Tax to be settled	47,105,553.48	47,183,178.14
Others	4,445,541.32	2,315,783.82
Total	479,416,081.32	416,494,369.64

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
Tibet Sinolink Wealth Investment Management Co., Ltd.	17,500,000.00	Borrowing from other enterprises
Ningbo Dingliang Huitong Equity Investment Centre	15,000,000.00	Borrowing from other enterprises
Liu Jiaqing	10,500,000.00	Personal borrowing

23 Non-current liabilities due within one year

Item	Closing Balance	Closing Balance of last year
Long-term borrowing due within one year		10,000,000.00
Bonds payable due within one year		
Long-term payables due within one year		
Total		10,000,000.00

24 Long-term borrowing

Classification:

Item	Closing Balance	Closing Balance of last year
Pledged borrowing		40,000,000.00
Mortgage borrowing	250,000,000.00	
Total	250,000,000.00	40,000,000.00

Explanation of long-term loan classification:

The Company's pledged borrowing is a loan from the Mouping Sub-branch of Yantai

Bank Co., Ltd., for which the subsidiary Jinan Xingrui provides credit guarantee and real estate mortgage. For details of the mortgage, please refer to Note XI (2) "Contingencies". For details of the restrictions, please refer to the Note V (50) "Assets with Restricted Ownership or Use Right".

25 Long-term payroll payable

(1). Breakdown

Item	Closing Balance	Closing Balance of last year
1. Net liabilities for post-employment benefits- defined benefit plan		
2. Termination benefits		
3. Other long-term benefits	1,066,910.26	868,960.30
Total	1,066,910.26	868,960.30

26 Estimated liabilities

Item	Closing Balance of last year	Increase in current period	Decrease in current period	Closing Balance	Reasons
Estimated liquidated damages	37,175,013.70	18,529,000.00	8,006,200.00	47,697,813.70	
Estimated liabilities related to mine reclamation	21,560,138.36	1,163,127.93	1,432,653.21	21,290,613.08	Estimated mine repair costs
Estimated loss	11,350,000.00			11,350,000.00	Overdue loan guarantee loss
Total	70,085,152.06	19,692,127.93	9,438,853.21	80,338,426.78	

Additional notes:

(1) The estimated liquidated damages refer 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.

27 Other non-current liabilities

Item	Closing Balance	Closing Balance of last year
Non-financial institution pledged borrowing	120,000,000.00	
Total	120,000,000.00	

Additional notes:

Non-financial institution pledged borrowing are loans obtained by the

Company from Shandong Longxin Microfinance Co., Ltd., for which subsidiary Zibo Real Estate provides credit guarantees and real estate mortgages. For details of the pledge, please refer to this Note XI (2) "Contingencies". For details of the restrictions, please refer to the Note V (50) "Assets with Restricted Ownership or Use Right".

28 Share capital

Item	Closing Balance of last year	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

29 Capital reserve

Item	Closing Balance of last year	Increase in This Period	Decrease in This Period	Closing Balance
Capital premium	51,259,534.18			51,259,534.18
Total	51,259,534.18			51,259,534.18

30 Other comprehensive income

Item	Closing Balance of last year	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 profit and loss in this period	Less: Amount recorded in other comprehensive income in the previous period and transferred to retained earnings	Less: Income tax amount	After-tax amount attributable to the parent company	After-tax amount attributable to minor shareholders	
1.Other comprehensive income that cannot be subsequently reclassified as profit and loss		-3,133,583.59	765,457.51				765,457.51		-2,368,126.08
Including: Changes in fair value of other equity instrument investment		-3,133,583.59	765,457.51				765,457.51		-2,368,126.08
2.Other comprehensive income that will be subsequently reclassified as profit and loss	-3,518,732.50	-385,148.91	10,754,911.75				12,808,831.22	-2,053,919.47	12,423,682.31

Item	Closing Balance of last year	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 profit and loss in this period	Less: Amount recorded in other comprehensive income in the previous period and transferred to retained earnings	Less: Income tax amount	After-tax amount attributable to the parent company	After-tax amount attributable to minor shareholders	
Including: Profit and loss from changes in fair value of available-for-sale financial asset	-3,133,583.59								
Difference from translation of foreign-currency financial statements	1,896,193.99	1,896,193.99	10,754,911.75				12,808,831.22	-2,053,919.47	14,705,025.21
Others	-2,281,342.90	-2,281,342.90							-2,281,342.90
Total of other comprehensive income	-3,518,732.50	-3,518,732.50	11,520,369.26				13,574,288.73	-2,053,919.47	10,055,556.23

31 Special reserve

Item	Closing Balance of last year	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

32 Surplus reserve

Item	Closing Balance of last year	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

33 Undistributed profit

Item	This period	Last period
Undistributed profit at the end of the previous year before adjustment	-2,204,944.31	-44,394,785.25
Undistributed profits at the beginning of the year after adjustment (increase +, decrease -)		
Undistributed profits at the beginning of the year after adjustment	-2,204,944.31	-44,394,785.25
Plus: Net profit attributable to the owner of the parent company in the current period	-18,204,645.70	42,189,840.94
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	-20,409,590.01	-2,204,944.31

34 Operating revenue and operating expenses

Item	This Period		Last Period	
	Income	Expenses	Income	Expenses
Main business	492,323,864.18	454,745,453.77	486,021,070.02	461,373,289.49
Other businesses	23,064,251.10	24,787,071.53	10,439,161.62	5,473,024.07
Total	515,388,115.28	479,532,525.30	496,460,231.64	466,846,313.56

Breakdown of Operating revenue:

Item	This Period	Last Period
Revenue from Main business	492,323,864.18	486,021,070.02
Including: sale of real estate properties	178,970,876.65	135,075,474.08
sale of gold	313,352,987.53	350,945,595.94
Revenue from other business	23,064,251.10	10,439,161.62
Including: rental	23,064,251.10	10,439,161.62
Total	515,388,115.28	496,460,231.64

During the reporting period, the income project name and income amount details of the real estate sales revenue:

Item	This Period
Huaqiao City Phase 6 -East Department Store	90,661,123.85
Huaqiao City Phase 6 -West Department Store	78,030,283.02
Huaqiao City Phase 6 -Group 6 and 7	8,481,906.41
Other rear parking lots, storage rooms, etc.	1,797,563.37
Total	178,970,876.65

35 Taxes and surcharges

Item	This Period	Last Period
Business tax	1,396,295.14	4,651,089.86
Urban maintenance and construction tax	364,714.67	530,866.96
Land appreciation tax	712,994.47	2,584,901.43
Property tax	3,099,404.74	1,445,096.75
Stamp duty	449,883.97	73,913.29
Education surcharge	232,693.78	280,505.13
Water conservancy construction fund	19,096.84	15,147.54

Item	This Period	Last Period
Gold tax	11,391,464.55	12,213,473.99
Land use tax	519,913.10	346,607.60
Total	18,186,461.26	22,141,602.55

