Company Registration No. 05059077

Vatukoula Gold Mines plc.

Report and Financial Statements

For the year ended 31 December 2016

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The directors present their strategic report on the company for the year ended 31 December 2016.

The Company continues under section 401 of the Companies Act to take exception to preparing consolidated accounts for the Group, as Zhongrun International Mining Co. Ltd ("Zhongrun") continued to hold approximately 79% of the enlarged share capital of the Company and continues as the ultimate controlling entity and Zhongrun's accounts continue to be prepared under Chinese GAAP, and have been filed along with the Company accounts at Companies House in accordance with the Companies Act 2006.

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

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

Results and performance
The results of the Company for the year, as set out on page 8, show an underlying operating loss of £1.55 million for 12 months (2015: Loss of £0.98 million). The main driver for this variance was the unrealised foreign exchange losses on loans to our wholly owned subsidiary. In the current year, the costs have been controlled with the main expenditure being on insurance and wages.

The net loss before taxation increased from £8.79 million (12 months 31 Dec 2015) to £9.67 million for the current 12 month period. Despite the continuing losses the Directors believe in the long term the Company's investment in the Vatukoula Gold Mine will provide a return to its shareholders and will be able to repay all loan amounts, the subsidiary will still require further investment from the Company to achieve this goal which in turn will require the Company to issue further debt or equity to fund this investment. Therefore given the uncertainty of obtaining this finance the Directors continue to believe it prudent to impair all group loan values to zero.

During the 12 month reporting period our net operating income prior to changes in working capital was £0.09 million compared to £0.83 million for the year to 31 December 2015. £11.5 million was lent to our subsidiaries which was financed via borrowings from Zhongrun. Cash at the end of the period was £nil.

Business environment
The Company is an investment holding company for its subsidiary undertakings and as such if it is to see a return from this investment it will require to make further investments into the it subsidiaries. Access to capital remains limited in the UK, however the directors have finance obligations form the parent company, although the Directors believe that the Vatukoula Gold Mine will require further US$25 million to reach its long term production targets and provide value to shareholders.

Board of Directors

Yingbin Ian He, Non-Executive Chairman, age 55
Mr. Yingbin Ian He has over 30 years of experience in mining industry. Mr He obtained his PhD degree in mineral process engineering from the University of British Columbia in Canada. He is currently a director of Zhongrun Resources Investment Corp. which is listed on the Shenzhen Stock Exchange and China Gold International Resources, which is dual listed on the Toronto Stock Exchange and Hong Kong Stock Exchange.

Yeung Ng, Non-Executive Director, age 36
Mr Yeung Ng has been Chief Financial Officer of Zhongrun International Mining Co. Ltd since 2011. He holds a Bachelor of Commerce (Information Systems and International Business) from the University of New South Wales, and graduated from the University of Sydney with a Master's degree in Professional Accounting. Mr Ng had 6 years of experience in the finance and accounting profession in Australia before joining the Hong Kong based company in 2011, and thereafter has been actively involved in overseas corporate acquisitions, valuations, and due diligence.

Zhenchuan LI, Non-Executive Director, age 59
Mr Zhenchuan Li joined Shandong Gold Industrial Corporation as a Manager in 1998. Later in 1998 he moved on to Shandong Gold Xinyi Jewelry Co., as Deputy Chairman of the Board. In 2005 he was appointed as General Manager of Shandong Gold Group Mining Development Co., Ltd, before moving on to become General Manager of Gold Resources Development Co., Ltd in 2009. In 2012 he was appointed as Chairman of Shandong Gold Mineral Resources Group Co., Ltd. From 2013 he has been a Director and General Manager of Zhongrun Resources Investment Corp.

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

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

Directors' Report

The directors are pleased to present this year's annual report together with the Company's financial statements for the year ended 31 December 2016.

Principal activities

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

Results and dividends

The loss on ordinary activities of the Company for the year ended 31 December 2016 after taxation was £9.67 million (year ended 31 December 2015: loss of £8.79 million).

The directors do not recommend the payment of a dividend (2015: nil).

Business review and Key performance indicators (KPI's)

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

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

The Strategic Report sets out a review of the development and performance of VGM's business for the year ended 31 December 2016 and the future developments. The Strategic Report is set out on page 1 of this annual report. All information detailed in these pages is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Events after the end of the reporting period

At the date these financial statements were approved, being 28 September 2017, the directors were not aware of any significant events after the end of the reporting period other than those set out in Note 17 of the financial statements.

Future developments

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

Financial risk management

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

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

Liquidity risk

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

Interest rate cash flow risk

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

Foreign exchange risk

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

Credit risk

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

Directors' insurance

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

Directors

The following directors have held office during the period:

Yingbin Ian He
Yeung Ng
Zhenchuan Li
Lei Sun
Qinghua Cao

Directors' interests

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

Corporate Governance

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

Audit Committee
The Audit Committee comprises three non-executive directors, Zhenchuan Li, Yeung Ng and Yinbing Ian He. Its terms of reference indicate at least two regular meetings per year. Given the board changes during the year and the various directors induction required, the audit committee met once during the year The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

Remuneration Committee
The Remuneration Committee comprises three non-executive directors, Lei Sun, Yeung Ng, and Yingbin Ian He. It plans to meet at least once in each year. The Remuneration Committee did not meet during the year.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the board a framework for the remuneration of the chairman, the executive directors and the senior management of the Company. The principal objective of the Committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-executive fees are considered and agreed by the board as a whole.

Political and charitable donations
The Company made no charitable or political donations during the year (2015: £nil).

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

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

Going concern

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

In assessing the Company's going concern the Directors have taken into account the above factors, including the financial position of the Company and in particular its cash position, the current gold price and market expectation for the same over the medium term, and the Company's capital expenditure and financing plans.

The Directors note the losses that the Company has made for the Year Ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 30 September 2018 which take account of the current cost and operational structure of the Company.

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

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

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

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

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

Directors' responsibilities in the preparation of financial statements

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

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

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

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

Disclosure of information to auditors

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

Yinghin Ian He
Director
28 September 2017

Independent auditor's report to the members of Vatukoula Gold Mines plc.

We have audited the financial statements of Vatukoula Gold Mines plc. for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Basis for Qualified Opinion on the financial statements

With respect to Borrowings having a carrying value of £33,667,000 the audit evidence, we were unable to obtain sufficient independent appropriate audit evidence regarding the carrying value of the Company's loans owing to the nature of the Company's records and obtain sufficient audit evidence by using other audit techniques.

Qualified Opinion on the financial statements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragrah:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the Company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern

We draw attention to Note 3 in the financial statements which indicates that the Company incurred a net loss of £9,669,000 during the year ended 31 December 2016 and, as of that date, the Company's liabilities exceeded its assets by £33,684,000. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to liabilities, described above:

- we were unable to determine whether adequate accounting records have not been kept by the company; and
- we have not received all the information and explanations we considered necessary for the purpose of our audit.

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

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

Keith Fulton (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP
Chartered Accountants and Statutory Auditor
London
Date: 28 September 2017

Vatukoula Gold Mines plc.
Statement of Comprehensive Income
For the period ended 31 December 2016

	Notes	Year ended 31 Dec 2016 £'000	Year ended 31 Dec 2015 £'000
Turnover		-	172
Gross profit		-	**172**
Operating expenses			
Administrative expenses		(94)	(1,001)
Foreign exchange (loss)/gain		(1,454)	21
Provision for Bad Debts	9	-	(172)
Underlying operating (loss)		**(1,548)**	**(980)**
Impairment charge	8,9	(11,538)	(11,803)
Operating (loss)	4	**(13,086)**	**(12,783)**
Interest receivable and other income	6	5,850	5,263
Interest payable and similar charges	6	(2,433)	(1,271)
(Loss) before taxation		**(9,669)**	**(8,791)**
Taxation	7	-	-
(Loss) for the period attributable to equity holders of the Company		**(9,669)**	**(8,791)**
Other comprehensive income			
Currency translation loss		(2,282)	(907)
Other comprehensive income net of taxation		(2,282)	(907)
Total comprehensive (loss) attributable to equity holders of the parent		**(11,951)**	**(9,698)**

All activities relate to continuing operations.

The notes form an integral part of these financial statements.

Vatukoula Gold Mines plc. **Company Registration No. 5059077**
Statement of Financial Position
As at 31 December 2016

	Notes	31 Dec 2016 £'000	31 Dec 2015 £'000
Assets			
Non-current assets			
Trade and other receivables	9	-	-
Investment in subsidiary companies	8	-	-
Total non-current assets		-	-
Current assets			
Trade and other receivables	9	27	37
Cash and cash equivalents	10	-	-
Total current assets		**27**	**37**
Total Assets		**27**	**37**
Equity & Liabilities			
Current liabilities			
Trade and other payables	12	44	57
Total Current Liabilities		**44**	**57**
Non-current Liabilities			
Borrowings	13	33,667	21,713
Total Non-current liabilities		**33,667**	**21,713**
Total Liabilities		**33,711**	**21,770**
Shareholders' Equity			
Share capital	11	17,213	17,213
Share premium account	11	94,711	94,711
Share based payment reserve		98	791
Foreign currency reserve		(3,189)	(907)
Accumulated losses		(142,517)	(133,541)
Total shareholders' equity		**(33,684)**	**(21,733)**
Total liabilities and shareholders' equity		**27**	**37**

Approved by the Board and authorised for issue on 28 September 2017 and signed on behalf of the Board of Directors by:

Yingbin Ian He
Director
28 September 2017

The notes form an integral part of these financial statements.

Vatukoula Gold Mines plc.
Statement of Changes in Shareholders' Equity
As at 31 December 2016

	Ordinary share capital	Share premium	Share based payment reserve	Equity component of convertible loan note	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	**17,213**	**94,711**	**1,867**	**-**	**(125,826)**	**(12,035)**
Loss for the year	-	-	-	-	(8,791)	(8,791)
Currency translation loss	-	-	-	(907)	-	(907)
Total comprehensive income	-	-	-	(907)	(8,791)	(9,698)
Issue of shares	-	-	-	-	-	-
Share options expired	-	-	(1,076)	-	1,076	-
Balance at 31 December 2015	**17,213**	**94,711**	**791**	**(907)**	**(133,541)**	**(21,733)**

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

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

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

Equity component of convertible loan note: The equity component of the convertible loan notes represents the remaining equity component of convertible notes which has not yet been converted in shares.

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

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

The notes form an integral part of these financial statements

	Notes	Year ended 31 Dec 2016 £'000	Year ended 31 Dec 2015 £'000
Cash flows from operating activities			
Operating loss for the year:		(13,085)	(12,783)
Adjustments for:			
Share based payments expense	11	-	-
Impairment		11,538	11,803
Foreign exchange (gain)/loss		1,453	(21)
Provision for bad debts			172
Net operating income before changes in working capital		(94)	(829)
Decrease/(increase) in receivables	9	10	16
(Decrease) accounts payable	12	(13)	(155)
Net cash used in operating activities		(97)	(968)
Cash flows from investing activities			
Interest received		-	-
Net cash used in investing activities		-	-
Cash flows before financing		(97)	(968)
Cash flows from financing activities			
Interest paid		-	(151)
Net Proceeds from borrowings		97	1,055
Net cash provided by financing activities		**97**	**904**
Net (decrease)/increase in cash and cash equivalents		**-**	**(64)**
Cash and cash equivalents at beginning of the year	10	-	64
Cash and cash equivalents at the end of the year	10	-	-

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

1. General information

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

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

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

The financial statements of Vatukoula Gold Mines Plc for the year ended 31 December 2016 were authorised for issue by the Board on 28 September 2017 and the balance sheets signed on the Board's behalf by Yingbin Ian He.

2. Basis of preparation

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

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

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

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

Statement of Compliance with IFRS

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

New standards, amendments and interpretations adopted by the Company
No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Company.

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

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.

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

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

3. Summary of significant accounting policies

(a) Going concern

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

In assessing the Company's going concern the Directors have taken into account the above factors, including the financial position of the Company and in particular its cash position, the current gold price and market expectation for the same over the medium term, and the Company's capital expenditure and financing plans.

The Directors note the losses that the Company has made for the Year Ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 30 September 2018 which take account of the current cost and operational structure of the Company.

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

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

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

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

3. Summary of significant accounting policies (continued)

(b) Significant accounting judgements, estimates and assumptions

Judgments

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

(i) *Provisions and Contingent Liabilities (note 16)*
Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Several of these factors are a source of estimation uncertainty.

Estimates and Assumptions

The preparation of financial statements requires the application of estimates and assumptions on future events, which affects assets and liabilities at the reporting date and income and expenditure for the period. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

The value expensed in the statement of comprehensive income is £nil (2015: £nil).

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

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

The carrying value at the reporting date of the provision for doubtful debts is £1,602,000 (2015: £1,602,000).

(d) Revenue recognition

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

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

Finance revenue

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

3. Summary of significant accounting policies (continued)

(e) Turnover and Segmental Analysis

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

The Company is operating as a single UK based segment with a single primary activity act as a corporate administrative holding company. The revenue from this segment, generated from management services in the UK, was £nil (2015 - £172,000). The non-current assets of the segment is £nil (2015 - £nil).

(f) The Company's investments in subsidiaries

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

(g) Foreign currency

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

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

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

(h) Financial instruments

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

a. Trade and other receivables and other assets

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

b. Cash and cash equivalents

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

3. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

c. Investments

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

d. Financial liabilities and equity

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

e. Other financial liabilities

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

f. Bank borrowings

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

g. Trade payables, provisions and other payables

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

h. Compound financial instruments

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

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

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

(i) Financing costs and interest income

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

(j) Impairment of financial assets

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

3. Summary of significant accounting policies (continued)

(k) Share Capital

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

(l) Taxation

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

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

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

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

(m) Share-based payments

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

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

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

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

(n) Contingent liabilities and contingent assets

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

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

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

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

(o) Leased assets

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

(p) Employee benefits

a. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss as the related service is provided.

b. Long-term employee benefits

Obligations in respect of long-term employee benefits such as long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

c. Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic probability of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be measured reliably. Benefits falling due in more than 12 months of the reporting date are discounted to their present value.

4. Operating loss

	31 Dec 2016 £'000	31 Dec 2015 £'000
Operating (loss) is stated after charging:		
– Auditors' remuneration		
Audit-related assurance services - Current year	5	10
Taxation compliance services	-	-
– Bad debt provision	-	172
– Foreign exchange (gain)/loss	1,454	(21)

5. Employees

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

	31 Dec 2016 Number	31 Dec 2015 Number
Office and management	3	3

Employment costs:	2016 £'000	2015 £'000
Wages and salaries (excluding directors')	-	430
Social security	-	-
Share based payments expense	-	-
	430	430

Directors' remuneration:	2016 £'000	2015 £'000
Yingbin Ian He	5	20
Yeung Ng	-	-
	5	20

Directors' remuneration in 2016 and 2015 solely consisted of salaries, and as at 31 December 2016 (2015: nil) there were no directors accruing benefits under a money pension scheme. No options were granted to directors during the year (2015: nil), and no options (2015: Nil) were exercised by the directors.

6. Interest receivable/payable and similar charges

Interest receivable and other income:	31 Dec 2016 £'000	31 Dec 2015 £'000
Bank interest	-	6
Unwinding of discount on loans to subsidiaries	5,850	5,263
	5,850	5,263

Interest payable and similar charges:	2016 £'000	2015 £'000
Interest and bank charges	2,433	1,271
	2,433	1,271

7. Taxation

	31 Dec 2016 £'000	31 Dec 2015 £'000
Current taxation	-	-
Factors affecting tax charge:		
Loss before tax	(9,669)	(8,791)
Tax at 20% (2015: 20.25%)	(1,934)	(1,780)
Effects of:		
- Non deductible expenses	-	-
- Tax losses for which no deferred income tax was recognised	1,934	1,780
	-	-

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

8. Investment in subsidiary companies

	31 Dec 2016 £'000	31 Dec 2015 £'000
Cost		
As at 1 January	57,836	57,836
Additions in the year: Share based payments to subsidiary companies	-	-
Additions in the year: Equity capital contribution	-	-
Balance as at 31 December	57,836	57,836
Impairment		
As at 1 January	57,836	57,836
Charge for the year	-	-
Balance as at 31 December	57,836	57,836
Net book value		
Balance as at 31 December	-	-

Details of the subsidiaries:

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

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

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

The directors have assessed that the investment in subsidiaries remain fully impaired as at 31 December 2016, as a result of a significant decrease in forecast gold prices. The balance has been impaired during the period by £nil (2015: £nil). The impairment was calculated based on the expected return from the subsidiary over the period that it is expected to make distributable profits.

9. Trade and other receivables

Current	31 Dec 2016 £'000	31 Dec 2015 £'000
Trade receivables	-	-
Amounts owed by group undertakings	1,102	1,102
Other receivables	500	500
	1,602	1,602
Less: Provision for doubtful debts	(1,602)	(1,602)
Prepayments	27	37
Less: Provision for doubtful debts	-	-
Total Current	**27**	**37**
Non Current		
Amounts owed by group undertakings	81,275	69,737
Less: Net Provision for Impairment	(81,275)	(69,737)
Total Non Current	-	-

The following table provides an analysis of current trade and other receivables that were past due as at 31 December 2016, but not provided for, followed by those past due and impaired.

Current trade and other receivables	31 Dec 2015 £'000	31 Dec 2015 £'000
Not impaired		
Due 0-31 days	-	-
Past due 32-62 days	-	-
Past due 63 – 92 days	-	-
Past due more than 93 days	-	-
	-	-
Impaired		
Due 0-31 days	-	172
Past due more than 93 days	1,602	1,430
Provision for doubtful debts	(1,602)	(1,602)
	-	-
	-	-

The credit quality of the Company's customer is monitored on an ongoing basis and receivables are assessed for impairment where indicators of such impairment exist.

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

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

10. Cash and cash equivalents

	31 Dec 2016 £'000	31 Dec 2015 £'000
Cash at bank and in hand	-	-

11. Share capital

(a) Share capital

	31 Dec 2016 £'000	31 Dec 2015 £'000
Allotted, issued and fully paid		
344,255,339 ordinary shares of 5p each (31 December 2015: 344,255,339 ordinary shares of 5p each)	17,213	17,213

(b) Share issues during the year

No Shares were issued during the years ended 31 December 2016 and 31 December 2015.

11. Share capital (continued)

(c) Warrants and options

During the year ended 31 December 2016 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines plc.

Exercise price	Average exercise price per share	Number of options £0.50	Number of options £0.70	Number of options £0.88	Number of options £0.90	Number of options £0.95	Number of options £0.97	Number of warrants and options £1.00	Number of options £1.39	Number of warrants £1.75	Total
Balance at 1 January 2016	1.1	-	180,000	-	-	-	500,000	-	484,112	-	1,164,112
Granted during the period	-	-	-	-	-	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	1.2	-	-	-	-	-	(500,000)	-	(484,112)	-	(984,112)
Balance at 31 December 2016	**0.7**	**-**	**180,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**180,000**

Exercise price	Average exercise price per share	Number of options £0.50	Number of options £0.70	Number of options £0.88	Number of options £0.90	Number of options £0.95	Number of options £0.97	Number of warrants and options £1.00	Number of options £1.39	Number of warrants £1.75	Total
Balance at 1 January 2015	1.2	-	180,000	235,000	400,000	365,000	500,000	1,100,000	484,112	800,000	4,064,112
Granted during the period	-	-	-	-	-	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	1.2	-	-	(235,000)	(400,000)	(365,000)	-	(1,100,000)	-	(800,000)	(2,900,000)
Balance at 31 December 2015	**1.1**	**-**	**180,000**	**-**	**-**	**-**	**500,000**	**-**	**484,112**	**-**	**1,164,112**

11. Share capital (continued)

(c) Warrants and options (continued)

No share options were issued during the current year (2015: nil).