36 Sales expenses

Item	This Period	Last Period
Repair expenses	3,359,583.10	5,493,787.50
Expenses for selling services	1,825,641.38	2,527,853.02
Labor costs	373,779.01	596,039.47
Office expenses	21,161.80	69,022.60
Travelling expenses		35,144.47
Entertainment expenses	1,634.00	5,325.00
Other	578,165.17	124,043.23
Total	6,159,964.46	8,851,215.29

37 Management expenses

Item	This Period	Last Period
Labor cost	24,309,043.92	21,092,318.81
Depreciation and amortization	16,132,712.44	26,125,534.51
Agency expenses	11,381,000.90	10,812,268.51
Property management and water and electricity expenses	6,992,369.63	7,032,081.50
Office expenses	1,927,679.29	3,845,284.62
Turnover materials	2,002,889.28	737,472.24
Leasing expenses	11,451,474.03	3,728,195.56
Travelling expenses	1,378,135.37	1,416,538.83
Entertainment expenses	1,057,628.09	889,924.97
Others	2,759,475.32	1,980,547.13
Total	79,392,408.27	77,660,166.68

38 Financial expenses

Item	This Period	Last Period
Interest expenses	69,328,151.91	57,798,044.63

Item	This Period	Last Period
Less: Interest income	1,693,318.72	532,628.33
Exchange loss	-7,846,214.12	-26,261,552.64
Handling charges	72,366.83	54,419.15
Total	59,860,985.90	31,058,282.81

39 Other income

Item	This Period	Last Period
Government subsidy	5,000,000.00	
Total	5,000,000.00	

Government subsidies included in other income:

Subsidy project	This period	Last Period	Related to assets/related to income
Primary school land compensation	5,000,000.00		Related to income
Total	5,000,000.00		

Note: According to the Part of the Land Payment Agreement for the East Kindergarten and Huaqiao City Primary School in Zhongrun Huaqiao City, Zibo High-tech Zone, Huaqiao City Primary School was invested and constructed by Zibo Real Estate, a subsidiary of the Company. It was delivered for use in August 2012. As the change of school location occupied the residence area. Zibo Real Estate received land compensation of RMB 5.0 million from the management committee of Zibo High-tech Industrial Development Zone in this period.

40 Investment income

Item	This Period	Last Period
Income from long-term equity investment calculated based on equity method	3,370,681.12	-641,729.10
Total	3,370,681.12	-641,729.10

41 Credit impairment loss

Item	This Period
Bad debt loss on accounts receivable	-146,707.76

Item	This Period
Bad debt loss on other receivables	-53,732,664.61
Total	-53,879,372.37

42 Asset impairment loss

Item	This Period	Last Period
Bad debt loss		-148,797,625.50
Inventory depreciation loss	6,252,454.77	11,232,125.06
Intangible asset impairment loss		9,782,241.97
Total	6,252,454.77	-127,783,258.47

43 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	2,771.00	119,559.24	2,771.00
Total	2,771.00	119,559.24	2,771.00

44 Non-operating income

Item	This Period	Last Period	Amount recognized as non-recurrent profit and loss of the current period
Reversal of reclamation expenses		34,048,412.38	
Withdrawal penalty	995,647.52	477,091.86	995,647.52
Other	60,897,400.00		60,897,400.00
Total	61,893,047.52	34,525,504.24	61,893,047.52

Note: For others, refer to "XIII. Other important matters (2)".

45 Non-operating expenses

Item	This Period	Last Period	Amount recognized as non-recurrent profit and loss of the current period
Donation made		504,800.00	
Loss from damage and		1,418,469.97	

Item	This Period	Last Period	Amount recognized as non-recurrent profit and loss of the current period
scrapping of non-current assets			
Liquidated damages for borrowing from non-financial institutions	18,529,000.00	21,162,318.87	18,529,000.00
Early loan repayment interest compensation	1,178,888.89		1,178,888.89
Other	691,138.65	167,596.00	691,138.65
Total	20,399,027.54	23,253,184.84	20,399,027.54

46 Income tax expenses

(1). Breakdown

Item	This Period	Last Period
Current income tax		
Deferred income tax	1,891,941.38	-1,418,588.03
Total	1,891,941.38	-1,418,588.03

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

Item	This Period
Total profit	-30,249,840.21
1ncome tax expense calculated at statutory (or applicable) tax rate	-7,562,460.05
Effects due to different tax rates applicable to subsidiaries	2,584,988.05
Effects due to adjustment on income tax of previous periods	
Effects of non-taxable income	
Effects of non-deductible costs, expenses and losses	28,237,481.56
Effects due to using deductible losses of unrecognized deferred income tax assets of previous periods	-6,149,663.83
Effects due to deductible temporary difference or deductible losses of unrecognized deferred income tax assets of the current period	-15,218,404.35
Income tax expenses	1,891,941.38

47 Items in cash flow statements

(1). Other cash received related to operating activities

Item	This Period	Last Period
Non-operating income	5,629,384.00	477,091.86
Interest income	762,485.39	532,628.33
Other account current	104,509,181.86	99,465,839.85
Other monetary funds with the use restricted	3,218,070.06	31,393,653.11
Total	114,119,121.31	131,869,213.15

(2). Other cash paid related to operating activities

Item	This Period	Last Period
Management expenses	32,447,113.61	13,776,850.14
Sales expenses	2,080,310.09	282,374.20
Non-operating expenses	686,000.00	772,156.00
Financial expenses	447,145.26	1,106,211.31
Other monetary funds with the use restricted	536,767.99	1,132,540.07
Other account current	38,873,986.32	21,575,001.94
Total	75,071,323.27	38,645,133.66

(3). Other cash received related to investment activities

Item	This Period	Last Period
Earnest money		45,000,000.00
Transfer of shares		90,000,000.00
Total		45,000,000.00

(4). Other cash paid related to investment activities

Item	This Period	Last Period
Earnest money		50,000,000.00
Refund of equity transfer payment		45,000,000.00
Debt investment	25,000,000.00	
Total	25,000,000.00	95,000,000.00

(5). Other cash received related to financing activities

Item	This Period	Last Period
Letter of credit deposit		
Borrowings from non-financial institutions	131,000,000.00	18,522,301.37
Total	131,000,000.00	18,522,301.37

(6). Other paid cash related to financing activities

Item	This Period	Last Period
Borrowing to non-financial institutions	29,022,301.37	28,500,000.00
Total	29,022,301.37	28,500,000.00

48 Earnings per share

1) Basic earnings per share

Item	This Period	Last Period
Consolidated net profit attributable to common shareholders of the parent company	-18,204,645.70	42,189,840.94
Weighted average number of common shares issued by the company	929,017,761.00	929,017,761.00
Basic earnings per share		
Including: basic earnings per share from continued operations	-0.0196	0.0454
Diluted earnings per share from discontinued operation		

2) Diluted earnings per share

Item	This Period	Last Period
Consolidated net profit attributable to common shareholders of the parent company (diluted)	-18,204,645.70	42,189,840.94
Weighted average number of common shares issued by the company (diluted)	929,017,761.00	929,017,761.00
Diluted earnings per share		
Including: Diluted earnings per share from continued operations	-0.0196	0.0454
Diluted earnings per share from discontinued operation		

49 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	-32,141,781.59	29,854,646.79
Plus: Credit impairment loss	-53,879,372.37	
Provision for asset impairment	6,252,454.77	-127,783,258.47
Depreciation of fixed assets	120,485,568.76	99,184,290.97
Amortization of intangible assets	18,210,928.78	17,566,793.69
Amortization of long-term deferred expenses		
Loss from disposal of fixed assets, intangible assets and other long-term assets (“-” for gains)	-2,771.00	-119,559.24
Loss from scrapping of fixed assets (“-” for gains)		1,418,469.97
Loss from changes in fair value (“-” for gains)		
Financial expenses (“-” for gains)	69,328,151.91	57,798,044.63
Investment loss (“-” for gains)	-3,370,681.12	641,729.10
Decrease in deferred income tax assets (“-” for gains)	2,470,100.80	43,144.04
Increase in deferred income tax liabilities (“-” for decrease)	-578,159.42	-1,461,732.07
Decrease of inventories (“-” for increase)	26,308,890.54	98,682,804.76
Decrease of operating receivables (“-” for increase)	-44,336,557.01	90,097,421.09
Increase of operating payables (“-’ for decrease)	98,054,589.29	22,220,170.22
Other	-60,897,400.00	
Net cash flow from operating activities	145,903,962.34	288,142,965.48
2. Important investment and financing activities involving no cash receipts and payments		
Debt converted to capital		
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	94,627,346.16	41,152,759.31
Less: Opening balance of cash	41,152,759.31	64,659,655.22
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	53,474,586.85	-23,506,895.91

(2). Composition of cash and cash equivalents

Item	Closing Balance	Closing Balance of last year
I. Cash	94,627,346.16	41,152,759.31
Including: cash on hold	20,859.81	37,127.79
Cash in bank readily available for payment	94,606,486.35	41,115,631.52
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.	94,627,346.16	41,152,759.31
Including: Cash and cash equivalents of which the use by the parent company and group subsidiaries is restricted		

50 Assets with ownership or use right restricted

Item	Closing Book Value	Reasons for Restriction
Monetary funds	1,262,225.59	Environmental governance deposit
Monetary funds	2,003,569.31	Fixed deposits used by VGML for environmental protection, work injury compensation and other purposes.
Monetary funds	2,653,060.38	Mortgage deposit
Monetary funds	536,767.99	Tailings Maintenance and Mountain Reclamation Deposit
Investment property	554,199,824.77	Mortgage on borrowings
Total	560,655,448.04	

51 Foreign-currency monetary items

(1). Foreign-currency monetary items

Item	Closing Balance	Exchange Rate for Translation	Closing Balance Converted to RMB
Money funds			6,292,636.74
Including: Fiji Dollar	1,931,589.73	3.25604	6,289,333.42

Item	Closing Balance	Exchange Rate for Translation	Closing Balance Converted to RMB
HKD	3,687.65	0.89578	3,303.32
Accounts receivable			7,018,535.56
Including: Fiji Dollar	2,155,543.41	3.25604	7,018,535.56
Other receivables			561,341,367.85
Including: Fiji Dollar	949,126.69	3.25604	3,090,394.47
HKD	173,003.84	0.89578	154,973.38
USD	80,000,000.00	6.97620	558,096,000.00
Accounts payable			95,321,192.28
Including: Fiji Dollar	29,275,190.81	3.25604	95,321,192.28
Other payables			18,965,640.76
Including: GBP	22,206.35	9.15010	203,190.32
Fiji Dollar	5,756,964.72	3.25604	18,744,907.41
HKD	9,682.60	0.89578	8,673.48
Real	5,114.67	1.73414	8,869.55

Additional Notes:

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.

52 Government subsidy

1) Government subsidies related to income

Category	Amount	Balance Sheet Item	Amount included in the current profit and loss or offset against the related expense		Item included in the current profit and loss or offset against the related expense
			This period	Last period	
Primary school land compensation	5,000,000.00		5,000,000.00		Other income

VI. Changes in Scope of Consolidation

1) Business combination not under common control

(1) Business combinations not under common control that occurred in the current period

Name of the acquiree	Time of equity acquisition	Cost of share acquisition	Proportion of share acquisition (%)	Method of share acquisition	Purchase date	The basis for determining the purchase date	Acquiree's income from the purchase date to the end of the period	Acquiree's net profit from the purchase date to the end of the period
Jinan Xingrui Commercial Operation Co., Ltd.	January 31, 2019	430,197,400.00	100.00	Purchase	January 31, 2019	Obtain control	10,263,323.52	-10,163,477.34

Additional notes:

Shandong AXA Asset Management Group Co., Ltd. (hereinafter referred to as "AXA Assets") owed the Company's equity and creditor's rights transfer capital of RMB 369.30 million. On June 25, 2018, the Company, AXA Assets, and Shandong Zhongrun Real Estate Co., Ltd. (hereinafter referred to as "Zhongrun Real Estate") signed the Commercial Property Settlement Transfer Agreement, which provides that the commercial properties of Zhongrun Real Estate located in Jinan, Shandong Province. in the western section of the Zhongrun Century City commercial property at No. 13777 Jingshi Road, Lixia District, with an estimated value of RMB 430,197,400 shall be used to cover all the amount owed by AXA Assets to Zhongrun Resources.

On January 23, 2019, the repayment real estate was transferred from Zhongrun Real Estate to Jinan Xingrui Commercial Operation Company. On January 29, 2019, the Company, AXA Assets, Zhongrun Real Estate and Xingrui Company signed the Supplementary Agreement on the Signing of the Agreement on the Transfer Price of Commercial Property to inject the repayment property into Xingrui Company. On January 30, 2019, Zhongrun

Resources and Zhongrun Real Estate signed the Equity Transfer Agreement for Xingrui Company. On January 31, 2019, Xingrui Company completed the procedures of industrial and commercial change registration and became a wholly-owned subsidiary of the company.