The following main conditions apply to all options and warrants currently on issue and outstanding as at 31 December 2016:

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

The total share-based payment expense in the year for the Company was £nil (2015: £nil), and 180,000 (2015: 1,164,112) options are exercisable at the year end. 984,112 options were forfeited during the year (2015: 2,900,000).

The weighted average remaining contractual life of the 180,000 options outstanding at the balance sheet date is 0.1 years (2015: 0.6 years). The weighted average share price during the period is not applicable as the Company de-listed from AIM on 1 July 2014.

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

12. Trade and other payables

	31 Dec 2016 £'000	31 Dec 2015 £'000
Trade payables	23	45
Accruals and other payables	21	12
	44	**57**

13. Borrowings

	31 Dec 2016 £'000	31 Dec 2015 £'000
Opening Balance	21,713	11,940
Drawdown on facility	11,538	14,350
Repayments made	(2,548)	(6,729)
Interest charged	1,755	1,271
Foreign exchange differences	1,209	881
	33,667	**21,713**
Represented by;		
Loan due to parent company	18,677	6,456
Loan due to Bank of China	14,990	15,257
	33,667	**21,713**

Zhongrun International Mining Co. Ltd USD loan

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

Bank of China, Term Euro Loan

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

14. Financial instruments and risk management objectives and policies

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

	31 Dec 2016 £'000	31 Dec 2015 £'000
Loans and receivables		
Trade and other receivables	27	37
Cash and cash equivalents	-	-
	27	37

	£'000	£'000
Financial liabilities measured at amortised cost		
Trade and other payables	44	57
Convertible loan notes	-	-
	44	57

Loans and receivables are measured using the amortised cost method. Available for sale financial instruments are initially recognised at fair value and subsequently remeasured to fair value at each year end, with any change in value recognised directly in equity, unless the instruments are unable to be reliably fair valued, in which case they are stated at cost. The carrying amounts of the Available for sale investments at 31 December 2016 is £nil (2015: £Nil).

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

(i) Currency rate risk

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

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

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

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

(ii) Interest rate risk

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

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

	2016			2015		
Class/categories	**Floating rate**	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets						
Trade receivables	-	-	1,102	-	-	1,102
Other receivables	-	-	500	-	-	500
Cash and cash equivalents	-	-	-	-	-	-
Financial liabilities						
Trade payables	-	-	23	-	-	45
Accruals	-	-	21	-	-	12
Borrowings	-	33,667	-	-	21,713	-
Convertible loan notes	-	-	-	-	-	-

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

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

(iii) Credit risk

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

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

(iv) Liquidity risk

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

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

	2016		2015	
	Less than one year £'000	More than one year £'000	Less than one year £'000	More than one year £'000
Financial Assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	27	-	37	-
	27	-	37	-
Financial Liabilities				
Borrowings	3,511	30,156	2,266	19,447
Trade and other payables	23	-	45	-
Convertible loan notes	-	-	-	-
	3,534	30,156	2,311	19,447

For liquidity risk, the Company's exposure is considered to not be significant as its only non-current financial liability is the loan note from its ultimate parent company, and no call on the loan note is due for over 12 months. The maturity profile information is provided within the Company's analysis above. The Term loan from the Bank of China, although with an initial settlement due in 2016, is being settled by the parent company, as a loan due therefrom.

(v) Capital risk

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

	31 Dec 2016 £'000	31 Dec 2015 £'001
Borrowings	33,667	21,713
Convertible loan	-	-
Trade and other payables	44	57
Less: Cash and cash equivalents	-	-
Net debt	33,711	21,770
Equity	(33,684)	(21,733)
Net debt plus Equity	27	37

To maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the periods ending 31 December 2015 and 31 December 2016.

15. Related party transactions

Transactions and balances between related parties are set out below:

In order to fund the expansion of the operations at the Vatukoula Gold Mine, during the current year the Company has loaned an additional £11,538,000 (2015: £6,509,000) to the wholly owned Fijian subsidiary Vatukoula Gold Mines Ltd. The total loan has been discounted to the net present value of the future cash flows by £nil (2015: £nil), resulting in a total balance as at 31 December 2016 of £79,888,000 (2015: £68,350,000). The loan charges interest at 0.5% with effect from 1 September 2012 (2015: 0.5%) and is repayable on demand. The Company has also charged fees for management services to the subsidiary during the year, amounting to £nil (2015: £172,000). Total fees outstanding for management services was £1,102,000 (2015: £1,102,000) as at 31 December. Management fees outstanding are repayable on demand and carry no interest. All amounts due from Vatukoula Gold Mines Ltd have been fully provided against.

The net present value of the loan to Viso Gero International Inc as at 31 December 2016 is £1,236,000 (2015: £1,236,000). The loan has been discounted to the net present value of the future cash flows by £nil (2015: £nil). The loan charges interest at 0.5% with effect from 1 September 2011 (2015: 0.5%) and is repayable in full on demand. The loan has been fully provided against.

During the current year, the Company has loaned an additional amount to River Diamonds (UK) Limited, a wholly owned subsidiary, of £nil (2015: £nil), of which River Diamonds (UK) Limited repaid £Nil (2015: £nil). The total balance as at 31 December 2016 is £118,000 (2015: £118,000). The Company has written off £Nil during the year ended 31 December 2016 (2015: £nil). The loan is interest free and does not have any fixed repayment period, but has been fully provided against.

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

16. Commitments and Contingencies

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2016.

17. Events after the end of the reporting period

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

18. Ultimate Controlling Party

The ultimate controlling entity is Zhongrun Resources Investment Corporation a Chinese incorporated company listed on the Shenzen Stock Exchange. The immediate parent company is Zhongrun International Mining Co. Ltd, who owns 79.5% of VGM's share capital. During the year ended 31 December 2016, Zhongrun International Mining Co. Ltd increased its total holding from 66% to approximately 79.5% of the enlarged share capital of the Company.

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

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

Registered office
Level 5
2 More London Riverside
London, SE2 2AP

Auditor
Chapman Davis LLP
2 Chapel Court
London, SE1 1HH

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

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

Zhongrun Resources Investment Corporation

Annual Report for 2016

April 2017

Content

Section 1 Important Notice, Table of Contents and Notes

The Board of Directors, Board of Supervisors, directors and top management of Zhougrun Resources Investment Corporation (hereinafter referred to as ZRC) warrant that the content of the Annual Report for 2016 is authentic, accurate and complete and here is no false recordation, misleading statement or material omission in the Annual Report for 2016; otherwise, they agree to assume joint and several liabilities.

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

All directors are present at the board meeting that reviews the Annual Report for 2016.

Zhonghui Certified Public Accountants (Special General Partnership) provides a Qualified Opinion audit report for the firm. The Board of directors, the Board of supervisors, the board of independent directors have clarified relevant information, ZRC would sincerely like the investors to beware the relevant disclosure.

Zhonghui Certified Public Accountants (Special General Partnership) provides an Adverse Opinion audit report for the firm's internal control, and believes that there are material deficiencies and weaknesses inside the firm. Relevant information is disclosed in Chapter 9 'Corporate Governance', ZRC would sincerely like the investors to beware the risks.

ZRC declares that future plans as forward-looking statement herein will not constitute any substantive commitment to the investors.

The Annual Report sets forth in detail the major risks that may adversely affect the realization of ZRC's future development strategy of business objectives. For details, refer to the part 'Possible risks' in Section 4 'Business performance and management analysis for 2016'. ZRC would sincerely like the investors to beware the investment risks.

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

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

I. Overview of ZRC

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

II. Contact information

	Secretary of the Board of Directors	Stock representative
Name	He Ming	He Ming
Contact address	Building 17, Zhongrun Century Plaza, No.13777, Jingshi Road, Jinan City	Building 17, Zhongrun Century Plaza, No.13777, Jingshi Road, Jinan City
Tel	0531 - 81665777	0531 - 81665777
Fax	0531 - 81665888	0531 - 81665888
E-mail	Zhongrun_ziyuan@163.com	Zhongrun_ziyuan@163.com

III. Information disclosure and inquiry place

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

VI. Changes in registrations

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

V. Related data

Accounting office engaged by ZRC

Name of the accounting office	Zhonghui Accounting Firm (Special General Partnership)
Business address	Room 601, Block A, HualianShidai, 8 Xinye Road, Jianggan Dist, Hangzhou
Signatory accountants	Lu Chunxia and Wang Yushuang

The sponsor institution that is engaged by ZRC to perform the responsibility of consistent supervision during the reporting period
□ Applicable √ Not Applicable

The financial consultant that is engaged by ZRC to perform the responsibility of consisitent supervision during the reporting period
□ Applicable √ Not Applicable

VI. Summary on accounting data and financial indexes

Will ZRC retrospectively adjust or restate the accounting data of previous years due to changes in accounting policies or correction of accounting errors?

□ Applicable √ Not Applicable

Unit: Chinese Yuan

	2016	2015	Year on Year increase	2014
Operating income	812,133,013.52	1,387,828,476.86	-41.48%	357,155,267.25
Net profit attributable to the shareholders	8,789,257.54	21,734,437.33	-59.56%	-216,567,179.78
Net profit excluding the nonrecurring profit and loss that is attributable to the shareholders	537,985.16	21,848,916.72	-97.54%	-215,045,881.02
Net cash flow from operating activities	-270,652,860.90	-101,367,928.34	-167.00%	-179,100,974.56
Basic earnings per share (per share)	0.0095	0.0234	-59.40%	-0.2331
Diluted earnings per share (per share)	0.0095	0.0234	-59.40%	-0.2331
Weighted average return-on-equity ratio	0.60%	1.41%	-0.81%	-14.05%
	End of 2016	End of 2015	Year on Year increase	End of 2014
Total assets	3,228,908,784.53	3,240,346,396.95	-0.35%	3,169,489,026.91
Net assets attributable to the shareholders	1,476,661,179.59	1,435,241,532.86	2.89%	1,411,741,055.65

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

1. Differences of net profit and net assets in the financial report disclosed in accordance with international accounting standards and Chinese accounting standards
□ Applicable √ Not Applicable
The financial report does not involve any differences of net profit or net assets disclosed in accordance with international accounting standards and Chinese accounting standards

2. Differences of net profit and net assets in the financial report disclosed in accordance with foreign accounting standards and Chinese accounting standards
□ Applicable √ Not Applicable
The financial report does not involve any differences of net profit or net assets disclosed in accordance with foreign accounting standards and Chinese accounting standards

VIII. Quarterly accounting data and financial indexes

Unit: Chinese Yuan

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Operating income	206,482,309.77	172,549,813.86	172,464,386.22	260,636,503.67
Net profit attributable to the shareholders	16,514,980.97	-12,521,636.05	2,541,075.13	2,254,837.94
Net profit excluding the nonrecurring profit and loss that is attributable to the shareholders	17,092,649.76	-13,158,679.75	2,314,074.58	-5,710,059.43
Net cash flow from operating activities	57,555,985.39	-199,062,200.11	21,736,497.80	-150,883,143.98

Do indexes or the sum of data above involve any differences between relevant indexes from semi-annual and quarterly reports that the company has revealed?
□ Yes √ No

IX. Items and amounts of nonrecurring profit and loss

√ Applicable □ Not Applicable

Unit: Chinese Yuan

	2016	2015	2014	Notes
Profit and loss from the disposal of non-current assets (including the amount of write-down of assets)	3,657.00	-579,737.63	-214,767.86	
Government subsidies recorded in the profit and loss of current period (excluding the government subsidies that are closely related to corporate business and are rationed in accordance with the national unified standards)			87,300.00	
Cost of holding capital generated from non-financial institutions recorded in the profit and loss of current period	7,905,855.28			
Other non-operating incomes and expenses	460,740.38	376,884.09	-1,481,279.10	
Minus influence of income tax	108,669.45	126,386.62	3,919.72	
influence of minority shareholders' interest (after tax)	10,310.83	-214,760.77	-91,367.92	
Grand total	8,251,272.38	-114,479.39	-1,521,298.76	

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

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

Section 3 Business Summary

I. Core business during the period of reporting

If the company need to comply with the disclosure requirements of special industries
Yes
Solid mineral industry and Real estate

A. Core business during the period of reporting

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

i. Mineral resources

During the period of reporting, the company's subsidiaries Sichuan Pingwuzhong Gold Mining ltd are mainly engaged in gold exploration. British Vatukoula Gold Mines Plc. are mainly engaged in gold exploration, mining, processing and drilling, and sales of gold related products.

1. Main products and applications

Company's main product is gold which is for external sales. The applications of gold include national currency reserves, personal assets investment and hedging instruments, industrial and

medical raw materials, etc.

2. Operating model

The company is in a non-ferrous metal mining industry, product prices are the main factors affecting the company's performance. The company has a complete supply and production chain and procurement sales system, the main business model includes:

1) Production: The company's production processes include gold metal exploration, mining, mineral processing, smelting and other procedures. Exploration, mining, mineral processing and smelting are mainly dealing with the company's mine resources, processing production and outsourcing of raw materials.

The company's main production process is as follows:
① Exploration: the company's mining exploration approach is mainly a combination of drilling and probing;
② Mining: underground mine techniques are: artificial rock blasting, trackless mechanized shovel transport and shaft lifting; direct excavation is used for surface oxide and tailings mining;
③ Beneficiation: the techniques of using of raw materials are broking, grinding, flotation, roasting, and cyanide leaching and zinc powder replacement. The techniques for tailings treatment process are grinding, carbon immersion, analysis and zinc powder replacement;
④ Smelting: the main processes are acid leaching, fire smelting and casting gold ingots.

2) Sales: The gold bullion produced by the Vatukola Gold Company is shipped to the Perth Mint in Australia and is sold at the market price.

3. Mineral exploration activities carried out in 2016

In 2016, the Vatukola gold mine company conducted a total of 15177.8 meters of underground pit construction diamond drilling, a total of 677 meters of underground wells within the geological exploration. In addition, the company has carried out geological prospecting and exploration work in the three exploration rights outside. The company conducted Fracture construction by using ZRG-A004 bore at the Nasivi in the mine right SPL1201, the bore maximally drilled 1364 meters deep, and get through the lower grade copper-gold mineralized alteration zone from 648 meters to 765 meters. Besides, two gold-find drillings under construction in mineral right SPL 1201 are totally 538.7 meters. At the same time, three smelting experimental sampling drillings in the target area Waikatakata of SPL 1201 where has the amount of resources, totally 301.5 meters, are carrying out heap leaching experiments. In the SPL 1360 prospecting tenement, two prospecting drilling under constructions are totally 1105.7 meters, and are exploring the geological structure and mineralization characteristics of Qalinabulu gold - bearing structural alteration zone. In the shear zone of Shatter area, which is in the SPL1344 prospecting tenement, ZRC carried out field reconnaissance geological work.

In 2016, Sichuan Pingwu gold and silver factory's gold project worked hard to overcome the climate anomalies, stratigraphic geological conditions and other unfavourable factors, used the new prospecting model to achieve a breakthrough in exploration results, completed a total of 225.7 meters of tunnel, 6 pit-inside drilling machine nests, achieved an effective drilling footage of 13016.72 meters. The project completed the resource reserves report in December, to seize the reserves of resources: to maintain (333) above the level of ore 7,717,000 tons, the amount of gold metal 38993 kg, the average grade gold 5.05 g /t; (334) predicted ore volume 5,944,000 tons, gold content 38,873 kg. The total amount of gold in the silver factory achieved 77,866 kg of gold metal, with good potential for prospecting. Among them, project completed resource reserves for the record and occupation of registration in 2016: there are (111b) + (122b) + (333) ore volume of 1,172,000 tons, gold 5,367 kilograms. In early 2017, the project completed the reserves of resources for the record: to keep (331) + (332) + (333) ore volume of 2.965 million tons, including gold 16682 kg. Besides, the record and Occupy registration works are carried out for the (111b) + (122b) + (333) ore of 3.58 million tons and gold 16944 kilograms of resources.

During the reporting period, exploration expenditures totalled approximately RMB 38.77 million.

ii. Real Estate Development

The main Real Estate project of ZRC is the 'OCT Zibo'. During the accounting period, account for the influence of multiple government policy superposition, Real estate industry firstly decreased then increased, and differentiated significantly. ZRC focuses on the crucial objectives put forward at the beginning of the year, especially on 'Construction and Sales', enhance the construction management and ensure that the achievement of the company's operation objectives.

II. Significant changes of main assets

1. Significant changes of main domestic assets
□ Applicable √ Not Applicable

2. Significant changes of main overseas assets
□ Applicable √ Not Applicable

III. Core competitiveness analysis

Whether the company needs to comply with the disclosure requirements of the particular industry
Yes
Solid mineral resources industry; Real estate industry

The Company is required to comply with the disclosure requirements of the *Shenzhen Stock Exchange Industry Information Disclosure No.3 - the listing of listed companies in the real estate business.*

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

Besides, good platforms for overseas investment and cooperation plays an important role in accessing to brilliant business partners and integrating of relevant techniques and talents, also is good at improving the overall level of the company's mining operation.

ZRC has numerous experiences in Real estate development and operations and a professional real estate development team, which based ZRC's mature model of business development and effectively control business risks. Additionally, the good images in the market, the brand of the company and our projects will also bring benefits to ZRC in the real estate business development.

Section 4 Operation Discussion and Analysis

I. Overview

Real estate

In 2016, the real estate policy is around the overall tone of "resolving real estate inventories, promoting sustainable and healthy development of real estate," especially in the first half year, the real estate policy has firstly adjusted the down payment ratio for the first home purchase, then adjusted the purchase tax, lowered bank benchmark interest rates and introduced other support policies. Under the impact that monetary and industry policies were easing continually and the demands of improving life were satisfied centrally, various types of demands continued release, consequently, both the real estate market volume and price increased. The sold area and sales volume of commercial housing achieved a record high level over the same period, which is the historical highest point since 2010.

Depending on data from the National Bureau of Statistics, the 2016 annual sold areas of commercial housing are 1,573,490,000 square meters, increased 22.5% over the previous year; Commercial housing sales volume achieved 11,762.7 billion Chinese yuan, which shows an increase of 34.8% than previous year. Commercial housing sold area increased by 22.4%, of which the size of first-tier cities transactions in 2015 was basically the same, second-tier cities turnover growth was more obvious; commercial housing sales volume grew 36.1%, and the house price showed a tendency of growing. Compared with the year 2015, house price in the first-tier cities rose more quickly, and price in popular second-tier cities rose significantly. Regional differentiation intensified, the industry concentration improved and the market differentiation became more obviously.