(2) Merger costs and goodwill

	Jinan Xingrui Commercial Operation Co., Ltd.
Merger costs	
—cash	
—The fair value of non-cash assets	430,197,400.00
—The fair value of the debt issued or assumed	
—The fair value of the equity securities issued	
—The fair value of contingent consideration	
—The fair value of the equity held before the purchase date as of the purchase date	
—other	
Total merger cost	430,197,400.00
Less: the fair value share of identifiable net assets obtained	430,197,400.00
Goodwill/amount of merger cost which is less than the amount of the fair value share of identifiable net assets obtained	

(3) Identifiable assets and liabilities of the acquiree on the purchase date

	Jinan Xingrui Commercial Operation Co., Ltd.	
	Fair value on the purchase date	Book value on the purchase date
Assets:	430,197,400.00	223,300,000.00
Monetary funds		
Accounts receivable		
Inventory		
Fixed assets		
Intangible assets		
Investment properties	419,564,066.76	212,666,666.76
Other current assets	10,633,333.24	10,633,333.24
Liabilities:		
Loan		
Accounts payable		
Deferred income tax liabilities		
Net assets	430,197,400.00	223,300,000.00
Less: minority interest		
Net assets acquired	430,197,400.00	223,300,000.00

Method for determining the fair value of identifiable assets and liabilities:

The fair value is determined based on Beijing Guoyou Dazheng Assets Appraisal Co., Ltd.'s appraisal value of repayment commercial properties as agreed.

The contingent liabilities of the acquiree assumed in the business combination:

None

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 Zhongrun Group	Zibo, Shandong	Zibo, Shandong	Real estate	100.00		Business combination under 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 PingwuZhongjin	Pingwu, Sichuan	Mianyang, Sichuan	Gold mining		76.00	Business combination

Name of Subsidiary	Principal Place of Business	Registered Address	Nature	Shareholding (%)		Acquirement Mode
				Direct	Indirect	
Mining Co., Ltd.						not under common control
Tibet ZhongjinMining Co., Ltd.,	Jomda County, Tibet	Changdu, Tibet	Processingand selling of minerals		71.20	Business combination not under common control
Vatukoula Gold Mines PLC (England)	England	England	Gold mining		79.52	Business combination not under common control
VGML (Fiji)	Fiji	Fiji	Gold mining		100.00	Business combination not under common control
Jinan Xingrui Commercial Operation Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Commerce		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	-1,079,006.41		17,280,442.55
Sichuan PingwuZhongjin Mining Co., Ltd.	24.00	-2,245,597.82		-24,280,295.01
Tibet ZhongjinMining Co., Ltd.	28.80	-24,420.62		10,302,264.77
Vatukoula Gold Mines PLC	20.48	-10,588,111.04		39,800,385.49
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						Closing Balance of last year					
	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.	24,718,658.90	45,277,804.18	69,996,463.08	178,291.45		178,291.45	24,698,327.99	49,541,229.56	74,239,557.55	61,764.05		61,764.05
Sichuan PingwuZhongjin Mining Co., Ltd.	2,606,237.20	81,098,880.43	83,705,117.63	184,873,013.53		184,873,013.53	3,204,841.16	85,946,603.17	89,151,444.33	180,962,682.63		180,962,682.63
Tibet Zhongjin Mining Co., Ltd.	22,372,654.75	13,399,098.00	35,771,752.75				22,537,920.79	13,418,625.78	35,956,546.57	100,000.00		100,000.00
Vatukoula Gold Mines PLC	94,567,585.92	696,060,013.01	790,627,598.93	150,617,261.97	445,672,517.16	596,289,779.13	93,441,074.80	711,125,565.88	804,566,640.68	155,658,716.32	392,841,439.97	548,500,156.29

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.		-4,359,621.87	-4,359,621.87	-26,687.31		-4,429,659.16	-4,429,659.16	129,318.99
Sichuan PingwuZhongjin Mining Co., Ltd.		-9,356,657.60	-9,356,657.60	4,753,960.15		-20,393,339.38	-20,393,339.38	432,053.04
Tibet Zhongjin Mining Co., Ltd.,		-84,793.82	-84,793.82	-1,665.04		-200,733.75	-200,733.75	-50.76
Vatukoula Gold Mines PLC	313,352,987.53	-51,699,760.93	-53,914,689.14	63,040,873.94	350,945,595.94	-30,936,562.03	-67,032,146.80	146,761,700.02

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	Closing Balance of last year/Amount in last period
Associates		
Total investment by book value	35,336,518.46	31,388,101.39
Totals calculated based on shareholding	3,370,681.12	-641,729.10
—Net profit	3,370,681.12	-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, 2019, 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, 2019, the balance of other receivables of the Company was RMB 781,338,289.78, with the book value of RMB 457,444,923.35, 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 long-term borrowing from banks and bonds payable. At present, the policy of the Company is: fixed-rate borrowings account for 100% of the external borrowings. To maintain this ratio, the Company may use interest rate swaps to achieve the expected interest rate structure. Although this policy could not ensure that the company completely avoid the risk of paying interest rates exceeding current market interest rates, nor can it completely eliminate the cash flow risks associated with fluctuations in interest payments, the management believes that the policy achieves a reasonable balance between these risks.

As of December 31, 2019, assuming other variables remain unchanged, if the interest rate for the borrowing calculated based on floating interest rate increases or falls by 100 base point, the Company's net profit will decrease or increase by RMB 686,508.34 (RMB 572,333.73 on December 31, 2018).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 (49) “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	Closing Balance of last year
Available-for-sale financial assets		6,045,719.99
Other equity instrument investment	6,811,177.50	
Total	6,811,177.50	6,045,719.99

(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	116,011,109.13			116,011,109.13
Notes payable and accounts payable	182,779,138.50			182,779,138.50
Other payables	572,194,118.55			572,194,118.55
Non-current liabilities due within one year				
Long-term borrowing		250,000,000.00		250,000,000.00
Other non-current liabilities		120,000,000.00		120,000,000.00
Total	870,984,366.18	370,000,000.00		1,240,984,366.18

Item	Closing Balance of last year			
	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 borrowings		40,000,000.00		40,000,000.00
Total	1,110,511,432.06	40,000,000.00		1,150,511,432.06

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
1.Continuing measurement of fair value				
Other equity instrument investment	6,811,177.50			6,811,177.50

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

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 15 million shares in the subsidiary Canadian Zinc Corporation, the market value of which is 1.275 million Canadian dollars calculated at 0.085 Canadian dollars per share based on the closing price in Toronto Securities Exchange on December 31, 2019.

X. Related Parties and Related Transactions

1 Information about the parent company

Name	Place of Incorporation	Nature	Registered Capital	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, 2019, the ultimate controller of the Company was Mr. GuoChangwei who holds 100% shares of Ransheng Wealth CapitalManagement Co., Ltd. ("Ransheng Wealth"). Ransheng Wealth holds 80% shares of Ransheng (Ningbo) Equity Investment Fund ManagementCo., Ltd. ("Ransheng Equity and Fund") which exercises control over Ranchengcheng Faras a general partner.

As of December 31, 2019, 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.