In 2016, popular cities' house prices rose too fast, on the one hand this pushed up the risk of market operation, on the other hand, further boosted the financial properties of housing products, and brought pressure to the real economy and the cost of living costs. From the third quarter, in order to curb the continued high temperature of the real estate market, the Central Political Bureau began to release signals of new regulations, then major cities rapidly introduced new property market regulation and policies. The major first-tier cities and some second-tier cities which housing prices rose too fast intensively introduced a new round of control policies, tightening the regulations, supporting residents in self-buying whistling paying more attention to curb investment speculative demand, effectively affected the market expectations.

In 2016, Zibo, as a third-tier city, achieved an increase of 4.75% in new commercial housing pre-sale average price. The price in Zibo overall presented tc be stable, while has the small tendency to grow. However, prices are very different for different regions and different quality of the projects. Overall, projects with good location, excellent quality, nice residential support and low inventory pressure usually take the "small step run" way to increase sales price. On the contrary, projects with remote location, imperfect supports, and difficult to attract people, cannot achieve an ideal sales volume, therefore only can promote sales by increasing publicity and degree of discounts, and their prices can only maintain steady or even slightly reduced.

In 2017, the overall volume of mortgage will be reduced. In first-tier cities and key cities, local governments will keep curbing housing prices, land prices policy pressure will continue, overheated transactions in the market will be significantly inhibited, non-key cities will continue to destock.

Mineral industry

In 2016, the world economic growth further slowed down, regional differentiation was still obvious. Global price levels had rebounded, deflationary pressures had fallen. International trade remained sluggish, international direct investment activity slowed, overall debt levels continued to rise, and international financial markets continued to fluctuate. Under the impacts of demands factors (e.g. United States and other major economies gradually recovered), supplies factors (e.g. China's supply side reform contracting) and other relevant factors, mineral products as the representative of the commodity prices were bottoming out the trend since the second half of 2016, and shew out significant differentiation, even backed by the background that US dollar interest rate rose and global monetary liquidity is still abundant. Gold, as an important hedge against species, was influenced by the Brexit, the US general election, terrorist attacks, geopolitical and other risk factors. Gold price shew strong volatility, presented a down V overall trend with an increase rate of 8.5% and an amplitude of 30%.

In 2016, China's major mineral production maintained growing, but the growth rate continued to fall. Mineral products prices rebounded sharply, the effectiveness of mining enterprises rebounded significantly. According to data of the World Gold Council, the global mineral production in 2016 was 3236 tons, basically the same as last year; Global gold total demand is 4309 tons, slightly increased 2% compared to 2015. Among them, China produces 454 tons of gold and 975 tons of gold consumption. In 2017, the global economy is expected to further improve, but still in the low growth range. Taking into account the supply, demand and monetary factors, it is expected that commodity prices will continue to run in the low and middle areas, but the differentiation will be further exacerbated.

2017 is the year of European elections, the uncertainty of policy and Brexit resulted from political rotation, as well as the implementation of trade protectionism and relaxation of banking supervision policies of United States President, and other policy risk factors, would boost the hedge demand of gold. However, in the background that economies are recovering and the interest rate of dollar rise, the price of gold is unlikely to have a major breakthrough, thereby will keep shocking widely.

2016 Company's performance and management analysis

In 2016, the world macroeconomic and mining development situation has been warm, but the overall is still grim. In the face of complex external environment, the company actively do a good job in the optimization and upgrading of existing projects, and steadily push forward the technological transformation of mine infrastructure, expand resource reserves by tapping the potential, and realize the scale upgrade; strengthen the sales of real estate, innovate marketing ideas, and maintain stable development of the company.

At the December 31, 2016, the company's total assets were 3,228,908,800 Chinese yuan, representing a decrease of 0.35% over the same period last year, the total liabilities of 1,651,572,600 Chinese yuan, down 2.78% over the same period last year. The company's asset-liability ratio was 51.15%, down 1.28% from the same period last year. Which received accounts of 44,654,120,000 Chinese yuan, accounting for 27.04% of total liabilities. Financial institutions liabilities of 397,362,700 yuan, accounting for 24.06% of total liabilities. The scale of assets and liabilities of the Company is relatively stable, the change is small, the asset-liability ratio is lower than the average level of the same industry, and the financial risk is small.

The Company realized operating income of RMB 812,133,000 yuan this period, representing a decrease of 41.48% as compared with the same period of last year. The decrease was mainly attributable to the decrease in sales income which meet the income recognition conditions in the Company's real estate business. The Company realized net profit attributable to shareholders of listed companies in the current period 8,789,300 yuan, went down 59.56% over the same period last year; the current basic earnings per share of 0.0095 yuan, went down 59.40% over the same period last year. The main reason for the decline in profits this year is that, both the sales which meet the current revenue recognition and the profit in the company subsidiary Zibo Zhongrun fell over the same period last year; at the same time, the profit of subsidiary company Wattuoka gold mine grew significantly this period. Specific business analysis is as follows:

(I) Steadily push forward the technological transformation of mine infrastructure, tap into potential and increase productivity and improve the quality of mining operation

In 2016, facing severe natural disaster such as the great hurricane "Winston", the Fiji Wattukola gold mine actively overcame various difficulties, paid close attention to the production and management, brought the mine gold production, economic efficiency and management degree to a new level. The annual completion of the underground excavation footage is 16,398 meters, increased by 10%; underground production of 338,000 tons of ore, increased by 5%; due to the high-grade tailings treatment increased significantly, the plant processing capacity reached 73.4 million tons, increased by 55% comparing with the last year, gold production increased by 10%. Underground equipment renovation and technological transformation, plant renovation equipment renovation, tailings expansion, oxidation of ore and other capital projects are also steadily advancing. Heavy oil power plant construction project has been fully into the implementation phase, thereby is expected to be completed by the end of 2017 and achieve power generation, which will greatly reduce the cost of mining electricity.

The Sichuan Pingwu Gold and Silver factory Gold Mine project is mainly to prospect. The project used a new prospecting model to achieve a breakthrough in exploration results. The project completed the resource reserves report in December 2016, to seize the reserves of resources: to maintain (333) above the level of ore 7,717,000 tons, the amount of gold metal 38,993 kg, the average grade gold 5.05 g /t; (334) predicted ore volume 5,944,000 tons, gold metal 38,873 kg. The total amount of gold in the silver factory achieved 77,866 kg of gold metal, with good potential for prospecting. Among them, project completed resource reserves for the record and occupation of registration in 2016: there are (111b) + (122b) + (333) ore volume of 1,172,000 tons, gold 5,367 kilograms. In early 2017, the project completed the reserves of resources for the record: to keep (331) + (332) + (333) ore volume of 2.965 million tons, including gold 16.682 kg. Besides, the record and Occupy registration works are carried out for the (111b) + (122b) + (333) ore of 3.58 million tons and gold 16.944 kilograms of resources.

In 2016, Inner Mongolia Huiyin Mineral Mining Co. Ltd actively applied for the exploitation license for the silver-lead-sheen reserves of the Lemage Mountain, and tried its best to maintain the related mining rights. The Lemaguo Silver Silver-Lead-Zinc Mine Mine Environmental Assessment Report has been reported and is awaiting approval for mining permits.

(II) Fully exploit beneficial opportunities resulted from the government policies, accelerated the capital return of the real estate Industry

In 2016, ZRC fully exploited the brand of the company and the OTC project: keep optimizing marketing networks, creating marketing models, motivating sales people, achieving quick capital return. During this accounting period, the company achieved real estate revenue 416,618,800 Chinese Yuan.

- Under the project philosophy of 'high quality, high requirements', ZRC guarantees the brand, quality and low costs of projects, confirms the high-efficient implementation of real estate projects completion plan, and make sure that the company can achieve the its operation objective.

a. The Zibo Real Estate Zhongrun Huaqiao City project covers a total area of 1,800 acres, with a total construction area of about 1.2 million square meters, and a total investment of more than 3 billion yuan. The community has more than 300 buildings, more than 8,400 sets of residential house, can accommodate nearly 30,000 people. The project used eco-friendly technology in the sound, light, electricity, water, new building materials and other nine systems and thereby was awarded by the Shandong Provincial Environmental Protection Bureau as the "ecological living communities in Shandong Province." In the project layout plan, ZRC put forward the "eco-city" concept according to Zibo's geographical environment and cultural characteristics, and invited the world-famous Singapore Company Ya Ke Ben Architectural Design Company to feature the project's planning, architecture and landscape design.

   Zibo Real Estate Zhongrun Huaqiao City project presents as a "cornucopia" shape in the aerial view, the south side is low and north side is high. The core of the project is the villa island surrounded by the landscape river, and the 95 pure American style villas formed the most high-end villa area in Zibo. From the inside to the outside of the Villa Island, multi-story villa, small high-rise villa, high-rise villas and large building, which guarantees a large area of lighting, mining and ventilation effect.

   Zibo Real Estate Zhongrun Huaqiao City project is the project with the highest quality in Zibo. Around the residential area, large commercial facilities including Yintai City, New Mart etc. have been equipped. After more than 10 years' development and construction, the project has become the largest real estate area and the most mature community.

b. The company's real estate reserves: the current real estate reserve of the company is just Zibo Real Estate Zhongrun Huaqiao City project. The expected developing land area at the end of the period is 123,068.38 square meters, among it: Villa III, Eastern kindergarten project land certificate: Zibo with (2013) No. F03612, the certificate area of 120,219.38 square meters, the villa III sets of planning and construction area of 21,196.10 square meters, Eastern kindergarten project control detailed planning construction area of 2,805.00 square meters; Zhongrun Avenue North side commercial projects, land certificate number: Zibo (2015) No. F00914, the land area of 20,097.2 square meters, of which: have not developed 4 supporting commercial projects land area of 2,849 square meters, the project planning and planning construction area of 6,850 square meters.

c. Real estate development of the Company: During the reporting period, the newly started project of the Company was Zhongrun Huaqiao City No.2 supporting commercial complex and No.3 supporting Commercial building. These two commercial projects totally cover an area of 17,248.2 square meters. No.2 commercial plan covers a construction area of 9,053 square meters, No.3 commercial plan covers a construction area of 10,560 square meters. In the report period, the Company had no newly completed project.

d. The company's real estate sales: in the reporting period, the company mainly sells houses in the Zibo Real Estate Zhongrun Huaqiao City project, all projects under sales are the company's independent-developed and selling projects. Of which, the 6th and 7th group of residential projects have available-for-sale residential construction area of 116,453.94 square meters, this year the income-carryover housing construction area is 35,115.8 square meters.

e. Explanation of the Company's real estate rental: In the report period, the Company rents its own property Zhongrun Huaqiao City North District No.1 Commercial building 1-10 axis. The total construction area of the commercial building is 33,782.09 square meters and the real estate rental area is 33,782.09 square meters. In the report period, Rental property area of 23,591.3 square meters.

f. At the end of the reporting period, all kinds of financing balances, financing cost ranges and term structure are discussed: There is no balance of financing at the end of the reporting period.

g. 2017 annual plan to sign sales agreement of 260 million Chinese yuan. Ordinary residential products under sales in current period are all existing properties, in the year two projects were go into operation: Villa Phase III project and No.4 supporting commercial complex project, plans to start a total area of 41,011.85 square meters.

(III) Pay close attention to safety and environmental management, security foundation is more stable

The company set "build green mining enterprises" as the basis of sustainable development. During the reporting period, the company continuously improved the relevant management system of safety production and environmental protection, strictly implemented the safety production responsibility system, strengthened the safety training, on-site management and implementation, and carried out safety activities such as safety education, safety inspection, self-examination and self- safety and quality standardization, therefore the security situation throughout the year is stable. Adhere to the green low-carbon development, ZRC improved the "environmental management plan", and followed the implementation of the effective energy-saving emission reduction actions, and conducted environment assessment for the impact of heavy oil power plant. Besides, the company completed the Philip wells water recycling project, the work towards the waste water, ambient air quality analysis and supervision are in the steady progress.

(IV) Strengthen the performance appraisal, continue to deepen the basic management work

Adhere to the goal-oriented, and continuously deepen the performance appraisal, improve the project management target responsibility system and planning assessment indicators; focus on domestic and foreign business management differences, strengthen the coordination and communication between the various departments of the company, so that departments' dockings work effectively, and improve work efficiency; to further strengthen the enterprise management system, revise and improve the work process, so that the system and process more in line with the company's production and management demands, gradually penetrate the fine management concepts and methods into all aspects of production and management to enhance the level of fine management.

(V) The impact of changes in the capital market, resulting in the company's future development strategy for a new analysis and research

The company plans to purchase 100% equity interest in Iron Ore (International) Limited, Mingsheng Co., Ltd. and Mongolia New Laler Gauteng Iron Ore Co., Ltd. by non-public offering in 2015. At July 24, 2015, the company declared relevant documents of the non-public offering of shares to the China Securities Regulatory Commission. At January 4, 2016, the company got the document the China Securities Regulatory Commission 152302, "China Securities Regulatory Commission Administrative Licensing Project Review Feedback Notice". At March 15, 2016, the company submitted the written reply materials of the review of the administrative licensing project to China Securities Regulatory Commission. The non-public offering of shares has not yet been approved by the China Securities Regulatory Commission. On December 27, 2016, Nanwu Bei'an and Ningbo RanSheng Shengyuan Investment Management Partnership (limited partnership) signed an equity transfer agreement, all Nanwu Bei'an's holding of 233 million shares of Zhongrun resources were transferred to Ningbo RanSheng Shengyuan Investment Management Partnership (Limited Partnership). On January 17, 2017, the aforesaid equity transfer was completed. Ningbo RanSheng Shengyuan Shengyuan investment management partnership (limited partnership) became the company's controlling shareholder, Mr. Guo Changwei become the company's actual controller. According to its report on changes in equity, the purpose of the acquisition of listed companies is to mature in the use of listed companies through the effective integration of industry resources, to achieve industrial upgrading, adjustment and transformation, improve the operation of listed companies. In view of the current capital market environment and the fact that the great changes have undergone in refinancing, mergers and acquisitions restructuring policy, and the company's controlling shareholder and the actual controller changes, the company needs to research and confirm the future direction of strategic development.

II. Analysis of main business

(I) Overview

Refer to "4 Operation Discussion and Analysis – I Overview."

(II) Revenue and costs

i. Operating income

Unit: Chinese yuan

	2016		2015		Year-to-year change ratio
	Amount	Ratio to total revenue	Amount	Ratio to total revenue	
Total operating income	812,133,013.52	100%	1,387,828,476.86	100%	-41.48%
Industries					
Real Estate	416,618,828.00	51.30%	1,071,062,625.52	77.18%	-61.10%
Mining	395,514,185.52	48.70%	316,765,851.34	22.82%	24.86%
Products					
Real Estate sales	416,618,828.00	51.30%	1,071,062,625.52	77.18%	-61.10%
Gold Sales	395,514,185.52	48.70%	316,765,851.34	22.82%	24.86%
Areas					
Zibo Area (Real Estate)	416,618,828.00	51.30%	1,071,062,625.52	77.18%	-61.10%
Feiji (Mining)	395,502,976.97	48.70%	316,180,851.34	22.78%	25.09%
Sichuan Pingwu (Mining)	11,208.55	0.00%	585,000.00	0.04%	-98.08%

ii. Industries, products and areas that occupied over 10% of ZRC's revenue or operating income

If the company need to comply with the disclosure requirements of special industries

Yes

Solid mineral industry and Real estate

The Company is required to comply with the disclosure requirements of the *Shenzhen Stock Exchange Industry Information Disclosure No.3 - the listing of listed companies in the real estate business*

Unit: Chinese yuan

	Operating income	Operating costs	Gross profit ratio	Operating income Y2Y increase	Operating costs Y2Y increase	Gross profit ratio Y2Y increase
Industries						
Real Estate	416,618,828.00	229,679,916.40	44.87%	-61.10%	-70.66%	17.97%
Mining	395,514,185.52	277,661,900.54	29.80%	24.86%	8.43%	10.64%
Products						
Real Estate sales	416,618,828.00	229,679,916.40	44.87%	-61.10%	-70.66%	17.97%
Mining sales	395,514,185.52	277,661,900.54	29.80%	24.86%	8.43%	10.64%
Areas						
Zibo Area (Real Estate)	416,618,828.00	229,679,916.40	44.87%	-61.10%	-70.66%	17.97%
Feiji (Mining)	395,502,976.97	277,593,328.54	29.81%	25.09%	8.61%	10.65%
Sichuan Pingwu (Mining)	11,208.55	68,572.00	-511.78%	-98.08%	-85.57%	-530.52%

In the case of changes of main business statistics calibre in the accounting period, in the most recent year, the company uses data that adjusted according to changes of statistics calibre.

□ Applicable √ Not Applicable

iii. Are the company's physical sales higher than its labour income?
√ Applicable □ Not Applicable

Industries	Items	Unit	2016	2015	Y2Y changes ratio
Mining	Sales volume	ounce	48,217.00	43,982.25	9.63%
	Production volume	ounce	48,217.00	43,982.25	9.63%
	Inventory volume	ounce	0	0	0

iv. The fulfilment situation of crucial sales contract at the end of the accounting period
□ Applicable √ Not Applicable

v. Operating costs

Unit: Chinese yuan

Industry	Item	2016		2015		Y2Y change ratio
		Amount	Ratio to operating costs	Amount	Ratio to operating costs	
Real Estate	Jian'an project fee	175,012,535.26	76.20%	518,494,185.38	66.22%	-66.25%
	Land and demolition compensation	10,476,094.75	4.56%	63,602,615.23	8.12%	-83.53%
	Initial expenses	18,465,750.91	8.04%	60,492,463.11	7.73%	-69.47%
	infrastructure	7,028,324.14	3.06%	84,321,699.34	10.77%	-91.66%
	Public facilities	8,728,628.16	3.80%	25,798,021.33	3.30%	-66.17%
	Indirect development costs	8,130,550.33	3.54%	26,854,544.26	3.43%	-69.72%
	other	1,838,032.84	0.80%	3,372,571.13	0.43%	-45.50%
	total	229,679,916.40	100.00%	782,936,099.78	100.00%	-70.66%

Unit: Chinese yuan

Industry	item	2016		2015		Y2Y change ratio
		Amount	Ratio to operating costs	Amount	Ratio to operating costs	
Mining	Raw materials and accessories	43,666,399.88	15.73%	42,652,486.50	16.66%	2.38%
	Labor	36,344,623.50	13.09%	31,416,437.60	12.26%	15.69%
	Depreciation and amortization	36,595,930.59	13.18%	31,076,519.82	12.14%	17.76%
	Energy and power	98,108,135.44	35.33%	97,921,153.73	38.24%	0.19%
	Maintenance, maintenance and others	62,946,811.14	22.67%	52,996,666.93	20.70%	18.78%
	total	277,661,900.54	100.00%	256,063,264.58	100.00%	8.43%

vi. Did changes in the scope of consolidation occur during the reporting period?
□ Applicable √ Not Applicable

vii. Did critical changes occur in terms of business, products and services during the reporting period?
□ Applicable √ Not Applicable

viii. Main clients and supplier

Main clients

Total sales of top 5 clients (Chinese Yuan)	416,614,666.30
Sales of top 5 clients/Total sales	51.30%
Sales with related parties in the sales of top 5 clients/Total sales	0.00%

Top 5 clients' details

Number	Name of Clients	Sales (Chinese Yuan)	% of Total sales
1	The Perth Mint Refinery	395,502,976.97	48.70%
2	Zibo Zhongrun New Mart Ltd	6,168,480.66	0.76%
3	Natural person 1	5,268,886.00	0.65%
4	Natural person 2	5,109,026.67	0.63%
5	Natural person 3	4,565,296.00	0.56%
Total	-	416,614,666.30	51.30%

Other details of main clients
□ Applicable √ Not Applicable

Main suppliers

Total purchases from top 5 suppliers (Chinese Yuan)	177,344,236.77
Purchases from top 5 suppliers/Total purchases	25.53%
Purchases with related parties in the purchase of top 5 suppliers/Total sales	0.00%

Top 5 suppliers' details

Number	Name of Suppliers	Sales (Chinese Yuan)	% of Total salts
1	Total (Fiji) Limited	83,186,234.46	11.97%
2	PDV INTERNATIONAL (HK) LTD	37,125,476.41	5.34%
3	Aggreko (NZ) Ltd-Fiji Branch	35,844,535.81	5.16%
4	Shandong Huicheng Construction Ltd Zibo Branch	16,796,257.14	2.42%
5	Sutong Construction Group Ltd Zibo Branch	4,391,732.95	0.63%
Total	-	177,344,236.77	25.53%

Other details of main clients
□ Applicable √ Not Applicable

(III) Expenses

Unit: Chinese Yua

	2016	2015	Year to year increase	Crucial changes
Cost of sales	17,497,517.13	11,118,795.03	57.37%	Mainly caused by the increase of promotion fees of the subsidiary Zibo Properties
Administration costs	102,148,712.61	106,124,832.96	-3.75%	
Financial costs	8,148,778.74	-15,981,752.67	150.99%	Increase in external financing for the current period

(IV) Research and Development
□ Applicable √ Not Applicable

(V) Cash flows

Unit: Chinese yuan

Item	2016	2015	Year to year increase
Total cash inflow from operating activities	872,349,247.09	1,401,141,079.97	-37.74%
Total cash outflow from operating activities	1,143,002,107.99	1,502,509,008.31	-23.93%
Net cash flow from operating activities	-270,652,860.90	-101,367,928.34	-167.00%
Total cash inflow in investment activities	210,010,140.00	150,000,000.00	40.01%
Total cash outflow in investment activities	468,236,111.61	127,865,689.26	266.19%
Net cash flow from investment activities	-258,225,971.61	22,134,310.74	-1,266.63%
Total cash inflow from financing activities	700,000,000.00	147,154,410.65	375.69%
Total cash outflow from financing activities	200,437,734.79	13,142,510.85	1,425.11%
Net cash flow from financing activities	499,562,265.21	134,011,899.80	272.77%
Net increase in cash and cash equivalents	-29,356,657.73	52,580,039.05	-155.83%

Notes on crucial changes between relevant statistics and on large year-to-year increases
√ Applicable □ Not Applicable

The decrease in the net cash flow from operating activities over the same period of last year was mainly due to the decrease in the amount of cash received from real estate prepayment in the current period. The decrease in the net cash flow from investing activities over the previous year was mainly due to the increase in the purchase of VGM equipment; Net cash flow from financing activities increased over the same period of last year mainly due to the increase in bank borrowings.

The reason for the great differences between the cash flow from operating activities of the reporting period arid net profit of current year
□ Applicable √ Not Applicable

III. Analysis of non-core business
□ Applicable √ Not Applicable

IV. Assets and Liabilities

(I) Assets and crucial changes

Unit: Chinese Yuan

	The End of 2016		The End of 2015		Year-to-year increase
	Amount	% of total assets	Amount	% of total assets	
Cash	122,958,514.02	3.81%	141,293,743.82	4.36%	-0.55%
Account receivable	7,828,885.34	0.24%	30,492,098.89	0.94%	-0.70%
Inventory	811,382,492.56	25.13%	994,575,163.23	30.69%	-5.56%
Investment property	167,075,064.01	5.17%	100,644,622.43	3.11%	2.06%
Fixed assets	449,162,504.14	13.91%	367,924,031.12	11.35%	2.56%
Construction in progress	21,377,387.59	0.66%	19,603,349.62	0.60%	0.06%
Short-term debts	300,000,000.00	9.29%	1,450,791.03	0.04%	9.25%
Long-term debts	97,362,663.59	3.02%	145,268,026.33	4.48%	-1.46%

(II) Assets and liabilities at fair value
√ Applicable □ Not Applicable

Unit: Chinese Yuan

items	Opening balance	Change of the current fair value	Fair value changes that accounted in profit and loss	Impairment provision of this accounting period	Purchase amount	Sales amount	Closing balance
Financial assets							
Available for sale	7,373,204.99	8,819,685.01					16,192,890.00
Total	7,373,204.99	8,819,685.01					16,192,890.00
Financial debts	0.00						0.00

Crucial changes of measurement attributes of main assets?
Yes √ No

(III) Restricted asset and equity situation at the end of the report period

Item	Book value at the end of period	Reason for restriction	Notes
Monetary funds	30,750,000.00	Letter of credit guarantee	Vatukoula Gold Mines Plc, a subsidiary of the Company, borrowed RMB 20.5 million Euro from the Cayman Sub-branch of Bank of China Limited to the credit guarantee of Shandong Zhongrun Group Zibo Real Estate Co., Ltd. Zibo New Mart property and land use right. As of December 31, 2016, the balance of the guarantee loan was RMB 127,320,406.23. The loan expires on March 16, 2018.
Qualified real estate	97,272,051.31	Loan collateral	
Monetary funds	1,196,600.00	Environmental Governance Margin	

Monetary funds	305,088.55	Safe production margin	
Monetary funds	4,146,665.25	Time deposit	For the Fiji Wattuoka gold mine company for mine warrants certificate
Monetary funds	3,493,450.21	Mortgage deposit	
Monetary funds	30,091,152.40	Freeze funds	Sutong Construction Group Co., Ltd. due to the construction project settlement dispute will Shandong Zhongrun Group Zibo Property Co., Ltd. sued Zibo City Intermediate People's Court. After the mediation, the two sides have basically settled on the settlement of the project. The matter does not have a significant impact on the Company's financial position.

V. Investment profile

a. Main profile
□ Applicable √ Not Applicable

b. Significant equity investments acquired during the reporting period
□ Applicable √ Not Applicable

c. Significant progress of non-equity investments during the reporting period
□ Applicable √ Not Applicable

d. Investment in financial assets
i. Investment in securities
□ Applicable √ Not Applicable
Investment in securities does not exist during the current reporting period.

ii. Investment in derivatives
□ Applicable √ Not Applicable
Investment in derivatives does not exist during the current reporting period.

e. Use of proceeds
□ Applicable √ Not Applicable

Use of proceeds does not exist during the current reporting period.

VI. Sales of major asset and equity

a. Sales of major assets
□ Applicable √ Not Applicable
ZRC does not sell major assets during the current reporting period.

b. Sales of major equity
□ Applicable √ Not Applicable

VII. The analysis of main holding companies
√ Applicable □ Not Applicable

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

Unit: Chinese Yuan

Name of companies	Companies types	Main business	Register Capital	Total assets	Net assets	Revenue	Operating income	Net profit
Shandong Zhongrun Group Zibo Properties Limited	Subsidiary	Residence, commercial and real estate	100,000,000.00	1,206,707,333.17	521,888,915.31	416,618,828.00	125,695,308.06	94,612,801. 86
Zhongrun Mining Development Co., Ltd.	Subsidiary	Mining investment	500,000,000.00	833,473,720.54	484,563,254.50	-	9,349,559. 49	9,349,559.49
Zhongrun International Mining Co., Ltd.	Subsidiary	Mining investment	$ 50,000.00	517,073,910.18	-29,124,665.16	-	2,073,120.22	2,070,120.22
Sichuan Pingwu Zhongjin Gold Mines Ltd.	Subsidiary	Gold mining	40,000,000.00	112,304,270.82	-57,550,402.62	11,208.55	-13,443,158.92	-13,472,608.92
Tibet Zhongjin Gold Mines Ltd.	Subsidiary	Copper ore mining	50,000,000.00	36,308,934.42	36,308,934.42	-	-134,731.02	-74,804.02
Inner Mongolia Huiyin Mines Ltd.	Subsidiary	Lead-zinc silver mining	39,090,000.00	169,582,056.44	163,648,362.81	-	-520,590.40	-520,590.40
British Vatukoula Gold Mines Plc	Subsidiary	Gold mining	£ 17,212,767.16	736,479,369.72	310,423,428.20	395,502,976.97	24,529 156.10	24,529,156. 10

Acquire subsidiaries during the reporting period
□ Applicable √ Not Applicable

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

IX. Prospect of the company

In 2017, the Company will continue to promote fine management in all directions, strengthen infrastructure construction and technological transformation, improve production capacity, actively carry out cooperative prospecting, effectively reduce exploration costs, increase mineral resources reserves, and strive to achieve "expansion, reduction, efficiency" to ensure long-term stable and sustainable development; to further strengthen the real estate marketing efforts to speed up the return of funds.

(I) Continue to strengthen the technological transformation of Wattukola gold mine, to promote expansion and efficiency, to enhance the mining production capacity

In 2017, strengthen the technical and operational management of Wattukola gold mine, improve production efficiency, strengthen the tailings treatment and surface oxidation ore heap leaching experiment, and strive to improve the gold production; further strengthen the mine infrastructure, continue to the mineral processing system, Drainage, ventilation, air supply, upgrading and other systems to upgrade; to complete their own power plants and tailings and low-grade ore spill site construction; solid domestic procurement channels, improve the centralized procurement of bulk materials system, effectively reduce procurement costs; Actively introduce strategic partners to carry out surface cooperation exploration, in order to continue to increase the mine's gold reserves. Continue to complete the Sichuan Pingwu gold and silver plant gold reserves of resources for the record and occupation of the registration work; actively carry out the silver plant gold mine construction of the preparatory work.

(II) Adhere to the "zero harm" safety guidelines and management culture to achieve safe production

Improve the safety rules and regulations and safety production responsibility system, achieve the implementation of safety production goals, and improve the safety assessment system, thus forming a top-down safety production target system, responsibility system and assessment system. Continue to promote the "zero injury" safety standards and management culture, pay close attention to environmental supervision and governance, and constantly enhance the overall safety of quality, to ensure that the mine green security operations.

(III) Clutching product quality, create marketing strategies to accelerate real estate sales

In 2017, real estate sales market will continue to pick up, but the regional differentiation will be further exacerbated. The company will make full use of brand advantages, and optimize sales model; create new marketing ideas, develop a more aggressive marketing policy, increase sales efforts and accelerate the return of funds to provide financial support for the company's continued business expansion.

(IV) Broaden the financing channels, strengthen investment management, improve the efficiency of the use of funds and security

According to the company's development strategy, strengthen the financing plan management, broaden the financing channels, innovate financing methods, optimize the capital structure, and continuously reduce the financing costs; strengthen the daily management and risk control of funds to enhance the efficiency of capital use, effectively guarantee the company's capital security; Management, conscientiously implement the provisions of the company's investment management.

(V) Strengthen internal management and further deepen the company's internal control system

The construction of internal control system has always been the focus of corporate governance and standard construction. We should continue to strengthen the self-inspection and evaluation of the implementation of the internal control system, strengthen the daily dynamic assessment of the company's risk dangers, establish and improve the company's risk investigation, prevention and disposal mechanism prevention and control ability to enhance the company's standardized operation level, strengthen the internal operation and management of enterprises, combine fine management and innovation, and constantly increase the management methods, management tools and management model of innovation, strengthen the integration of domestic and foreign management culture, and continuously enhance the level of enterprise management, improve the main management evaluation mechanism, improve the salary reform system, deepen the mining contractor system, and fully stimulate the enthusiasm of the management work.

(VI) Discuss and study the company's future development strategy, to determine the company's long-term development goals

On December 27, 2016, Nanan Bean and Ningbo Ran Sheng Shengyuan Investment Management Partnership (limited partnership) signed an equity transfer agreement, all of its 233 million

shares held by the listed company were transferred to Ningbo Ran Sheng Sheng Yuan Investment Management Partnership (limited partnership). On January 17, 2017, the aforesaid equity transfer was completed. Ningbo Ran Sheng Sheng Yuan investment management partnership (limited partnership) to become the company's controlling shareholder, Mr. Guo Changwei become the company's actual controller. In 2017, according to the changes in the company's shareholders, changes in the market, industry changes, combined with the company's own development needs, will further optimize the company's industrial structure and asset structure, to explore the company's future direction of development, research and determine the company's long-term development goals.

X. Reception of research, communication and interview activities

(I) Reception of research, communication and interview activities during the period of accounting

√ Applicable □ Not Applicable

Reception time	Reception method	Reception type	The index of basic situation
09/11/2016	Field research	Institution	he company's current main business and operating conditions
Reception times	1		
Number of reception facilities	1		
Number of receptionists	0		
Reception of other objects	0		
Whether to disclose, disclose or disclose undisclosed material	No		

Section 5 Important matters

I. Ordinary shares profit distribution and Capital reserve capitalization

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

√ Applicable □ Not Applicable

ZRC neither distribute profits in 2015 nor capitalized capital reserves. In 2016, the company does not distribute profits.

Special description of cash dividend policy	
It meets the requirements of the provisions of the articles of association and shareholders' General Assembly resolutions:	Yes
The ratio and standards of dividend are definite and clear:	Yes
Relevant decision-making procedures and mechanisms are complete:	Yes
Independent Directors perform their duty and play their due role:	Yes
Do minority shareholders have sufficient opportunity to express their views and aspirations? Are their legitimate rights and interests fully protected?	Yes

In the case of changing or adjusting cash dividend policy, conditions and procedures are transparent and in compliance with relevant regulations	No adjustments or changes

Common stock dividend distribution plan (pre-plan), capital reserve capitalization program (pre-plan) in recent three years (including current period)

At the end of 2014, the consolidation achieved profits attributable to shareholders of listed companies of -216,567,179.78 Chinese yuan, the parent company realized net profit -60,074,126.48 Chinese yuan. Given the current situation of the real estate and the mining industry as a whole, in order to further improve the operation and management of the mine, to achieve the long-term stable development, continuous investments in mining are required, therefore in 2014, the company decided neither to distribute profit, nor capitalized any capital reserve.

At the end of 2015, the consolidation achieved profits attributable to shareholders of listed companies of 21,734,437.33 Chinese yuan, the parent company realized net profit -75,728,608.63 yuan. Given the current situation of the real estate and the mining industry as a whole, in order to further improve the operation and management of the mine, to achieve the long-term stable development, continuous investments in mining are required, therefore in 2015, the company decided neither to distribute profit, nor capitalized any capital reserve.

At the end of 2016, the consolidation achieved profits attributable to shareholders of listed companies of 8,789,257.54 Chinese yuan, while the operating cash flows are negative. Given the current situation that real estate villa project will start in 2017, Fiji Wattukola Co. Ltd's power plant project will require continuing investment. To achieve the long-term stable development, continuous investments in mining are required, the company decided neither to distribute profit, nor capitalized any capital reserve in 2016.

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

Unit: Chinese Yuan

Year	Amount of cash dividends (Including tax)	Net profit attributed to common shareholders of listed companies in the consolidated income statement	Ratio between net profit attributed to common shareholders of listed companies to the total profit in the consolidated income statement	Cash dividends distributed in other ways	Ratio between Cash dividends distributed in other ways and total profits in the consolidated income statement
2016	0.00	8,789,257.54	0.00%	0.00	0.00%
2015	0.00	21,734,437.33	0.00%	0.00	0.00%
2014	0.00	-216,567,179.78	0.00%	0.00	0.00%

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

√ Applicable □ Not Applicable

Profit in the reporting period and the parent company for the common shareholders to distribute the profit is positive but did not put the common stock cash dividend distribution plan reasons	The use of the company's undistributed profits and the use of the plan
At the end of 2016, the consolidation achieved profits attributable to shareholders of listed companies of 8,789,257.54 Chinese yuan, while the operating cash flows are negative. Given the current situation that real estate villa project will start in 2017. Fiji Wattukola Co. Ltd's power plant project will require continuing investment. To achieve the long-term stable development, continuous investments in mining are required, the company decided neither to distribute profit, nor capitalized any capital reserve.	Supplement company working capital

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

□ Applicable √ Not Applicable

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

III. Implementation of commitments

(I) Commitments that the company, shareholders, actual controller of shares, directors, supervisors, senior management or other relevant parties have fulfilled at the current period or have not fulfilled yet at the end of the current period

√ Applicable □ Not Applicable

Commitments	Commitment party	Commitment type	Commitment details	Commitment time	Term of Commitment	Fulfilment
The report of the acquisition report or the change in equity	Ningbo Ransheng Shengyuan Investment Management Partnership	Equity change commitment	Within 12 months from the date of completion of the change of equity, the shares of Zhongrun Resources would not be transferred	28 Dec, 2016	12 months	Fulfilling
If fulfilled the commitment on time			Yes			

(II) There is profit prediction of projects or the company's assets, and reporting period is within the prediction period, company meet the profit prediction and explained reasons behind the performance

□ Applicable √ Not Applicable

IV. Non-operating misappropriation of funds by the controlling shareholder and its affiliated parties

□ Applicable √ Not Applicable

During the reporting period, the controlling shareholder or affiliated parties did not misappropriate any funds of ZRC for a non-operating purpose.

V. Explanation of the 'nonstandard audit report' during the reporting period made by the Board of Supervisors or Independent Directors (if applicable)

√ Applicable □ Not Applicable

Zhongrun Resources Investment Co., Ltd. Board of Directors

The special instruction concerning matters relating to the qualified audit report issued by the Zhonghui Certified Public Accountants

Zhonghui Certified Public Accountants (Special General Partnership) audited the company's financial statements for the year 2016 and issued a written audit report with qualified opinion.

1. Important matters resulted to the qualified opinion

1) As stated in Note 13 (3) of the Financial Statements, as at 31 December 2016, Zhongrun Resources Company shall receive the equity and creditor's rights of RMB 369.3 million from the Shandong Ansheng Asset Management Group (hereinafter referred to as Ansheng Asset), shall receive the equity transfer payment of RMB 229,322,300 from the Qilu Property Limited (Hereinafter referred to as Qilu Property). Zhongrun Resources Company recorded bad debts in accordance with the age of debts. Ansheng Asset and Qilu Property did not fulfil their payment obligations in accordance with the contract. On April 18, 2017, the Board of Directors of Zhongrun Resources approved the adoption of the "Cooperation Framework Agreement" between Zhongrun Resources and Ningbo Meishan Bonded Port Area Huaxin Shengge Equity Invesntment Fund Mangement Co., Ltd. (hereinafter referred to as Huaxin Shengge). Zhongrun Resources will fully transfer the debts stated above to Huaxin Shengge, but not specific terms of the transaction and the transaction price has been confirmed. As at the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence for the recoverable amount of the other receivables.

2) As stated in Note 13 (3) of the Financial Statements, as at 31 December 2016, Zhongrun Resources Company shall receive the mino-purchase earnest money of US dollar 80 million, equivalent to RMB 554.96 million from Li Xiaoming. Zhongrun Resources Company recorded bad debts in accordance with the age of debts. The payment is the earnest money rose from the purchase of 100% stake in Iron Mine International (Mongolia) Limited, Mingsheng Limited and Mongolia New Laler High Speed Rail Co Ltd and the related non-public offering in 2015. As of the date of the audit report, the non-public offering of shares has not yet been approved by the China Securities Regulatory Commission, but this related material of the non-public offering of shares issued by the General Assembly on the board of directors has expired, the company has not yet identified the follow-up program, therefore we are unable to obtain sufficient and appropriate audit evidence of the recognition of the nature of the proceeds from the acquisition of the deposit and the recoverable amount of the money.