The details of other joint ventures or associates that have related party transactions with the Company in the current period or the balance of related party transactions with the company in the previous period are as follows:

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

Name of Related Party	Relationship with the Company
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 guarantee:

Guarantor	Guaranteed Amount	Effective Date	Expiry Date	Guarantee Fulfilled or not?
Shandong Zhongrun Group Zibo Real Estate Co., Ltd.	50,000,000.00	2019/8/19	2021/8/18	No
Shandong Zhongrun Group Zibo Real Estate Co., Ltd.	70,000,000.00	2019/8/23	2021/8/22	No
Shandong Zhongrun Group Zibo Real Estate Co., Ltd.	93,000,000.00	2019/4/10	2020/4/8	No
Jinan Xingrui Commercial Operation Co., Ltd.	2,000,000.00	2019/10/15	2021/10/14	No
Jinan Xingrui Commercial Operation Co., Ltd.	135,000,000.00	2019/10/17	2021/10/16	No
Jinan Xingrui Commercial Operation Co., Ltd.	113,000,000.00	2019/10/18	2021/10/17	No

(5). Borrowing to/from related party

None

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

None

(7). Remuneration of key management personnel

Unit: 10,000

Item	This Period	Last Period
Remuneration of key management personnel (10,000)	581.50	677.03

(8). Other related transactions

1) As of December 31, 2019, 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, 2019, the Company shall receive an earnest money of RMB 561,263,147.00 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, 2019, credit guarantees provided by the Company to the parent company are as follows (unit: 10,000)

Guarantor	Guarantee	Lender	Balance of Guaranteed Loan	Loan Maturity Date
Zibo Real Estate	The Company	Shandong Longxin Microfinance Co., Ltd.	5,000.00	2021/8/18
Zibo Real Estate	The Company	Shandong Longxin Microfinance Co., Ltd.	7,000.00	2021/8/22
Zibo Real Estate	The Company	Lixia Sub-branch of Jinan Rural Commercial Bank Co., Ltd.	9,300.00	2020/4/8
Jinan Xingrui	The Company	Bank of Yantai Co., Ltd. Mouping Sub-branch	200.00	2021/10/14
Jinan Xingrui	The Company	Bank of Yantai Co., Ltd. Mouping Sub-branch	13,500.00	2021/10/16
Jinan Xingrui	The Company	Bank of Yantai Co., Ltd. Muping Sub-branch	11,300.00	2021/10/17

Zhongrun Mining	The Company	Ningbo Dingliang Huitong Equity Investment Center (Limited Partnership)	1,500.00	2019/6/30
Zibo Real Estate	The Company	Ningbo Dingliang Huitong Equity Investment Center (Limited Partnership)	1,500.00	2019/6/30

2) Property-based mortgage guarantees provided between companies in the scope of consolidation as of December 31, 2019 (unit: 10,000)

Guarantor	Guarantee	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	Shandong Longxin Microfinance Co., Ltd.	Axis 1-10, Commercial Building 1, North District, Zhongrun Huaqiao City	12,425.26	8,715.43	5,000.00	2021/8/18
Zibo Real Estate	The Company					7,000.00	2021/8/22
Zibo Real Estate	The Company	Lixia Sub-branch of Jinan Rural Commercial Bank Co., Ltd.	Zhongrun Complex	7,226.07	6,574.99	9,300.00	2020/4/8
Jinan Xingrui	The Company	Bank of Yantai Co., Ltd. Mouping Sub-branch	Zhongrun Century City Commercial -302 Zhongrun Century City Commercial -203 Zhongrun Century City Commercial-204	41,956.41	40,129.56	200.00	2021/10/14
Jinan Xingrui	The Company					13,500.00	2021/10/16
Jinan Xingrui	The Company					11,300.00	2021/10/17

(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, 2019, the subsidiaries of the Company had undertaken phased guarantees totaling to RMB 79,714,700.

(3). Pending litigation

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

2) Refer to Note XIII (7)2 for the receivables from PESI.

3) On August 26, 2019, the Company received the Civil Ruling from the People’s Court of Zibo High-tech Industrial Development Zone ((2019) Lu 0391 Caibao No. 89), Zibo Futian Installation Co., Ltd. applied to freeze the Company’s bank deposit of RMB 4.96 million or assets in equivalent value.

As of the date of issuance of the report, the ruling has not yet been implemented.

(4) On October 8, 2019, Ningbo Dingliang Huitong Equity Investment Center filed a lawsuit with the court due to a dispute over a loan contract, and the lawsuit requested payment is RMB 23,835,400. On November 4, 2019, the Company filed an objection to jurisdiction. As of the date of issuance of the report, the court has not issued an objection ruling.

XII. Events After the Balance Sheet Date

1. The loan of RMB 93 million at Lixia branch of Jinan Rural Commercial Bank Co., Ltd. will be repaid using new loan on April 8, 2020. After the extension, the loan amount is RMB 92 million and the mortgage will remain unchanged. The term is From July 7 to April 2, 2021.

2. On March 6, 2020, the Company received the "Civil Ruling" from the People's Court of Zibo High-tech Industrial Development Zone ((2020) Lu 0391 Zhibao No. 143), and Song Fengkang applied to freeze the Company’s bank deposit of RMB 4.2 million or assets in equivalent value. As of the date of issuance of the report, it has not been implemented yet.

3. On March 18, 2020, the Company received the "Civil Ruling" from the People's Court of Zibo High-tech Industrial Development Zone ((2020) Lu 0391 Zhibao No. 164), and Song Fengkang applied to freeze the Company's bank deposits of RMB 550,000 or assets in equivalent value. As of the date of issuance of the report, the ruling has not been implemented yet.

4. On March 26, 2020, the company received the "Civil Ruling" from the People's Court of Zibo High-tech Industrial Development Zone ((2020) Lu 0391 Zhibao No. 158), and Shandong Dongpu Construction and Installation Engineering Co., Ltd. applied to freeze the Company's bank deposit of RMB 55 million or assets in equivalent value. As of the date of issuance of the report, the ruling has not been implemented yet.

5. On March 30, 2020, the Company received the "Civil Ruling" ((2020) Lu 0391 Caibao No. 75) from the People’s Court of Zibo High-tech Industrial Development Zone. The Katelan Landscaping Construction Center in Taian City applied to freeze the Company and Subsidiary company's bank deposits of RMB 3.5 million or assets in equivalent value. As of the date of issuance of the report, the ruling has not been implemented yet.

6. On April 8, 2020, the Company received the "Civil Judgment of the People's Court of Lixia District, Jinan City" ((2019) Lu 0102 Minchu 1937), and the Company should pay RMB 13.675 million and interest to Yantai Industrial Machinery Co., Ltd. As of the date of issuance of the report, no payment has been made.