2. Board of Director's comments on the qualified audit report

After careful discussion by the Board of Directors, we believe that the audit report issued by Zhonghui Certified Public Accountants (Special General Partnership) on the financial statements of the Company for the year 2016 has objectively reflected the status quo of the matters involved. In addition, the Company's financial statements were prepared in all material respects in accordance with the Accounting Standards for Business Enterprises and fairly reflect the consolidated financial statements of the Company as at 31 December 2016, the consolidated financial statements of the Company, the Company's operating results and cash flows for the year ended 31 December 2016. For the audit opinion, the board of directors of the company comments as follows:

1) The company, due to the need for company's strategic adjustment, in 2012, 2013, respectively, transferred its 100% holdings shares of Shandong Shengji Investment Co., Ltd. and Shandong Zhongrun Real Estate Co., Ltd. to Qilu Property Co., Ltd. and Shandong Ansheng Asset Management Group Co., Ltd. The transfer prices respectively are RMB 490,262,348.69 and RMB 1,076,867,282. As of 31 December 2016, the company has received RMB 260,940,000 and RMB 707,567,282, however 229,322,348.69 and 369.3 million Chinese yuan have not been received when the contract has been expired. Upon expiration, the company sent dunning letters to two parties stated above through a solicitor, and required the debtors to provide additional security measures. Shandong Shengji Investment Co., Ltd.'s 100% stake has been pledged to the company, and Shandong Ansheng Assets Management Group Ltd has a large number of commercial assets, after the contract expires, Shandong Ansheng has promised in writing to pay off the arrears, and promised that its commercial assets can be used to meet the arrears while the company agreed. In terms of above claims, the company is to start the Law enforcement measures, the relevant work in the process.

For the debts stated above, the company has made provision for bad debts in accordance with the Company's accounting policies. As at 31 December 2016, the Company provided 202,518,900 Chinese yuan of bad debts, which embodied the principle of prudence. Based on the recoverable judgement of the two claims above, the provision for bad debts are considered to be able to cover the possible future bad debt losses.

According to the "Cooperative Framework Agreement" adopted by the Board of Directors of the company on 18 April, 2017, the company inteads to transfer the aforesaid creditor's rights to Ningbo Meishan Bonded Port Area Huaxin Shengge Equity Investment Fund Management Co., Ltd., so that the company could solve the above-mentioned claims. The board is actively promoting the work and striving to reach a formal transfer agreement with Ningbo Meishan to eliminate the risk of possible debtrecovery.

2) In the year 2015, the Company purchased 100% equity interest in Iron Ore International (Mongolia) Co., Ltd., Mingsheng Co., Ltd. and Mongdlia New Laler High Speed Rail Co., Ltd. held by Li Xiaoming by non-public offering, and paid the earnest money of US dollar 80 million. The non-public offering of shares has not yet been approved by the China Securities Regulatory Commission. Due to the current capital market environment and policies of refinancing and mergers have changed greatly compared with 2015, and the controlling shareholder and actual controller of the Company have changed in 2017, the company needs to study and confirm the future strategic development direction. The Board of Directors will discuss and identify future action plans as soon as possible, while ensuring that the earnest money will be safely recovered.

Zhongrun Resources Investment Co., Ltd. Board of Supervisors
Opinions on matters relating to the qualified audit report issued by the Zhonghui Certified Public Accountants

The Company's annual financial report for the year 2016 is audited by Zhonghui Certified Public Accountants (Special General Partnership) which has issued a qualified audit report for the Company. The Supervisory Committee considered that the audit report objectively reflected the financial status and situation of the company's operation, agreed to *the Board of Director's special Instruction concerning matters relating to the qualified audit report Issued by the Zhonghui Certified Public Accountants*. The Board of Supervisors hopes that the Board of Directors and the management will take practical approaches and measures to effectively reduce or mitigate the risks in respect of the contents of the qualified audit report. The board of supervisors will continue to keep an eye on the relevant work promoted by the board of directors, and effectively safeguard the interests of the company and all shareholders.

Independent directors' opinions on the matters relating to the audit report

We have examined the *Special Instruments relating to the qualified audit opinion* issued by Zhonghua Certified Public Accountants Co., Ltd. (Special General Partnership) and *the Board of Director's special instruction concerning matters relating to the qualified audit report issued by the Zhonghui Certified Public Accountants*, and on this basis, we published the following independent opinions:

1) The audit report issued by Zhonghui Certified Public Accountants has objectively reflected the financial status and the situation of the company's operation for the year 2016, which objectively reflects the actual situation of the matters involved in the 2016 annual audit report.

2) We agree to *the Board of Director's special instruction concerning matters relating to the qualified audit report issued by the Zhonghui Certified Public Accountants*. We will continue to pay close attention to push the board of directors to take practical approaches and measures, to solve matters involved in the qualified audit opinion and to promote the development of the company, so that we can effectively safeguard the interests of small and medium shareholders.

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

□ Applicable √ Not Applicable

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

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

□ Applicable √ Not Applicable

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

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

□ Applicable √ Not Applicable

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

IX. Engagement of Dismissal of accounting office

Current accounting office engaged by ZRC:

Name of domestic office	Zhonghua Certified Public Accountants Co., Ltd. (Special general partnership)
Remuneration to domestic accounting office (unit: 10,000 Chinese Yuan)	90
Continuous years of audit service by domestic accounting office	1

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

√ Yes □ No

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

□Yes √ No

Whether to perform the approval process for the replacement of accounting office?

√ Yes □ No

Detailed description of the situation of appointments and change of accounting firms

The Company's original auditing organization, Shandong Hexin Certified Public Accountants (Special General Partnership), was transferred to Zhonghui Certified Public Accountants (Special General Partnership), and the Company engaged Zhonghui Certified Public Accountants (Special General Partnership) as the auditors of the Company for the year 2016. Zhonghui is responsible for the annual financial report of the company 2016 audit work, and the financial audit fee is 600,000 Chinese yuan. The matter was examined and approved at the first extraordinary general meeting of the Company in 2017.

Accounting office for auditing internal control, financial consultant or sponsor engaged by ZRC

√ Applicable □ Not Applicable

The Company's original auditing organization, Shandong Hexin Certified Public Accountants (Special General Partnership), was transferred to Zhonghui Certified Public Accountants (Special General Partnership), and the Company engaged Zhonghui Certified Public Accountants (Special General Partnership) as the auditors of the Company for the year 2016. Zhonghui is responsible for the company 2016 annual internal control audit work, internal control audit fees 300,000 yuan. The matter was examined and approved at the first extraordinary general meeting of the Company in 2017.

X. Listing suspension and delisting subsequent to the disclosure of annual report

□ Applicable √ Not Applicable

XI. Bankruptcy restructuring

□ Applicable √ Not Applicable

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

XII. Major lawsuits and arbitrations

□ Applicable √ Not Applicable

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

XIII. Punishments and rectifications

□ Applicable √ Not Applicable

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

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

√ Applicable □ Not Applicable

During the reporting period, the controlling shareholder and the actual controller of the Company did involve in any situations such as failing to fulfil the effective jugment of the court, or failing to settle a great amount of debt when expired.

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

□ Applicable √ Not Applicable

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

XVI. Substantive affiliated transactions

(I) Affiliated transactions in daily operations

□ Applicable √ Not Applicable

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

(II) Affiliated transactions arising from asset acquisition and sales

□ Applicable √ Not Applicable

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

(III) Affiliated transactions of joint external investment

□ Applicable √ Not Applicable

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

(IV) Creditor's rights and debts with affiliated parties

□ Applicable √ Not Applicable

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

(V) Other affiliated transactions

√ Applicable □ Not Applicable

In May 2015, in order to acquire the shares of Iron Ore International (Mongolia) Co., Ltd., Mingsheng Co., Ltd. and Mongolia New Lafer High Speed Rail Co., Ltd., the Company signed the "Intent Contract" with the actual controller Mr. Li Xiaoming, and paid the earnest money of 80 million US dollar so that the related party to the contract will promote cooperation in accordance with the provisions in the contracts. Shengjie (Beijing) Investment Co., Ltd. voluntarily became Li Xiaoming's liability guarantor of this contract and is willing to perform the contract on the agent of Li Xiaoming. As of the date of this report, Li Pusheng is the legal representative of Shengjie Company. Mr. Li was appointed as a director of the Company in September 2015.

At 19 August 2015, ZRC held its eighth Board thirteenth meeting, reviewed and approved the "Proposal of the signing of the loan contract". In order to support the mining project implementation of Elohim River Iron Ore Co, ZRC intends to sign a loan contract with Elohim River Iron Ore Ltd. (hereinafter referred to as 'Elohim River') to voluntarily lend it 300 million Chinese yuan at current bank loan interest rate one-year borrowing rate execution. This loan will be used to Elohim River's preliminary exploration and design work for the company's iron ore project. To effectively control the risk, this loan is provided by a subsidiary of ZRC's controlling shareholder Shenzhen Nanwu Bei'an asset management ltd.: the Shenzen Nanwu Bei'an Wealth Management Ltd with unconditionally joint and several liabilities guarantees. As at the date of Audit report, Shenzhen Nanwu Bei'an asset management ltd and Shenzhen Nanwu Bei'an Wealth Management Ltd already haven no any related connection with the company.

Affiliated transactions interim report disclosure website

Name of interim report	Disclosure date	Disclosure website
Announcement on the signing of the Intent Contract	12 May, 2015	http://www.cninfo.com.cn
Announcement on the signing of the loan contract	21 Aug, 2015	http://www.cninfo.com.cn

XVII. Major contracts and their performance

(I) Trusteeship, contracting and leasing

i. Trusteeship

□ Applicable √ Not Applicable

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

ii. Contracting

□ Applicable √ Not Applicable

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

iii. Leasing

□ Applicable √ Not Applicable

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

(II) Guarantee

√ Applicable □ Not Applicable

i. Guarantee

Unit: 10,000 Chinese Yuan

External guarantee (Excluding the guarantee provided for its subsidiaries)								
Guaranteed object	Date of announcing the guarantee limit	Guarantee limit	Date of occurrence (date of signing)	Guaranteed amount	Guarantee type	Term of guarantee	performed	Guarantee for affiliated party
Yantai Xinchao Industry Co., Ltd	06/02/2016	50,000	27/04/2016	8,000	Joint and several	1 year	No	No
			12/06/2016	12,000	Joint and several	1 year	No	No
			14/06/2016	30,000	Joint and several	3 years	No	No
Total amount of external guarantees approving during the reporting period (A1)		50,000		Actual amount of external guarantees during the reporting period (A2)		50,000		
Total amount of external guarantees that have approved at the end of the reporting period (A3)		50,000		Actual balance of actual guarantee at the end of the reporting period (A4)		50,000		
Guarantee for its subsidiaries								
Guaranteed object	Date of announcing the guarantee limit	Guarantee limit	Date of occurrence (date of signing)	Guaranteed amount	Guarantee type	Term of guarantee	performed	Guarantee for affiliated party
Vatukoula Gold Mines Plc	28 April 2015	15,000	05 June 2015	14,526.8	Joint and several	3 years	No	Yes
Total guarantee limit for its subsidiaries approved during the reporting period (B1)		0		Total actual guaranteed amount for its subsidiaries during the reporting period (B2)			0	
Total guarantee limit for its subsidiaries approved by the end of the reporting period (B3)		15,000		Total actual guaranteed amount for its subsidiaries by the end of the reporting period (B4)			12,732.04	
Guarantee from subsidiaries to subsidiaries								
Guaranteed object	Date of announcing the guarantee limit	Guarantee limit	Date of occurrence (date of signing)	Guaranteed amount	Guarantee type	Term of guarantee	performed	Guarantee for affiliated party
Total guaranteed amount								
Total guarantee limit approved during the reporting period (A1+B1+C1)		50,000		Total actual guaranteed amount for its subsidiaries during the reporting period (A2+B2+C2)			50,000	

Total guarantee limit for its subsidiaries approved by the end of the reporting period (A3+B3+C3)	65,000	Total actual guaranteed amount for its subsidiaries by the end of the reporting (A4+B4+C4)	62,732.04
Proportion of total actual guaranteed amount to ZRC's net assets		42.48%	
Including:			

ii. Rule-breaking external guarantees

□ Applicable √ Not Applicable

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

(III) Other major contracts

i. Entrusted financing

□ Applicable √ Not Applicable

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

ii. Entrusted Loans

□ Applicable √ Not Applicable

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

(IV) Other substantive transactions

□ Applicable √ Not Applicable

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

XVIII. Social responsibility

1. The implementation of accurate poverty alleviation of social responsibility

1) Summary of annual accurate poverty alleviation

□ Applicable √ Not Applicable

2) Summary of annual accurate poverty alleviation for listed company

□ Applicable √ Not Applicable

3) Follow-up accurate poverty alleviation for listed company

□ Applicable √ Not Applicable

2. The implementation of other social responsibility

1) Care for employees, protect employees' rights and interests

Advocate people-oriented concept of employment, build a harmonious and stable labour relations. Strictly manage labour relations in accordance with national laws and regulations for labour relations management by improving labour contracts and fairly treating all employees. Pay 'five insurance and one pension' according to the law for the staff. Promote staff to make rational recommendations to ensure that employees' democratic rights can be achieved. Improving salary and compensation policy, deepen performance appraisal, pay attention to staff's career development and training, achieve the strong connection between the interests of the company and interests of employees.

ZRC attaches importance to the development of corporate culture, advocates the concepts of 'good-faith operation, practical innovation and value fulfilment', takes care of staff health (for example, providing a physical examination for all staff members every year) so as to strengthen their sense of belonging and the cohesive force of the company, actively conducts staff training so as to offer more vocational development for staffs and offers financial and to staff members in need or in difficulty.

2) Adhere to the safety and environmental protection "double zero" strategic objectives, to achieve sustainable development

ZRC strictly follows *Production Safety Responsibility System and Management Regulation on Safety of Downhole and Opencast Mining*, and built a long-acting safety mechanism. ZRC pays attention to the technological innovation and innovation in the production process of mining industry, and actively carries out new technology researches towards mining, metallurgy, energy saving etc., to explore the solutions of improving the utilization of mineral resources and protecting environment. In the construction of the mine, ZRC is strictly abided by laws and regulations for environmental planning and the company "environmental protection management approach", poured the underground waste rocks into pits and covered rocks by soil, turned the barren hills to the green. ZRC achieved the waste water recycling, and focused on the ecological civilization construction of factory and mining, and firmly established the sense of sustainable development.

3) Perform the taxpaying duty

ZRC strictly abides by the national tax policy, actively performs the taxpaying obligation, and repays the society.

ZRC will consistently support and carry out national industrial policy, abide by social morality, maintain the legal rights and interests of the shareholders and stakeholders, accept supervision from governments and masses, fulfil the corporate value, and perform its social responsibility earnestly.

Do ZRC and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

No

Do ZRC and its subsidiaries publish a report on social responsibility?

□ Yes √ No

XIX. Other major issues

√ Applicable □ Not Applicable

1. On 24 July, 2015, the Company declared a non-public offering application document to the China Securities Regulatory Commission. On 4 January, 2016, the company got the document the China Securities Regulatory Commission 152302, "China Securities Regulatory Commission Administrative Licensing Project Review Feedback Notice". At March 15, 2016, the company submitted the written reply materials of the review of the administrative licensing project to China Securities Regulatory Commission. The non-public offering of shares has not yet been approved by the China Securities Regulatory Commission. Due to the current capital market environment and policies of refinancing and mergers have changed greatly compared with 2015, and the controlling shareholder and actual controller of the Company have changed in 2017, the company needs to study and confirm the future strategic development direction.

2. On December 27, 2016, Nanwu Bei'an and Ningbo RanSheng Shengyuan Investment Management Partnership (limited partnership) signed an equity transfer agreement, all Nanwu Bei'an's holding of 233 million shares of Zhongrun resources were transferred to Ningbo RanSheng Shengyuan Investment Management Partnership (Limited Partnership). On January 17, 2017, the aforesaid equity transfer was completed. Ningbo Ran Sheng Sheng Yuan investment management partnership (limited partnership) to become the company's controlling shareholder, Mr. Guo Changwei become the company's actual controller. According to its report on changes in equity, the purpose of the acquisition of listed companies is to achieve effective integration of industry resources in an appropriate time, to achieve industrial upgrading, adjustment and transformation, and improve the operation performance of listed companies.

3. On 18 April 2017, the Company held the 25th meeting of the 8th Board of Directors, considered and approved the *Proposal on Signing the Cooperation Framework Agreement*. In order to further optimize the company's asset structure and financial situation, reduce the risk of corporate debt recovery, the company and Ningbo Meishan Bonded Port Area Huaxin Shengge equity investment fund management Limited (hereinafter referred to as "Huaxin Shengge") signed a "cooperation framework agreement", and intends to transfer the relevant liabilities the company hold from Qilu Properties Limited and Shandong Ansheng Asset Management Group Co., Ltd, share rights of Shandong Zhongrun Group Zibo Property Co., Ltd. (which will not be higher than 49% of the equity holding) and other potential transferable assets to a limited partnership private equity investment fund which estimated by Huaxin Shengge as a fund manager. The relevant claims are as follows:

In August 2012, the Company signed the "Property Right Contract" with Qilu Property Co., Ltd. (hereinafter referred to as "Qilu Property"), and the Company transferred its 100% holding shares and relevant liabilities claims of Shandong Shengji Investment Co., Ltd. (hereinafter referred to as "Shengji Investment") to Qilu Property, equity and debentures totally are RMB 490,262,348.69. Up to now, Qilu Property still have a total of 229,322,348.69 equity and debt transfer payments which have not been paid. According to the agreement signed in April 2015 by the company, Qilu Property, Shandong Pengcheng Asset Management Co., Ltd. (hereinafter referred to as "Pengcheng Assets"), Kunlun Jiangyuan Industry & Trade Co., Ltd. (hereinafter referred to as "Jiangyuan Industry & Trade") and Shengji Investment Co., Ltd., Pengcheng Assets, Jiangyuan Industry & Trade and Shengji Investment agreed to provide guarantee for Qilu Property to perform repayment obligations to the Company, including: joint and several liability guarantee, equity pledge and asset mortgage guarantee. Shengji Investment's 100% stake has been pledged to the company.

In May 2013, the Company signed the Property Right Transaction Contract with Shandong Jianbang Real Estate Co., Ltd. (hereinafter referred to as "Jianbang Real Estate"), and the Company transferred its 100% of holding shares and relevant liabilities claims of Shandong Zhongrun Property Co., Ltd. (hereinafter referred to as "Zhongrun Property") to Jianbang Real Estate, the total transfer price is 1,076,867,282 Chinese yuan. In June 2014, the Company, Jianbang Real Estate and Shandong Ansheng Asset Management Group Co., Ltd. signed an agreement, agreed that Ansheng assets will undertake the all claims obligations which Shandong Jianbang need to pay to the company in the transfer of shares and claims of Shandong Zhongrun Property Co., Ltd., as Jianbang real estate has transferred all equity and claims obligations of Zhongrun Property to Ansheng Assets. Up to now, there are still 369.3 million yuan of equity and debt transfer payments have not yet been paid.

XX. Subsidiaries' material matters

□ Applicable √ Not Applicable

Section 6 Changes in equity and profile of shareholders

I. Equity Changes

(I) Equity changes

Unit: share

	Before this Change		Amount of Change					After this Change	
	Quantity	Proportion	New issue	Share donation	Transfer of reserve funds to equity capital	Miscellaneous	Total	Quantity	Proportion
I Restricted shares	706,800	0.08%						706,800	0.08%
3 Other shares held by domestic capital	706,800	0.08%						706,800	0.08%
Including shares held by domestic legal persons	706,800	0.08%				-360,000	-360,000	346,800	0.04%
shares held by domestic natural persons						360,000	360,000	360,000	0.04%
II Unrestricted shares	928,310,961	99.92%						928,310,961	99.92%
1 Chinese Yuan common shares	928,310,961	99.92%						928,310,961	99.92%
III Total number of shares	929,017,761	100.00%						929,017,761	100.00%

Reasons for changes in shares

√ Applicable □ Not Applicable

1. On 22 March, 2016, China Registration and Clearing Co., Ltd. issued the *Confirmation of Registration of Securities Transfer*, confirming that the Shanghai Xinhe Trading Co., Ltd transferred the 36,000 shares of the Company to a natural person Jianrong Fu by writing off a legal person.
2. On 19 October, 2016, China Registration and Clearing Co., Ltd. issued the *Confirmation of Registration of Securities Transfer*, confirming that Shanghai Xinhe Trading Co., Ltd transferred the 324,000 shares of the Company to a natural person Shitong Miao by writing off a legal person.

Approval of the changes in shares

□ Applicable √ Not Applicable

Transfer of shares

□ Applicable √ Not Applicable

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

□ Applicable √ Not Applicable

Other content to be disclosed as deemed necessary by ZRC or required by the securities regulatory body

□ Applicable √ Not Applicable

(II) Changes in restricted shares

□ Applicable √ Not Applicable

1. Securities issuing and listing

(I) Issuance of securities in three recent years by the end of the reporting period

□ Applicable √ Not Applicable

(II) Changes in total number of shares, shareholder structure, and debt-asset structure

□ Applicable √ Not Applicable

(III) Existing staff shares

□ Applicable √ Not Applicable

2. Profile of shareholders and the actual controller

(I) Number of shareholders and holding profile (up to 31 Dec 2016)

Unit: Shares

Total number of common shareholders by the end of the reporting period	62,812	Total number of common shareholders by 1 month prior to the date of disclosing the annual report	44,861	Total number of preferred shareholders voted by the end of the reporting period (if applicable) (See note 8)	0	Total number of shareholders voted by 1 month prior to the end of the reporting period (if applicable) (See note 8)	0

Shareholders with a shareholding ratio of 5% (or higher) or top 10 shareholders								
Shareholders name	Nature of shareholders	Sharehold-ing ratio	Number of shares held by the end of the reporting period	Changes during the reporting period	Number of restricted shares held by the shareholders	Numbers of unrestricted shares held by the shareholder	Pledge or freezing	
							Status of shares	Quantity
Shenzhen Nanwu Bei'an asset management ltd	Domestic non-state-owned legal person	25.08%	233,000,000			233,000,000	Pledge	233,000,000
Zheng Qiang	Domestic natural person	22.09%	205,221,434			205,221,434	Pledge	154,781,055
Huarun Shenguo Trust Co., Ltd. - Heyang Changqing collection of funds trust plan	Other	0.85%	7,915,854		·	7,915,854		
Zhongtiebaoying assets - Pudong Development Bank - iron Bauhinia - No. 77 Xin Bao specific customer asset management plan	Other	0.68%	6,335,207			6,335,207		
Huarun Shenguo Trust Co., Ltd – Runzhixin 16 Phase Collection of fund trust plan	Other	0.66%	6,128,084			6,128,484		
Guoxin Securities Co., Ltd. – Lin Chao	Other	0.65%	6,000,000			6,000,000		
Lu Fen	Domestic natural person	0.61%	5,700,040			5,700,040		
Li wei	Domestic natural person	0.61%	5,626,157			5,626,157		
Sun Li	Domestic natural person	0.56%	5,216,732			5,216,732		
Li Qing	Domestic natural person	0.54%	5,061,746			5,061,746		
Association between the preceding shareholders or concerted action	The company's biggest shareholder Shenzhen Nanwu Bei'an asset management ltd has association with Lady Lu Fen. They are persons acting in concert as specified by Measures for the administration of Disclosure of shareholder equity changes of Lister companies. It is not known whether there is an association relationship between other legal-person shareholders, between other legal-person shareholders and public shareholders, and between different public shareholders.							

Shareholding by top 10 shareholders of unrestricted shares			
Shareholder name	Number of unrestricted shares held by the shareholder	Type of share	
		Type of share	Quantity
Shenzhen Nanwu Bei'an asset management ltd	233,000,000	RMB common share	233,000,000
Zheng Qiang	205,221,434	RMB common share	205,221,434
Huarun Shenguo Trust Co., Ltd. - Heyang Changqing collection of funds trust plan	7,915,854	RMB common share	7,915,854
Zhongtiebaoying assets - Pudong Development Bank - iron Bauhinia - No. 77 Xin Bao specific customer asset management plan	6,335,207	RMB common share	6,335,207
Huarun Shenguo Trust Co., Ltd – Runzhixin 16 Phase Collection of fund trust plan	6,128,084	RMB common share	6,128,084
Guoxin Securities Co., Ltd. – Lin Chao	6,000,000	RMB common share	6,000,000
Lu Fen	5,700,040	RMB common share	5,700,040
Li wei	5,626,157	RMB common share	5,626,157
Sun Li	5,216,732	RMB common share	5,216,732
Li Qing	5,061,746	RMB common share	5,061,746
Note on the association relationship or concerted action between the Top 10 shareholders of unrestricted shares, and between the top 10 shareholders of unrestricted shares and the top 10 shareholders.	The company's biggest shareholder Shenzhen Nanwu Bei'an asset management ltd has association with Lady Lu Fen. They are persons acting in concert as specified by Measures for the administration of Disclosure of shareholder equity changes of Lister companies. It is not known whether there is an association relationship between other legal-person shareholders, between other legal-person shareholders and public shareholders, and between different public shareholders.		
Note on the Top 10 common shareholders participating in the	Guoxin Securities Co., Ltd. – Lin Chao holds 6,000,000 shares of ZRC via the guaranteed securities account for margin		

business of securities margin trading (if available) (refer to note 4)	trading. Lu Fen holds 5,700,040 shares of ZRC via the guaranteed securities account for margin trading. Li Wei holds 5,626,157 shares of ZRC via the customer credit transaction guarantee securities account. Sun Li holds 5,216,732 shares of ZRC via the customer credit transaction guarantee securities account and ordinary securities account. Li Qing holds 5,061,746 shares of ZRC via the customer credit transaction guarantee securities account.

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

□ Yes √ No

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

(II) Profile of ZEC's controlling shareholder

On December 27, 2016, Nanwu Bei'an and Ningbo RanSheng Shengyuan Investment Management Partnership (limited partnership) signed an equity transfer agreement, all Nanwu Bei'an's holding of 233 million shares of Zhongrun resources were transferred to Ningbo RanSheng Shengyuan Investment Management Partnership (Limited Partnership). On January 17, 2017, the aforesaid equity transfer was completed. Ningbo RanSheng Shengyuan Shengyuan investment management partnership (limited partnership) became the company's controlling shareholder, Mr. Guo Changwei become the company's actual controller.

Up to the date of report, the details of company's controlling shareholders are below:

The nature of shareholding: natural Holdings

Type of shareholding: Legal persons

Name of controlling shareholder	Legal representative or person in charge	Date of founding	Organization code	Main Business
Ningbo RanSheng Shengyuan Investment Management Partnership	Hui Zhang	19/05/2016	91330206M A2822YN94	Investment management (without authorisation from financial and other regulatory institution, the company cannot engage in the absorption of deposits, financing guarantees, valet financial management, public fund-raising, financing and other financial business)
The equity situation of other demotic or foreign entities which was held shares by the controlling shareholder in the report period	Except the holding share of Zhongrun Resources, the controlling shareholder does not hold any shares which is higher than 5% of any other listed companies' total issued share in domestic or foreign territory. Mr. Guo Changwei, the actual controller of the controlling shareholder, holds an indirect shareholding of 29.00% of Jinli Technology (stock code: 002464). Except that, Mr. Guo Changwei does not hold any shares which is higher than 5% of any other listed companies' total issued share in domestic or foreign territory.			

Changes of the controlling shareholder during the reporting period

√ Applicable □ Not Applicable

The new controlling shareholder	Ningbo RanSheng Shengyuan Investment Management
Date of Change	17/01/2017
Specifies website index	http://www.cninfo.com.cn
Disclosure date of the designated website	19/01/2017

(III) The actual controller of the company

The actual controller: domestic natural person

Type of Actual controller: Natural person

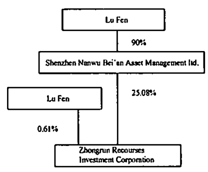
Name of the actual controller	Nationality	Right of abode in other countries or regions
Guo Changwei	China	No
The main occupations and duties	April 2016 - present, Chairman of Ransheng (Ningbo) equity investment fund management limited company	
Over the past 10 years, controlled other listed companies both domestically and internationally	Mr. Guo Changwei indirectly holds 29.00% stake in Jinli Technology (stock code: 002464), which is the actual controller of Jinli Technology.	

Changes of the actual controller during the reporting period

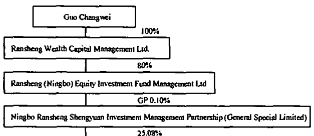
√ Applicable □ Not Applicable

The actual controller	Guo Changwei
Date of Change	17/01/2017
Specifies website index	http://www.cninfo.com.cn
Disclosure date of the designated website	19/01/2017

Block diagram on property and control relationship between ZRC and actual controller on 31 Dec 2016:



Block diagram on property and control relationship between ZRC and actual controller up to the date of this report:



The actual controller controls ZRC through trusteeship or other asset management method
□ Applicable √ Not Applicable

(IV) Other legal-person shareholders with a shareholding of 10% or higher
□ Applicable √ Not Applicable

(V) The decreasing holding of the controlling shareholder, actual controller, restructuring parties and other commitments entities are limited
□ Applicable √ Not Applicable

Section 7 Overview of preferred shares

□ Applicable √ Not Applicable
No preferred shares were involved during the reporting period.

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

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

Name	Title	Status	Gender	Age	Start date	End date	Number of shares held at the beginning of the reporting	Increase in shares held during the reporting period	Decrease in shares held during the reporting period	Number of shares held at the end of the accounting period
Li Mingji	Chairman of the Board	Incumbent	Male	52	29 Aug 2013		0	0	0	0
Li Zhenchuan	Director and General manager	Incumbent	Male	59	29 Aug 2013		0	0	0	0
Fu Xuesheng	Director	Incumbent	Male	61	29 Aug 2013		0	0	0	0
He Yingfu	Director	Incumbent	Male	52	29 Aug 2013		0	0	0	0
Shi Peng	Director, Financial Director	Incumbent	Male	45	29 Aug 2013		0	83,800	0	83,800
Li Pusheng	Director	Incumbent	Male	63	07 Sep 2015		0	0	0	0
Xiao Suiting	Independent director	Incumbent	Male	69	29 Aug 2013		0	0	0	0
Wang Quanci	Independent director	Incumbent	Male	62	29 Aug 2013		0	0	0	0
Wei Junhao	Independent director	Incumbent	Male	56	07 Sep 2015		0	0	0	0
Zhang Shijin	Chairman of the Board of Supervisors	Incumbent	Male	53	29 Aug 2013		0	0	0	0
Guo Mingcheng	Supervisor	Incumbent	Male	48	29 Aug 2013		0	0	0	0
Bian Lin	Supervisor	Incumbent	Female	30	29 Aug 2013		0	0	0	0
He Ming	Secretary of the Board	Incumbent	Male	40	29 Aug 2013		0	0	0	0
Summary	-	-	-	-	-	-	-	83,800	-	83,800

II. Changes in directors, supervisors and senior managements

□ Applicable √ Not Applicable

III. Professional experience

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

Li, Mingji: Chainnan of the Board of Directors, male, born in 1965, Bachelor's degree
He has successively acted as Deputy General Manager of Shandong Construction Materials Real Estate Development Corporation, General Manager of Zhongrun Real Estate Group Co. Ltd and Director General Manager and Financial Director of ZRC.

Li, Zhenchuan: Director and General Manager, Male, born in 1958, major in management of mining engineering and mineral resources, senior engineer
He has successively acted as Mine Manager of Shandong Yinan Gold Mine, General Manager of Ghana Enchaonan Gold Mine, Manager of Shandong Gold Industrial Corporation, and General Manager of Mining Development Co. Ltd, affiliated to Shandong Gold Group, Board Chairman and Secretary of CPC Committee of Shandong Gold Mineral Resource Group Co., Ltd. and General Manager Assistant of Shandong Gold Group Co. ltd and Board Chairman and Secretary of CPC Committee of Shandong Gold Mineral Resource Group Co. Ltd concurrently.

He, Yingfu: Director, male, born in 1965, Canadian, PhD in mineral processing sensor engineer, a member of the Canadian institute of Mining, Metallurgy and Petroleum. Mr He is successively served as Senior Engineer of Vancouver based Process Research Associates, and Director and President of Spur Ventures Inc. Mr. He is currently acting as independent Director of China Gold International Resources Corp. Ltd Director and President of Tri-River Ventures Inc, Director of Huaxing Machinery Corp. end non-Executive Chairman of Vatukoula Gold Mines Plc.

Fu, Xuesheng: Director, male, born in1956, Master's degree Researcher of Application of Engineering Technology, national senior gold analyst, expert of Shandong Engineering Consultancy Expert Committee certified by International Project Management Professional (IPMP) in 2002.
He has successively acted as Division Chief of Production Revision of Shandong Gold Bureau, Mine Director of Jiaojia Gold Mine affiliated to Shandong Gold Mining Co ltd, General Manager and Board Chairman of Mining Development Co, Ltd affiliated to Shaodong Gold Group, Board Chairman of Geological and Mineral Exploration Co Ltd affiliated to Shandong Gold Group, Chief Engineer, Chief Scientist and Technical Centre Director of Shandong Gold Group Co Ltd. and Board Chairman of Technology Co Ltd affiliated to Shandong Gold Group.

Shi, Peng: Director and Financial Director, male, born in 1972, Master of Business Administration.
He has successively acted as Vice Section Chief and Section Chief of Finance Section of Taian Renewable Resources Corporation of Shandong Provence Vice Director of Audit Department of Shandong Zhengyuan Hexin Accounting Office, Vice Manager and Audit Director of Beijing Tianhua Accounting Office, Director, Financial Director and Secretary of the Board of Directors of Sichuan Dongtan Holding Group Co. Ltd. Director and Financial Director of Shandong Zhongrun Investment Group Co. Ltd and Deputy General Manager, Financial Director and Secretary of the Board of Directors of Jingya Food Co. Ltd.

Li, Pusheng: Directors, male, born in 1954, US citizen, Master of Business and Administration, Master of Finance.
He has successively acted as manager of US Morgan Stanley Tianhui Boleyn, financial analyst of US financial services company Thomson, Vice President of the European Monetary Management Group in New York, CEO of Gathersun Hong Kong Investment Co., and CEO of Beijing An Investment Co., Ltd.
He is currently acting as the President and Chairman of Shengjie (Beijing) Investment Co., Ltd.

Xiao, Suining: Independent Director, male, born in 1948, senior economist.
He has successively acted as Vice Chief Engineer, Vice Chief Economist and Vice Chief Accountant of Yunnan Electric Power Design Institute General Manager Assistant, Deputy General Manager and a member of CPC Leadership Group of Chongqing Branch of Bank of Communications General Manager of a real estate development company, President and Secretary of CPC Committee of Zhuhai Branch of Bank of Communications. President and Secretary of CPC Committee of Shenzhen Branch of Bank of Communications and president and board chairman of the head office of Shenzhen development bank (renamed Ping An Bank during the reporting period).
He is currently acting as a consultant of the head office of Ping An Bank, Independent Director of Beijing Dianqingxin Environmental Protection Technology Co. Ltd. and Independent Director of Haitong Securities Co. Ltd., and Independent Director of Hainan Holdings Limited, Chairman of Pacific Union Investment Group China Area

Wang, Quanxi: Independent Director, male, born in 1955, professor
He has successively acted as Vice Director of Nankai Institute of Economics, Assistant to the Dean of Business School of Nankai University, Director of EMBA Centre of Nankai University, Secretary General of Tianjin Management Association, Special researcher of the research institute under State Administration of Taxation, Independent director of Hainan Huandao, Independent Director of Yanzhou Coal Mining Company and Independent Director of Silver Plaza Group.
He is currently acting as a professor of Business School of Nankai University, Director of Enterprise Research Centre of Nankai University, Independent Director of Shandong Haihua Co. Ltd., independent director of Leshan Electric Power AG. and Independent Director of Shandong Hualu-Hengsheng Chemical Co., Ltd., Independent director of Tianjin Guifaxiang Food Co., Ltd.

Wei, Junhao: Independent Director, male, born in 1961, China University of Geosciences (Wuhan) Professor / Ph.D Tutor, Post-doctoral degree deposit.
He has long been engaged in large-scale metallic mineral prospecting metallogenic prediction and research and teaching, and he is acting as the Chinese mining rights assessor Association executive director, mine geology professional committee member and the National Science and Technology Award evaluation experts. He acted as the independent Director Gold AG. and right now he is the Independent Director of Chifeng Gold Corporation and Xianfeng Holding Co. Limited.

Zhang, Shijin: Chairman of the Board of Supervisors, male, born in 1964, Master's degree.
He has successively acted as Division Chief of Rear Service Division, Detachment Head, and Vice Chief of Rear Service Department of Shandong People's Armed Police Corps, Deputy General Manager of Shandong Zhongrun Real Estate Co., Ltd, and Deputy General Manager of Pingwu Zhongjin Mining Co., Ltd of Sichuan Province.

Guo, Mingcheng: Supervisor, male, born in 1969
He has successively acted as Structural Designer of Building Office of Zibo Urban Planning and Design Institute of Shandong Province Chief Engineer of Building Office of Zibo Planning information centre of Shandong Province, and General Manager and Chief Engineer of Zibo Tongji Real Estate Development Co., Ltd of Shandong Province.
He is currently acting as General Manager of Zibo Real Estate Co Ltd of Shandong Zhongrun Group.

Bian, Lin: Supervisor, female, born in 1987, Bachelor s degree.
She is currently acting as an accountant of Zhongrun Futai Investment Co., Ltd

He, Ming: Secretary of the Board of Directors, securities affairs representative, female, born in 1976, Bachelor's degree. She has successively acted as Ping an Insurance company executives, Manager secretary of Beijing Huachuang computer company Jinan Branch.