XIII. Other Significant Events

1 Correction of accounting error in previous period

None

2 Debt restructuring

Shandong AXA Asset Management Group Co., Ltd. (hereinafter referred to as "AXA Assets") owes the company's equity and creditor's rights transfer capital of RMB 369.3 million. On June 25, 2018, the Company, AXA Assets, and Shandong Zhongrun Real Estate Co., Ltd. (hereinafter referred to as "Zhongrun Real Estate") signed the Commercial Property Settlement Transfer Agreement. The commercial properties of Zhongrun Real Estate in the western section of the Zhongrun Century City commercial property located at No. 13777, Jingshi Road, Lixia District, in Jinan, Shandong Province with an estimated value of RMB 430,197,400 is used to cover the principal and liquidated damages or capital occupation of the equity transfer funds owed by AXA Assets to Zhongrun Resources Fees in full.

On January 23, 2019, the real estate to repay debt was transferred from Zhongrun Property to Xingrui Company. On January 29, 2019, the Company, AXA Assets, Zhongrun Real Estate and Xingrui Company signed the Supplementary Agreement on the Signing of the Agreement on the Transfer Price of Commercial Property to inject the repossession property into Xingrui Company. On January 30, 2019, Zhongrun Resources and Zhongrun Real Estate signed the Equity Transfer Agreement for Xingrui Company.

On January 31, 2019, Xingrui Company completed the procedures of industrial and commercial change registration and became a wholly-owned subsidiary of the company. The Company paid assets in accordance with the combination consideration and recognized the fair value of RMB 430,197,400 as agreed by both parties to exchange in the cost of assets, and the difference with the principal of the creditor's rights of RMB 369,300,000, in the amount of of RMB 60,897,400 was included in 2019 profit and loss.

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

Item	Zibo Real Estate	VGM Plc	Other companies	Inter-segment setoff	Total
Income from external transactions	19,047.38	31,335.30	1,156.13		51,538.81
Income from inter-segment transaction					
Investment income from associates and joint ventures					
Credit impairment loss	-1,573.85	45.40	-3,859.49		-5,387.94
Asset impairment loss	447.65	114.07	63.53		625.25
Depreciation and amortization	535.71	10,117.93	3,216.01		13,869.65
Total profit (loss)	3,256.47	-5,179.71	477.18	1,578.92	-3,024.98
Income tax expense	189.19				189.19
Net profit (loss)	3,067.28	-5,179.71	477.18	1,578.92	-3,214.17
Total assets	95,991.43	79,115.06	384,036.22	296,954.26	262,188.45
Total liabilities	48,670.87	59,628.98	221,772.21	177,277.50	152,794.56
Other important non-cash items	65,638.66	6,823.56	76,058.76	101,693.26	46,827.72
Non-cash expenses other than depreciation and amortization expenses			2,326.72		2,326.72
Long-term equity investment in associates and joint ventures		3,533.65			3,533.65
assets other than long-term equity investment	-1,960.91	-1,901.40	52,049.94		48,187.63

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

(1). Receivables from Li Xiaoming

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 repay 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 repay 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. The arbitration fee in this case totaled RMB 3,167,147.00, which was jointly borne by Li Xiaoming and Shengjie (Beijing) Investment Consulting Co., Ltd. The fee has been paid by the Company, as such Li Xiaoming and Shengjie (Beijing) Investment Consulting Co., Ltd. should pay the arbitration fee to the Company. The Company has submitted an application for compulsory execution to the Enforcement Tribunal of Beijing No. 1 Intermediate People's Court, and has filed a case for execution of Li Xiaoming and Shengjie (Beijing) Enterprise Management Co., Ltd.

On December 20, 2019, the Company disclosed the "Announcement Regarding the Signing of the Agreement on the Transfer of Debt Receivables". The Company intends to transfer Li Xiaoming's earnest money claim and PSEI International Trade Co., Ltd.’s debt hereinafter referred to "two claims") were transferred to Luck Morgan Investment Limited (hereinafter referred to as "Luck Morgan") at a transfer price of RMB 478,826,600. As of June 30, 2019, the original book value of Li Xiaoming's earnest money receivable was RMB 553,143,100, the provision for bad debts was RMB 110,153,500, and the book value was RMB 442,989,600. The original book value of debt receivable from PESI was RMB 48,933,800, the provision for bad debts was RMB 13,096,800, and the book value was RMB 35,837,000 yuan. The transfer price is the same as the sum of the book value of the above two claims. As of the date of this report, it has not been implemented.

On November 15, 2019, the High Court of the Hong Kong Special Administrative Region issued a bankruptcy order to Li Xiaoming. On December 2, 2019, Longming Mining Company controlled by Li Xiaoming filed for bankruptcy.

As of December 31, 2019, earnest money claims were equivalent to RMB 558,096,600, and advanced litigation costs were RMB 3,167,100, totaling RMB 561,263,100. The company accrued a provision for bad debts of RMB 167,587,200 based on expected credit losses, and the book value was RMB 393,675,900. The exchange income of RMB 9.04 million was recognized due to the translation of the statements in the current period. As of the date of this report, the company has not received the principal and interest repaid by Li Xiaoming.

(2). Receivables from PESI.

In order to facilitate the non-public offering of the Company for the purpose of acquiring Mongolian Dornyn Gobi Iron Ore Company, in August 2015, Mongolian Dornyn Gobi Iron Ore Company proposed to borrow 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 Agreement for Development Expenses of Mongolian Dornyn Gobi Iron Ore Project”. According to the agreement and the instructions of Mongolian Dornyn Gobi Iron Ore Company, the Company has provided loan of RMB 237.07 million to PESI. After the borrowing expired, the Company required PESI to repay the loan because the Company has terminated 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.

On July 18, 2019, the Company received a civil ruling from the Intermediate People’s Court of Jinan City, Shandong Province ((2018) Lu 01 Minchu No. 2532): 1) PESI shall repay the loan principal amounted to RMB 37.07 million to the Company within 10 days from the effective date of this judgment; 2) PESI shall repay the loan interest of RMB 11,863,803.74 to the Company within 10 days from the effective date of this judgment (the interest calculation is up to December 31, 2017, from January 1, 2018 to June 30, 2018, RMB 37.07 million was used as the base, and the annual interest rate was 10%. From July 1, 2018 to the day when the repayment date of the loan, RMB 37.07

million was used as the base, and daily standard rate of 3‰). PESI rejected to accept the judgment and filed an appeal. As of the date of issuance of the report, it had not been implemented and no court hearings were held.

On December 20, 2019, a creditor's rights assignment agreement was signed Refer to XII (7) 1. Receivable from Li Xiaoming), which has not yet been implemented.

As of the report date, the Company has not received PESI's claims of RMB 48,933,800, and the Company has accrued a provision for bad debts of RMB 14,283,100 based on the expected credit losses, with a book value of RMB 34,650,700.

(3). Receivables from 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 under Shandong Shengji Investment, and the associated land use rights which are valued at 98,280,216.00 in total should be transferred to the Company for repayment of debt. In August 2019, the Company signed a lease agreement with the lessee Wendeng Economic Development Zone Management Committee. Block A will be leased from August 12, 2019. The lease period is 10 years. The Company received rental of RMB 2.73 million for one year lease. Block B is leased since December 30, 2019. The lease period is 10 years. The relevant rental benefits have already flowed into the company. This property for debt repayment is recognized as the company's investment property.