Incumbency in the shareholder organisations:
√ Applicable □ Not Applicable

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

Incumbency in other organizations
√ Applicable □ Not Applicable

Name	Shareholder name	Position assumed in shareholder organisation	Start date of the incumbency	End date of the incumbency	Obtain remunerations or allowance from the shareholder organisation
He Yingfu	China Gold International Resources Corp. Ltd.	Independent director	31 May 2000		Yes
	Canada Sanjiang Investment Co., Ltd.	Director, CEO	19 July 2007		Yes
	Vatukoula Gold Mines Plc	Director	25 March 2013		Yes
Wang Quanxi	Nankai University	Professor	01 Jan 2001		Yes
	Shandong Hualu Hengsheng Chemical Co., Ltd.	Independent director	2 April 2012	22 April 2018	Yes
	Leshan Electric Power Co., Ltd.	Independent director	31 October 2014	24 October 2019	Yes
	Tianjin Yinlong prestressed Materials Co., Ltd.	Independent director	15 Oct 2012	19 June 2017	Yes
	Tianjin Guifaxiang Food Co., Ltd.	Independent director	25 Sep 2015	25 Sep 2018	Yes
Xiao Suining	Beijing Qingxin Environmental Technology Co.	Independent director	10 August 2016	09 August 2019	Yes
	Haitong Securities Co., Ltd.	Independent director	30 December 2014	30 December 2017	Yes
	Nanhai Holding Ltd.	Independent non-executive director	27 April 2016		Yes
	Pacific Union Investment Group	The chairman of China region	01 November 2013	30 December 2017	Yes
Wei Junhao	Inner Mongolia Chifeng Gold AG	Independent director	14 December 2012	24 February 2019	Yes
	Xianfeng Holding Co., Ltd	Independent director	29 September 2014	28 September 2017	Yes
Li Pusheng	Shengjie (Beijing) Investment Advisory Management Ltd.	Chairman of the board	01 April 2014		Yes

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

IV. Remuneration of directors, supervisors and top management

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

The directors, supervisors and top management will get labour remunerations and benefits based on their positions assumed in ZRC.

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

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

Unit:10,000 Chinese Yuan

Name	Title	Gender	Age	Status	Total remunerations obtained from ZEC	Get paid from affiliated parties
Li Mingji	Chairman of the Board	Male	52	Incumbent	56.51	No
Li Zhenchuan	Director and General manager	Male	59	Incumbent	136.2	No
Fu Xuesheng	Director	Male	61	Incumbent	0	No
He Yingfu	Director	Male	52	Incumbent	0	No
Shi Peng	Director, Financial Director	Male	45	Incumbent	78.02	No
Li Pusheng	Director	Male	63	Incumbent	0	No
Xiao Suiting	Independent director	Male	69	Incumbent	12	No
Wang Quanxi	Independent director	Male	62	Incumbent	12	No
Wei Junhao	Independent director	Male	56	Incumbent	12	No
Zhang Shijin	Chairman of the Board of Supervisors	Male	53	Incumbent	32.5	No
Guo Mingcheng	Supervisor	Male	48	Incumbent	96.55	No
Bian Lin	Supervisor	Female	30	Incumbent	0	Yes
He Ming	Secretary of the Board	Male	40	Incumbent	29.99	No
Total	-	-	-	-	475.77	-

Stock options granted to ZRC's directors, supervisors and top management during the reporting period
□ Applicable √ Not Applicable

V. Profile of staff composition

(I) Number of staff, Professional composition and level of education

Number of employees of the parent company	29
Number of employees of the main subsidiaries company	1,509
Total number of employees	1,538
The current total number of employees to receive payment	1,538
Number of retired workers who will be paid by the main subsidiaries and the parent company	0
Professional composition	
Type of professionals	Numbers of people
Production	725
Sales	28
Technology	488
Financial staff	20
Administration and operation	32
Other	245
Total	1,538
Level of Education	
Type of education level	Number of people
Master degree and above	12
Bachelor's degree	68
Specialist qualifications	72
Secondary education level and below	1,386
Total	1,538

(II) Remuneration policy

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

(III) Training plan

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

(IV) Outsourcing services

□ Applicable √ Not Applicable

Section 9 Corporate Governance

I. Status quo

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

(I) Shareholders and general meeting of shareholders

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

(II) Directors and Board of Directors

During the reporting period ZRC convened the Board of Directors 8 times, and the directors all performed the duties specified by the *Articles of Incorporation* with due diligence actively attended the meeting of directors, reviewed various motions made in the Board of Directors and General Meeting of Shareholders, familiarised themselves with the latest operation and management status in a timely manner and put forward professional advice, thus providing powerful support for the scientific decision-making of ZRC.

(III) Supervisors and Board of Supervisors

During the reporting period ZRC convened the Board of Supervisors 3 times, and the supervisors all performed the duties specified by the *Articles of Incorporation* with earnest good faith and diligence, effectively supervising the legitimacy and compliance of financial affairs major events and performance of duties by directors and top management.

(IV) Information disclosure and transparency

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

(V) By 2016, the company continuously built and perfected the internal control system on the principle of 'substantive internal control', enhanced the internal control in the fields of real estate and mining.

The company will continue to improve corporate governance on a standardisation principle.

Are there significant differences between the actual status of ZRC's corporate governance and regulatory documents for listed companies issued by China Securities Regulatory Commission on corporate governance?

□ Yes √ No

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

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

finance

1. Business: The Company has independent and integrated business system in real estate development and mining management system, with independent and complete business segment, does not involve any same-industry competition with other companies controlled by the actual controller.

2. Personnel: The Company has independent labor insurance, staffing and payroll management; senior management all receive remuneration from the Company.

3. Assets: The Company's assets are independent and complete, all belonging to the company and are all legally owned and used, there is no controlling shareholder. No assets and capital are controlled by the actual controller or shareholders.

4. Organization: The Company established General meeting of shareholders, board of directors and board of supervisors by law. According to the needs of their own development strategy, company established an independent internal organization, perfect functions and supervision system at all levels. All departments have duty segregation, coordination, mutual supervision, and formed a fully independent operational system.

5. Finance: The Company established independent financial department and independent financial accounting system, makes independent financial decisions, opened a separate bank account, and is independent for tax registration and tax declaration.

III. Horizontal competition

□ Applicable √ Not Applicable

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

(I) Annual general meeting of shareholders during the reporting period

Session of the Conference	Type of the meeting	Investor participation ratio	Meeting time	Disclosure time	Disclosure reference
First EGM in 2016	EGM	47.18%	24/02/2016	25/02/2016	http://www.cr.info.com.cn
2015 Annual general meeting	AGM	47.19%	28/06/2016	29/06/2016	http://www.cr.info.com.cn

(II) The preferred shareholders with a resumed voting power request to hold an extraordinary general meeting of shareholders

□ Applicable √ Not Applicable

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

(I) Presence at the board of directors and general meeting of shareholders by independent directors

Attendance of the board of directors by independent directors						
Name of independent director	Required attendance times during the reporting period	On-site attendance times	Attendance times by Teleconference	Entrusted attendance times	Absence times	Absent from the meeting twice consecutively
Xiao, Suining	8	1	7	0	0	No
Wang, Quanxi	8	2	6	0	0	No
Wei, Junhao	8	2	6	0	0	No
The number of times that independent directors sit in on the general meeting of shareholders						1

Notes on absent from the meeting twice consecutively

□ Applicable √ Not Applicable

(II) Objection against related matters of ZRC made by independent directors

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

□ Yes √ No

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

Performance of duties by independent directors

Were the suggestions of independent directors adopted?

√ Yes □ No

Whether the suggestions of independent directors were adopted

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

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

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

The Audit Committee actively promoted the financial audit and internal control audit for 2016. The Audit Committee holds the annual field audit meeting, communicates with the annual audit accountants, reviews the financial statements, surveys the internal control work, listens to the audit work plan, and urges the chief auditor to complete the audit work as planned in accordance with accounting standards and independent auditing standards. The Audit Committee sums up the annual audit work for 2016 completed by Shandong Hexin Accounting Office (special general partnership) as follows.

(I) Preparations for the audit

i. Audit plan and arrangement

The accountants repeatedly communicated with ZRC's financial and managerial personnel, so as to know ZRC's financial and operation status fully. Before the auditors began the audit work, the accountants communicated fully with the Audit Committee by holding a field meeting and submitted an Audit Plan to the Audit Committee, defining the audit objectives audit scope and audit

emphasis.

ii. Review of the un-reviewed financial statements

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

(II) Audit process

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

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

(III) Audit results

Zhonghui Certified Public Accountants (special general partnership) issued an audit report with a qualified opinion to ZRC.

The Audit Committee believes: considered that Zhonghui Certified Public Accountants (Special General Partnership) had completed the audit work commissioned by the Company. The audit report issued by the Company has objectively reflected the financial status and operation of the Company for the year 2016, which objectively reflects the actual situation of the matters involved in the 2016 annual audit report.

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

VII. Work of the Board of Supervisors

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

□ Yes √ No

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

VIII. Performance appraisal and incentive mechanism for top management

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

IX. Internal control

(I) The specific circumstances of significant deficiencies which are found in the internal control in the accounting period

√ Yes □ No

The specific situation of major deficiencies found in internal control during the reporting period
According to the standard of recognising defects of internal control in the above-mentioned financial report, during the reporting period, there is 1 significant deficiency in the company's internal control system, and no important deficiency. (1) Financial reporting internal control system has the following significant shortcoming: Zhongrun Resources Co., Ltd. should implement effective measures to ensure the safety of other receivables below: RMB 369.3 million owed by Shandong Ansheng Asset Management Group Co., Ltd. for the equity and creditor's rights transfer, RMB 229,322,300.00owed by Qilu Property Co., Ltd.for equity transfer, and US dollar 80 million owed by Li, Xiaoming as the Purchase earnest money. This significant deficiency has serious impact on 1) the book value of other receivables in the financial statements as at 31 December 2016, and 2) the identification of nature of the 80 million owed by Li Xiaoming as the Purchase earnest money. (2) Rectification plan After the problem was found, the company sent the dribble letter to the related parties through the solicitor, and asked the debtor to provide additional security measures. Shandong Shengji Investment Co., Ltd.'s 100% stake has been pledged to the company, and Shandong Ansheng Assets Management Group Ltd has a large number of commercial assets, after the contract expires, Shandong Ansheng has promised in writing to pay off the arrears, and promised that its commercial assets can be used to meet the arrears while the company agreed. In terms of above claims, the company is to start the Law enforcement measures, the relevant work in the process. The Company made provision for bad debts for both debts mentioned above in accordance with the Company's accounting policies. As at 31 December 2016, the Company provided 202,518,900 yuan of bad debts, which embodied the principle of prudence. Based on the recoverable judgment of the two claims, the provision for bad debts is considered to be able to cover the possible future bad debt losses. According to the "Cooperative Framework Agreement" adopted by the Board of Directors of the company on 18 April, 2017, the company intends to transfer the aforesaid creditor's rights to Ningbo Meishan Bonded Port Area Huaxin Shengge Equity Investment Fund Management Co., Ltd., so that the company could solve the above-mentioned claims. The board is actively promoting the work and striving to reach a formal transfer agreement with Ningbo Meishan to eliminate the risk of possible debt recovery. In the year 2015, the Company purchased 100% equity interest in Iron Ore International (Mongolia) Co., Ltd., Mingsheng Co., Ltd. and Mongolia New Laler High Speed Rail Co., Ltd. held by Li Xiaoming by non-public offering, and paid the earnest money of US dollar 80 million. The non-public offering of shares has not yet been approved by the China Securities Regulatory Commission. Due to the current capital market environment and policies of refinancing and mergers have changed greatly compared with 2015, and the controlling shareholder and actual controller of the Company have changed in 2017, the company needs to study and confirm the future strategic development direction. The Board of Directors will discuss and identify future action plans as soon as possible, while ensuring that the earnest money will be safely recovered.

(II) Self-assessment of internal control

The disclosure date of the internal control assessment report	29 April 2017
Disclosure reference of the internal control assessment report	http://www.cninfo.com.cn

Assets that are included in the assessment range / total assets	100.00%	
Profits that are included in the assessment / Total profits	100.00%	
Deficiencies recognized criteria		
Type	Financial reports	Non-financial reports
Qualitative criteria	Identified as Material deficiencies of internal control of financial reporting if any of the following circumstances appears, in other cases, respectively identified as Important deficiencies or General deficiencies according to the degree of influence other cases: Material deficiencies: (1) Ineffective control environment (2) Detect any fraud of company directors, supervisors and senior management personnel (3) There are material misstatements in the current financial reports and internal control failed to detect those misstatement (4) Supervision of the Audit Committee and the internal Audit to the internal control is invalid.	Identified as Material deficiencies of internal control of financial reporting if any of the following circumstances appears, in other cases, respectively identified as important deficiencies or General deficiencies according to the degree of influence other cases: (1) in violation of state laws, administrative regulations and normative documents (2) No institutional control system or control system failure exist in critical business system that refer to the company's operation (3) the internal control system of information disclosure fails and the company thereby was publicly condemned by regulatory authorities (4) The results of internal control assessment particularly are Material deficiencies or there is norectification of Material deficiencies. (5) Other circumstances that significantly impacts on the company
Quantitative criteria	Major deficiencies: Potential mistakes of ownership interest – mistakes ≧ 1% of the total owners' equity in the consolidated financial statements Important deficiencies: 0.5% of the total owners' equity in the consolidated financial statements ≦ mistakes < 1% of the total owners' equity in the consolidated financial statements General deficiencies: mistakes < 0.5% of the total owners' equity in the consolidated financial statements	The quantitative identified assessment criteria of non-financial reporting internal control deficiencies; deficiencies identified: the amount of direct property loss resulted from the potential risk. Major deficiencies: Direct property loss ≧ 1% of the total owners' equity in the consolidated financial statements Important deficiencies: 0.5% of the total owners' equity in the consolidated financial statements ≦ direct property loss < 1% of the total owners' equity in the consolidated financial statements General deficiencies: direct property loss < 0.5% of the total owners' equity in the consolidated financial statements
Financial reports significant deficiencies	1	
Non-Financial reports significant deficiencies	0	
Financial reports important deficiencies	0	
Non-Financial reports important deficiencies	0	

X. Internal control audit report

√ Applicable □ Not Applicable

Review comments in the audit report on internal control	
In our opinion, Zhongrun Resources Investment Corporation has maintained effective internal control of the financial report in all material respects as of 31 December 2015, in accordance with Basic Norms for Internal Control in Enterprises and related stipulations.	
Circumstance of disclosing of the full audit reporting	Disclosed
Date of disclosing the full text of the audit report on internal control	29 April 2017

Index of disclosing the full text of the audit reporting on control	http://www.cninfo.com.cn
Internal audit report's opinion	Adverse opinion
significant deficiencies in non-financial reports	No

Did the accounting office issue an audit report on internal control with nonstandard opinion?
√ Yes □ No

Instruction on the non-standard qualified audit opinion of the internal control audit report issued by the accounting firm
Effective internal control can provide a reasonable assurance of the true integrity of the financial report and related information, and the above significant shortcoming makes the internal control of the company run out of this function.

The management of the company has identified the above significant deficiency and included it in the internal control evaluation report. During the audit process, we have considered the impact of the above major defects on the nature, timing and scope of the audit procedures in the financial statements of the Company in 2016. On April 27, 2017, we issued the qualified audit report for the financial statements of Zhongrun Resources Company in 2016.

Is the audit opinion in the Audit Report on Internal Control issued by the accounting office consistent with the opinion in the self-assessment Report prepared by the Board of Directors?
√ Yes □ No

Section 10 Company's bonds and securities

Whether the company has any publicly issued, listed on the stock exchange, unexpired claims or corporate bonds that have not been fully due at maturity in the annual report approved date?
No

Section 11 Financial reports

I. Audit report

Type of audit opinion	Qualified audit opinion
Date of signing the audit report	24/04/2017
Audit institution	Zhonghui Certified Public Accountant (Special General Partnership)
CPA name	Lu, Chunxia, Wang, Yushuang

Audit report

Zhonghui Audit [2017] No. 2363

All shareholders of ZRC:

We have audited the attached financial statements of Zhongrun Resources Investment Corporation (ZRC), including the Consolidated Balance Sheet (dated 31 December 2016), Balance Sheet of

Parent Company (dated 31 December 2016), 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.

(I) Responsibility of top management for financial statements

It is a responsibility of ZRC's top management to prepare and fairly present financial statements, including:

(1) Prepare financial statements in accordance with Accounting Standards for Business Enterprises, and present the financial statements fairly,

(2) Design, implement and maintain necessary internal control, to ensure that the financial statements contain no material misstatements arising from frauds or errors

(II) Responsibility of Certified Public Accountants

Our responsibility is to express an opinion on the audited financial statements We have conducted audit work in accordance with the Auditing Standards for the Chinese Certified Public Accountants The auditing standards require that we abide by the code of professional ethics, and plan and conduct the audit work to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The audit work involves the implementation of an auditing process to obtain audit evidence in connection with the amounts and disclosures in financial statements The audit process is selected based on the judgment of certified public accountants, including the evaluation of the risks of material misstatement arising from frauds or errors During risk evaluation, certified public accountants take into account the internal control in connection with preparation and fair presentation of financial statements, so as to design an appropriate audit process. The audit work also includes the evaluation of appropriateness of the accounting policies used by top management, reasonableness of accounting estimates made by top management, and overall presentation of financial statements.

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

(III) Important matters resulted in qualified opinion

As stated in Note 13 (3) of the Financial Statements, as at 31 December 2016, Zhongrun Resources Company shall receive the equity and creditor's rights of RMB 369.3 million from the Shandong Ansheng Asset Management Group (hereinafter referred to as Ansheng Asset), shall receive the equity transfer payment of RMB 229,322,300 from the Qilu Property Limited (Hereinafter referred to as Qilu Property). Zhongrun Resources Company recorded bad debts in accordance with the age of debts. Ansheng Asset and Qilu Property did not fulfil their payment obligations in accordance with the contract. On April 18, 2017, the Board of Directors of Zhongrun Resources approved the adoption of the "Cooperation Framework Agreement" between Zhongrun Resources and Ningbo Meishan Bonded Port Area Huaxin Shengge Equity Invesntment Fund Mangement Co., Ltd. (hereinafter referred to as Huaxin Shengge). Zhongrun Resources will fully transfer the debts stated above to Huaxin Shengge, but not specific terms of the transaction and the transaction price has been confirmed. As at the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence for the recoverable amount of the other receivables.

As stated in Note 13 (3) of the Financial Statements, as at 31 December 2016, Zhongrun Resources Company shall receive the mine-purchase earnest money of US dollar 80 million, equivalent to RMB 554.96 million from Li, Xiaoming. Zhongrun Resources Company recorded bad debts in accordance with the age of debts. The payment is the earnest money rose from the purchase of 100% stake in Iron Mine International (Mongolia) Limited, Mingsheng Limited and Mongolia New Laler High Speed Rail Co Ltd and the related non-public offering. As of the date of the audit report, the non-public offering of shares has not yet been approved by the China Securities Regulatory Commission, but this related material of the non-public offering of shares issued by the General Assembly on the board of directors has expired, the company has not yet identified the follow-up program, therefore we are unable to obtain sufficient and appropriate audit evidence of the recognition of the nature of the proceeds from the acquisition of the deposit and the recoverable amount of the money.