In February 2019, the Company received RMB 4,244,100.10 of cash handed over by the court, and received RMB 12,528.90 of cash handed over by the court in May. In March 2019, the Wendeng District Court of Weihai City ruled that Shandong Shengji Investment, the guarantor of the company's debt, went bankrupt and restructured. For the remaining amount owed by Qilu Real Estate, the Company declared its claims to the administrator on May 23, 2019. Complete the relevant procedures for recovery. The Company has submitted an application to the Jinan Intermediate People's Court to freeze the creditor's rights of Kunlun Jiangyuan Industry and Trade Co., Ltd. and Shandong Pengcheng Asset Management Co., Ltd. against Shengji Investment and the assets of Qilu Real Estate Co., Ltd.

As of December 31, 2019, the book balance of claims receivable from Qilu Real Estate Co., Ltd. was RMB 64,404,200, with a full provision for bad debts of RMB 64,406,200, and the book value was RMB 0.00.

(4). As of December 31, 2019, the overdue non-financial institution loan RMB 187 million, of which amount from Cui Wei was RMB 140 million, Liu

Jiaqing was RMB 105 million, Tibet National Finance was RMB 17.5 million, and Ningbo Dingliang was RMB 15 million. Yuan, Xu Feng 4.0 million yuan.

(5). As of the date of issuance of this report, affected by policies such as the pilot program of the Giant Panda National Park in Sichuan Province, the Company's subsidiary Sichuan Pingwu Shilonggou Gold Mine Census Right (Certificate Number: T01120090602031500), Silver Factory Gold Mine Mining Right (Certificate of Rights) Number: C5100002009084120033612) and gold prospecting rights (Certificate of Rights Number: T51120080402005069) have not yet been extended after expiration. As of the date of issuance of this report, the application for renewal of the Yinchang Gold Mine's mining rights and exploration and prospecting rights has not yet been finalized.

(6). The equity pledge contract between the Company's controlling shareholder Ran Shengshengyuan and Tianfeng Securities Co., Ltd. is until January 17, 2020. The two parties have been communicating on the extension of the pledge contract, but due to the impact of the new coronavirus epidemic, the final extension agreement has not been signed. As of the date of issuance of this report, Ran Sheng Shengyuan holds 233,000,000.00 shares of the Company, accounting for 25.08% of the Company's total share capital, and 233,000,000.00 shares of the accumulated company shares held have been pledged and frozen, accounting for 100% of the shareholding percentage.

(7). Inner Mongolia Huiyin Mining Co., Ltd. is located in Xilin Gol League, Inner Mongolia Autonomous Region, with a registered capital of RMB 39.09 million. The Company holds 75.25% of its shares through Zhongrun Mining Development Co., Ltd. The mine is a silver-lead-zinc mine. In 2019, the Company had not generated revenue. The Company has passed the aproval of the board of directors and transferred the company. As of the date of this report, the transfer has not been completed.

(8). On April 15, 2020, the Company received the "China Securities Regulatory Commission Investigation Notice". Because the Company's historical information disclosure was suspected of violating securities laws and regulations, the China Securities Regulatory Commission initiated an investigation of the company. The company's current production and operation conditions are normal without major changes. As of the date of the audit report, the investigation is still in progress.

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

1 Other receivables

Item	Closing Balance	Closing Balance of last year

Item	Closing Balance	Closing Balance of last year
Interest receivable		
Dividend receivable		
Other receivables	963,944,266.98	1,363,678,140.18
Total	963,944,266.98	1,363,678,140.18

Other accounts receivable

(1) By account ageing:

Account ageing	Closing balance	Closing balance of last year
Within 1 year	68,841,822.66	286,110,541.58
1-2 years	282,676,784.79	176,198,864.42
2-3 years	176,198,864.42	651,530,867.58
3-4 years	618,537,833.78	
4-5 years		
Over 5 years	117,576,613.84	589,413,458.84
Subotal	1,263,831,919.49	1,703,253,732.42
Less: Bad debt provision	299,887,652.51	339,575,592.24
Total	963,944,266.98	1,363,678,140.18

(2) By class:

Type	Closing Balance				
	Book Balance		Bad Debt Provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision made separately by single item	64,406,155.04	5.10	64,406,155.04	100.00	
Including:					
Other receivables in significant single amount with bad debt provision made separately	64,406,155.04	5.10	64,406,155.04	100.00	
Bad debt provision made by combination	1,199,425,764.45	94.90	235,481,497.47	19.63	963,944,266.98
Including:					
Account ageing combination	669,817,608.44	53.00	235,481,497.47	35.16	434,336,110.97
Related party combination	529,608,156.01	41.89			529,608,156.01
Total	1,263,831,919.49	100.00	299,887,652.51		963,944,266.98

Type	Closing Balance of last year				
	Book Balance		Bad Debt Provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables in significant single amount with bad debt provision made separately	166,943,000.04	9.80	166,943,000.04	100.00	
Other accounts receivable with bad debt provision made by combination based on credit risk characteristics	1,536,207,701.52	90.19	172,632,592.20	11.24	1,363,575,109.32
Other receivables in insignificant single amount with bad debt provision made separately	103,030.86	0.01			103,030.86
Total	1,703,253,732.42	100.00	339,575,592.24		1,363,678,140.18

Provision for bad debts on a single item basis:

Name	Closing Balance			
	Book value	Bad debt provision	proportion (%)	Reason
Qilu Real Estate Co., Ltd.	64,406,155.04	64,406,155.04	100.00	Expected to be not recoverable
Total	64,406,155.04	64,406,155.04		

Provision for bad debts by combination:

Combination provision items:

Name	Closing Balance		
	Other Receivables	Bad Debt Provision	Proportion (%)
Within 1 year	9,140,353.39	457,017.67	5.00
1-2 years	5,114.51	511.45	10.00
2-3 years	3,969,949.73	793,989.95	20.00
3-4 years	603,531,732.01	181,059,519.60	30.00
4-5 years			40.00
Over 5 years	53,170,458.80	53,170,458.80	100.00
Total	669,817,608.44	235,481,497.47	

(3) Provision for bad debts

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (without credit impairment)	Expected credit loss for the entire duration (with credit impairment)	
Opening balance	172,632,592.20		166,943,000.04	339,575,592.24
Opening balance in current period	172,632,592.20		166,943,000.04	339,575,592.24
--Transfer to phase 2				
--Transfer to phase 3	-119,251,965.73		119,251,965.73	
--Transfer to phase 2				
--Transfer to phase 1				
Provision in current period	179,567.55		62,669,337.72	62,848,905.27
Reversal in current period			102,536,845.00	102,536,845.00
Transfer in in current period				
Write-off in in current period				
Other change				
Closing balance	53,560,194.02		246,327,458.49	299,887,652.51

Changes in the book balance of other receivables are as follows:

Book value	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (without credit impairment)	Expected credit loss for the entire duration (with credit impairment)	
Opening balance	1,536,310,732.38		166,943,000.04	1,703,253,732.42
Opening balance in current period	1,536,310,732.38		166,943,000.04	1,703,253,732.42
--Transfer to phase 2				
--Transfer to phase 3	-598,040,803.69		598,040,803.69	
--Transfer to phase 2				
--Transfer to phase 1				
Increase in current period	20,207,885.07		12,207,147.00	32,415,032.07
Direct decrease in current period				
Derecognition in in current period	369,300,000.00		102,536,845.00	471,836,845.00
Other change				
Closing balance	589,177,813.76		674,654,105.73	1,263,831,919.49

(4) Bad debt provisions made, reversed or recovered in this period:

Category	Closing Balance of last year	Opening balance	Change in current period		Closing balance
			Provision made	Reversed or recovered	

Category	Closing Balance of last year	Opening balance	Change in current period		Closing balance
			Provision made	Reversed or recovered	
Other receivables in significant single amount with bad debt provision made separately	166,943,000.04	166,943,000.04		102,536,845.00	64,406,155.04
Other receivable with bad debt provision made by combination based on credit risk characteristics	172,632,592.20	172,632,592.20	62,848,905.27		235,481,497.47
Total	339,575,592.24	339,575,592.24	62,848,905.27	102,536,845.00	299,887,652.51

Among them, below listed the significant amount of reversal or recovery of the current bad debt provision:

Name of entity	Reversal or recovery amount	The basis and rationality of determining the original bad debt provision	Reason for reversal or recovery	Recovery method
Qilu Real Estate Co., Ltd.	102,536,845.00	Ageing for more than five years, and the recovery of bankruptcy claims is uncertain	Court execution transfer	Bank deposits and real estate transfer
Total	116,936,525.00			

(5) Other receivables classified by nature

Type	Closing Book Balance	Closing Book Balance of last year
Receivables from transfer of shares and creditor's rights	64,406,155.04	536,243,000.04
Receivables in account current	55,059,745.43	56,326,195.08
Earnest money	561,263,147.00	549,056,000.00
Iron ore construction fee and capital occupation fee	48,933,803.74	48,933,803.74
Deposits and margins	4,175,998.84	471,878.00
Employee reserve loan	235,221.53	180,104.16
Social Security and Provident Fund	149,691.90	103,030.86
Related business transactions	529,608,156.01	511,939,720.54
Total	1,263,831,919.49	1,703,253,732.42

(6) Top five other receivables by closing balance classified by debtor

Debtor	Nature of Receivables	Closing Balance	Account Ageing	Proportion in Total Closing Balance of Other Receivables (%)	Bad Debt Provision Closing Balance
Li Xiaoming	Earnest money	561,263,147.00	Within 1 year: 3,167,147.00, 3-4 years: 558,096,000	44.41	167,587,157.35
Zhongrun Mining Development Co., Ltd.	Transaction with related enterprises	526,326,144.89	Within 1 year: 59,701,469.27, 1-2 years: 282,671,670.28, 2-3 years: 168,946,903.57, 3-4 years: 15,006,101.77	41.65	
Qilu Real Estate Co., Ltd.	Transfer of equity and creditor's rights	64,406,155.04	Over 5 years	5.10	64,406,155.04
PSEI International Trade Co., Ltd.	Iron ore construction fee and capital occupation fee	48,933,803.74	2-3 years: 3,969,949.73, 3-4 years: 44,963,854.01	3.87	14,283,146.15
Shanghai Xuxin Import and Export Co., Ltd.	Account current	30,000,000.00	Over 5 years	2.37	30,000,000.00
Total		1,230,929,250.67		97.40	276,276,458.54

2 Long-term equity investment

Item	Closing Balance			Closing Balance of last year		
	Book Balance	Impairment provision	Book Value	Book Balance	Impairment provision	Book Value
Investment in subsidiaries	1,043,821,197.01		1,043,821,197.01	613,623,797.01		613,623,797.01
Total	1,043,821,197.01		1,043,821,197.01	613,623,797.01		613,623,797.01

(1). Investment in subsidiaries

Investee	Closing Balance of last year	Increase in this Period	Decrease in this Period	Closing Balance	Impairment Provision Accrued in this Period	Closing Balance of Impairment Provision
Shandong Zhongrun Group Zibo Real Estate Co., Ltd.	113,623,797.01			113,623,797.01		
Zhongrun Mining Development Co., Ltd.	500,000,000.00			500,000,000.00		

Investee	Closing Balance of last year	Increase in this Period	Decrease in this Period	Closing Balance	Impairment Provision Accrued in this Period	Closing Balance of Impairment Provision
Jinan Xingrui Commercial Operation Co., Ltd.		430,197,400.00		430,197,400.00		
Shandong QianshengEconomic and Trade Co., Ltd.						
ShengyuanJiye Investment Management (Hangzhou) Co., Ltd.						
Total	613,623,797.01	430,197,400.00		1,043,821,197.01		

3 Operating income and cost

Item	This Period		Last Period	
	Income	Expenses	Income	Expenses
Main business				
Other businesses	1,298,001.22	1,184,625.40		
Total	1,298,001.22	1,184,625.40		

Additional note:

Other business income of the parent company is the rental income from the lease of investment properties.

XV. Supplementary Information

1 Current non-recurrent profits and losses

Item	Amount	Remarks
Gains or losses from disposal of non-current assets	2,771.00	
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 business of the enterprise and granted according to the quota required by national uniform standards)	5,000,000.00	
Capital occupational feed charged to non-financial institutions recorded into the current profit and loss	930,833.33	
Income generated when the investment cost for acquiring a subsidiary,		

Item	Amount	Remarks
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	60,897,400.00	
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 trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, 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	102,536,845.00	
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 arid loss due to adjusting the current profit and loss on a lump-sum basis in accordance with tax or accounting laws and regulations		
Income of trustee fee for entrusted operation		
Other non-operating incomes and expenses	-19,403,380.02	
Other profit or loss items falling in the definition scope of non-recurrent profit or loss	9,040,000.00	
Subtotal	159,004,469.31	
Effect on income tax		
Effect on minority shareholder (after tax)	156,838.56	
Total	159,161,307.87	

2 Return on equity and earnings per share

Profit of Report Period	Weighted average return-on-net asset ratio (%)	Earnings per share (yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders	-1.7335	-0.0196	-0.0196
Net profit attributable to common shareholders after deduction of non-recurrent profit or loss	-16.8896	-0.1909	-0.1909

Zhongrun Resources Investment Corporation (ZRC)

(official seal)

April 28, 2020