(IV) Auditor's opinion

In our opinion, except the impacts from "(III) important matters resulted in qualified opinions", ZRC's financial statements are prepared in all material respects in accordance with Accounting

Standards for Business Enterprises, and tartly present the consolidated and parent company's financial positions as of 31 December 2016, as well as the consolidated and parent company's business performance and cash flow for 2016.

II. Financial reports

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

I. Consolidated statement of financial position

Prepared by Zhongrun Resources Investment Corporation

31 December 2016

Unit: Chinese Yuan (RMB)

Items	Closing Balance	Opening Balance
Current assets		
Cash and cash equivalent	122,958,514.02	141,293,743.82
Cash reserves for settlement		
Lending funds		
Financial assets measured at fair value changes in fair value recorded in the current profits and loss		
Derivative financial assets		
Notes receivable		
Account receivable	7,828,885.34	30,492,098.89
Prepayment	58,737,519.99	64,768,505.01
Premium receivable		
Reinsurance accounts receivable		
Provision of cession receivable		
Interest receivable		
Dividends receivable		
Other accounts receivable	1,093,530,535.56	1,073,847,919.87
Redemptory monetary capital for sale		
Inventories	811,382,492.56	994,575,163.23
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	59,051,692.83	79,002,112.65
Total current assets	2,153,489,640.30	2,383,979,543.47
Non-current assets		
Issued loan and advanced in cash		
Available-for-sale financial assets	16,192,890.00	7,373,204.99
Held-to-maturity investment		
Long-term accounts receivable		
Long-term equity investment		
Investment in real estate	167,075,064.01	100,644,622.43
Fixed assets	449,162,504.14	367,924,031.12
Construction in progress	21,377,387.59	19,603,349.62
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	353,498,291.40	324,732,459.65
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	31,005,017.39	36,089,185.67
Other non-current assets	37,107,989.70	
Total non-current assets	1,075,419,144.23	856,366,853.48
Total assets	3,228,908,784.53	3,240,346,396.95
Current liabilities:		
Short-term borrowings	300,000,000.00	1,450,791.03
Borrowings from central bank		
Deposits from customers and interbank		
Borrowing funds		
Financial liabilities measured at fair value with changes in fair value recorded in the current profits and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable	187,348,954.09	216,485,129.88
Advanced received	446,541,158.60	554,832,660.10
Financial assets sold for repurchase		
Handling charge and commission payable		
Payroll payable	15,619,626.93	13,567,670.06
Tax payable	16,849,840.87	17,592,767.58
Interest payable	23,493,882.16	132,613.61
Dividends payable		
Other accounts payable	461,743,951.08	626,614,116.60
Dividend payable for reinsurance		
Provision for insurance contracts		
Acting trading securities		
Acting underwriting securities		
Available-for-sale liabilities		
Non-current liabilities due within one year	29,957,742.64	45,000,000.00
Other current liabilities	765,148.57	3,752,008.79
Total current liabilities	1,482,320,304.94	1,479,427,757.65

Non-current liabilities		
Long-term borrowings	97,362,663.59	145,268,026.33
Bonds payables		
Including preferred shares		
perpetual bonds		
Long-term account payable		
Long-term payroll payable	1,366,819.40	887,747.39
Special item payables		
Estimated liabilities	65,892,940.63	62,935,202.90
Deferred income		
Deferred income tax liabilities	4,629,838.72	10,367,560.37
Other non-current liabilities		
Total non-current liabilities	169,252,262.34	219,458,536.99
Total liabilities	1,651,572,567.28	1,698,886,294.64
Owner's equity	929,017,761.00	929,017,761.00
Equity capital		
Other equity instruments		
Including preferred shares		
perpetual bonds		
Capital reserve	51,259,534.18	31,117,140.96
Less Treasury stock		
Other comprehensive income	13,730,309.79	-20,217,348.81
Special reserves	15,593.38	142,443.09
Surplus statutory reserve	77,898,985.76	77,898,985.76
General risk preparation		
Retained profit	404,738,995.48	417,282,550.86
Total owner's equity attributable to the parent company	1,476,661,179.59	1,435,241,532.86
Non-controlling interest	100,675,037.66	106,218,569.45
Total owner's equity	1,577,336,217.25	1,541,460,102.31
Total liabilities and owner's equity	3,228,908,784.53	3,240,346,396.95

Legal Representative: Li Mingji　　Accounting leader: Shi Peng　　Head of the accounting office: Shi Peng

II. Statement of financial position of the parent company

Unit: Chinese Yuan (RMB)

Items	Closing balance	Opening balance
Current assets		
Cash and cash equivalent	47,872,355.88	42,393,265.11
Financial assets measured at fair value changes in fair value recorded in the current profits and loss		
Derivative financial assets		
Notes receivable		

Account receivable		
Prepayment		
Interest receivable		
Dividends receivable		
Other accounts receivable	1,369,405,310.53	1,255,388,678.24
Inventories		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		
Total current assets	1,417,277,666.41	1,297,781,943.35
Non-current assets		
Available-for-sale financial assets		
Held-to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	613,623,797.01	613,623,797.01
Investment in real estate		
Fixed assets	2,062,035.86	2,988,386.32
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	333,750.00	401,966.49
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	616,019,582.87	617,014,149.82
Total assets	2,033,297,249.28	1,914,796,093.17
Current liabilities:		
Short-term borrowings	300,000,000.00	
Financial liabilities measured at fair value with changes in fair value recorded in the current profits and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advanced received		
Payroll payable	1,555,946.42	1,312,294.72
Tax payable	587,551.11	91,055.02
Interest payable	23,361,268.55	0.00

Dividends payable		
Other accounts payable	446,840,349.15	545,125,459.78
Available-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	772,345,115.23	546,528,809.52
Non-current liabilities		
Long-term borrowings		
Bonds payables		
Including preferred shares		
perpetual bonds		
Long-term account payable		
Long-term payroll payable		
Special item payables		
Estimated liabilities	11,350,000.00	11,350,000.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	11,350,000.00	11,350,000.00
Total liabilities	783,695,115.23	557,878,809.52
Owner's equity		
Equity capital	929,017,761.00	929,017,761.00
Other equity instruments		
Including preferred shares		
perpetual bonds		
Capital reserve	155,822,801.02	155,822,801.02
Less Treasury stock		
Other comprehensive income		
Special reserves		
Surplus statutory reserve	65,431,085.56	65,431,085.56
Retained profit	99,330,486.47	206,645,636.07
Total owner's equity	1,249,602,134.05	1,356,917,283.65
Total liabilities and owner's equity	2,033,297,249.28	1,914,796,093.17

III. Consolidated statement of profit and loss

Unit: Chinese Yuan (RMB)

Items	Amount Incurred at this term	Amount Incurred at the last term
I. Total Revenue	812,133,013.52	1,387,828,476.86

Including Operating revenues	812,133,013.52	1,387,828,476.86
Interest income		
Earned insurance premium		
Handling fee and commission incomes		
II. Total Operating Costs	771,195,722.13	1,344,272,302.64
Including Operating costs	507,341,816.94	1,038,999,364.36
Interest expenditure		
Handling fee and commission expenditures		
Surrender value		
Ney payments for insurance claims		
Net provision for insurance contracts		
Bond insurance expense		
Reinsurance expense		
Business tax and surcharges	50,468,144.68	118,473,836.28
Sales expense	17,457,517.13	11,118,795.03
Management expense	102,148,712.61	106,124,832.96
Financial expense	8,148,778.74	-15,981,752.67
Asset impairment loss	85,590,752.03	85,537,226.68
Plus profit from changes in fair value (indicate the loss with '-')		
Investment income (indicate the loss with '-')		
Including Investment in joint-venture and cooperative enterprises (indicate the loss with '-')		
Exchange earnings (indicate the loss with '-')		
III. Operating profit (indicate the loss with '-')	40,937,291.39	43,556,174.22
Plus non-operating income	1,517,228.35	2,575,278.39
Including gains from disposal of non-current assets	4,820.00	
Less non-operating expense	1,052,830.97	2,778,131.93
Including loss from disposal of non-current assets	1,163.00	579,737.63
IV. Total profits (indicate total loss with '-')	41,401,688.77	43,353,320.68
Less income tax expenses	31,516,636.48	37,545,423.85
V. Net profits (indicate total loss with '-')	9,885,052.29	5,807,896.83
Net profits attributable to the owners of parent company	8,789,257.54	21,734,437.33
Non-controlling interests	1,095,794.75	-15,926,540.50
VI. Other after tax comprehensive income	42,962,339.31	-947,703.03
Other after tax comprehensive income attributable to the owners of parent company	33,947,658.60	2,060,850.03
(1) other comprehensive income that cannot be subsequently re-categorised as profit and loss		
1 Changes in the re-measured net liabilities or net assets in defined benefit plan		
2 Attributable share in other comprehensive income that cannot be re-categorised as profit and loss of the investee under the equity method		
(2) other comprehensive income that will be subsequently re-categorized as profit and loss	33,947,658.6	2,060,850.03
1 attributable share in other comprehensive income that will be subsequently re-categorised as profit and loss of the investee under the equity method		
2 profit and loss from fair value changes of available-for-sale financial assets	8,056,569.78	2,581,175.75
3 profit and loss by re-categorising the held-to-maturity investment as available-for-sale financial assets		
4 effective part of profit and loss from cash flow hedging		

5 translation differences of foreign currency financial statements	25,891,088.82	-520,325.72
6 miscellaneous		
Other comprehensive income attributable to minority shareholders after tax	9,014,680.71	-3,008,553.06
VII. Total comprehensive incomes	52,847,391.60	4,860,193.80
Total comprehensive incomes attributable to the owner of the parent company	42,736,916.14	23,795,287.36
Total comprehensive incomes attributable to the minority shareholders	10,110,475.46	-18,935,093.56
VIII. Earnings per share		
(1) basic earnings per share	0.0095	0.0234
(2) diluted earnings per share	0.0095	0.0234

Legal Representative: Li, Mingji Accounting leader: Shi, Peng Head of the accounting office: Shi, Peng

IV. Statement of profit and loss of the parent company

Unit: Chinese Yuan (RMB)

Items	Amount incurred at this term	Amount incurred at the last term
I. Operating revenues	0.00	0.00
Less operating costs	0.00	0.00
Business tax and surcharges	107,132.1	
Costs of sales		
Management expense	22,030,006.56	27,002,044.61
Financial expense	-1,896,676.30	68,905.96
Asset impairment loss	87,074,477.34	48,657,128.74
Plus profit from changes in fair value (indicate the loss with '-')		
Investment income (indicate the loss with '-')		
Including income from investment in joint-venture and cooperative enterprises		
II. Operating profit (indicate the loss with '-')	-107,314,939.70	-75,728,079.31
Plus non-operating income	405.60	
Including gains from disposal of non-current assets		
Less non-operating expense	615.50	529.32
Including loss from disposal of non-current assets	615.50	529.32
III. Total profits (indicate the loss with '-')	-107,315,149.60	-75,728,608.63
Less income tax expenses		
IV. Net profits(indicate the loss with '-')	-107,315,149.60	-75,728,608.63
V. Other comprehensive income after tax		
(1) other comprehensive income that cannot be subsequently re-categorised as profit and loss		
1 Changes in the re-measured net liabilities or net assets in defined benefit plan		
2 Attributable share in other comprehensive income that cannot be re-categorised as profit and loss of the investee under the equity method		
(2) other comprehensive income that will be subsequently re-categorized as profit and loss		
1 attributable share in other comprehensive income that will be subsequently re-categorised as profit and loss of the investee under the equity method		
2 profit and loss from fair value changes of available-for-sale financial assets		
3 profit and loss by re-categorising the held-to-maturity investment as available-for-sale financial assets		

4 effective part of profit and loss from cash flow hedging		
5 translation differences of foreign currency financial statements		
6 miscellaneous		
VI. Total comprehensive incomes	-1#7,315,149.60	-75,728,608.63
VII. Earnings per share		
1) basic earnings per share		
2) diluted earnings per share		

V. Consolidated statement of cash flows

Unit: Chinese Yuan (RMB)

Items	Amount incurred at this term	Amount incurred at the last term
I. Cash flow from operating activities		
Cash received from sale of goods and services	732,073,234.15	876,869,415.06
Net increase in customer's deposits and deposits from other banks		
Net increase in borrowing funds from central bank		
Net increase in borrowing funds from other financial institutions		
Cash from the premiums of original insurance contract		
Net cash from reinsurance business		
Net Increase in insurance's deposits and investment funds		
Net increase in financial assets measured at fair value with changes in fair value recorded in the current profits and losses		
Cash from interest payment, handling change and commission		
Net increase in borrowing funds		
Net increase in buy-back funds		
Tax refunds received	45,794'781.21	11,400,831.34
Other cash received related to operating activities	94,481 231.73	512,870,833.57
Total cash inflow from operating activities	872,349 247.09	1,401,141,079.97
Cash paid for purchase of goods and services	313,062,233.17	596,063,348.04
Net increase in customer lending and advance in cash		
Net increase in deposits in central bank and interbank deposits		
Cash to pay insurance compensation under the original insurance contract		
Cash to pay the interest, handling change and commission		
Cash to pay policy dividend		
Cash paid to/for staff members	158,560,224.13	149,588,192.34
Taxes paid	64,231,[illegible]36.91	102,489,174.69
Cash paid related to other operating activities	607,148,[illegible]13.78	654,368,293.24
Total cash outflow from operating activities	1,143,002,[illegible]07.99	1,502,509,008.31
Net cash flow from operating activities	-270,652,660.90	-101,367,928.34
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	10,140.00	
Net cash received from disposal of subsidiaries and other business units	30,000,000.00	150,000,000.00
Other cash received related to investment activities	180,000,000.00	
Total cash inflow in investing activities	210,010,140.00	150,000,000.00
Cash paid to purchase fixed assets intangible assets or other long-term assets	173,715,648.98	123,215,689.26
Cash paid for investment	17,189,066.23	
Net increase in pledge loan		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investment activities	277,331,396.40	4,650,000.00
Total cash outflow in investment activities	468,236,111.61	127,865,689.26
Net cash flow from investing activities	-258,225,971.61	22,134,310.74
III. Cash flow from financing activities		
Cash received from paid-in investment		
Including cash received from loans		
Cash received from loans	300,000,000.00	147,154,410.65
Cash received from bond issue		
Other cash received related to financing activities	400,000,000.00	
Total cash inflow in financing activities	700,000,000.00	147,154,410.65
Cash repayments of borrowings	70,437,517.82	2,043,864.51
Cash paid for distribution of dividends and profits or payment of interests	30,000,216.97	9,098,646.34
Including dividends and profits paid by the subsidiaries to minority shareholders		
Other cash paid related to financing activities	100,000,000.00	2,000,000.00
Total cash outflow in financing activities	200,437,734.79	13,142,510.85
Net cash flow' in financing activities	499,562,265.21	134,011,899.80
IV. Impacts of changes in exchange rate upon cash and cash equivalents	-40,090.43	-2,198,243.15
V. Net increase in cash and cash equivalents	-29,356,657.73	52,580,039.05
Plus opening balance of cash and cash equivalents	82,332,215.34	29,752,176.29
VI. Closing balance of cash and cash equivalents	52,975,557.61	82,332,215.34

VI. The statement of cash flows of parent company

Unit: Chinese Yuan (RMB)

Items	Amount incurred at this term	Amount incurred at the last term
I. Cash flow from operating activities		
Cash received from sale of goods and services		
Tax refunds received		

Other cash received related to operating activities	133,016,804.52	504,944,227.87
Total cash inflow from operating activities	133,016,804.52	504,944,227.87
Cash paid for purchase of goods and services		
Cash paid to/for staff members	6,326,096.97	9,532,051.60
Taxes paid	15,000.00	5,856.70
Cash paid related to other operating activities	636,148,530.11	131,629,719.56
Total cash outflow from operating activities	642,489,627.08	141,167,627.86
Net cash flow from operating activities	-509,472,822.56	363,776,600.01
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	20.00	
Net cash received from disposal of subsidiaries and other business units	30,000,000.00	150,000,000.00
Other cash received related to investment activities	180,000,000.00	
Total cash inflow in investing activities	210,000,020.00	150,000,000.00
Cash paid to purchase fixed assets intangible assets or other long-term assets	3,700.00	2,550.00
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid related to investment activities	277,331,396.40	501,954,000.00
Total cash outflow in investment activities	277,335,096.40	501,956,550.00
Net cash flow from investing activities	-67,335,076.40	-351,956,550.00
III. Cash flow from financing activities		
Cash received From paid-in investment		
Cash received from loans	300,000,000.00	
Cash received from bond issue		
Other cash received related to financing activities	400,000,000.00	
Total cash inflow in financing activities	700,000,000.00	
Cash repayments of borrowings	-	
Cash paid for distribution of dividends and profits or payment of interests	18,463,010.27	
Other cash paid related to financing activities	100,000,000.00	2,000,000.00
Total cash outflow in financing activities	118,463,010.27	2,000,000.00
Net cash flow' in financing activities	581,536,989.73	-2,000,000.00
IV. Impacts of changes in exchange rate upon cash and cash equivalents		-95,601.93
V. Net increase in cash and cash equivalents	4,729,090.77	9,724,448.08
Plus opening balance of cash and cash equivalents	12,393,265.11	2,668,817.03
VI. Closing balance of cash and cash equivalents	17,122,355.88	12,393,265.11

VII. The statement of changes of equity

Amount incurred at this term:

Unit: Chinese Yuan (RMB)

Items	Current period												
	Owner's equity attributable to the parent company											Non-controlling interest	Total owner's equity
	Equity Capital	Other Equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Retained earnings		
		Preferred shares	Perpetual bonds	Miscellaneous									
I Closing balance of last year	929,017,761.00				31,117,140.96		-20,217,348.81	142,443.09	77,898,985.76		417,282,550.86	106,218,569.45	1,541,460,102.31
Plus changes in accounting policies													
Correction of errors in previous period													
Business combination under common control													
Miscellaneous													
II Opening balance of current year	929,017,761.00				31,117,140.96		-20,217,348.81	142,443.09	77,898,985.76		417,282,550.86	106,218,569.45	1,541,460,102.31
III Changes in amount incurred in current period (indicate the decrease with '-')					20,142,393.22		33,947,658.60	-126,849.71			-12,543,555.38	-5,543,531.79	35,876,114.94
1 Total comprehensive income							33,947,658.60				8,789,257.54	10,110,475.46	52,847,391.60
2 Changes in the capital contributed by owners					20,142,393.22						-21,332,812.92	-15,526,008.19	-16,716,427.89
1)Common shares invested by shareholders													
2)Capital invested by other equity instrument holders													
3) Amount of share-based payment recorded in owner's equity													
4)Miscellaneous					20,142,393.22						-21,332,812.92	-15,526,008.19	-16,716,427.89
3 Profit distribution													
1)Appropriation of surplus reserves													
2)Appropriation of the general risk reserve													
3)Profit distributed to the owners (or shareholders)													
4) Miscellaneous													
4 Transfer within the owner's equity													
1)Transfer of capital reserves into paid-in capital (or equity capital)													
2)Transfer of surplus reserves into paid-in capital(or equity capital)													
3)Surplus reserves to cover the deficit													
4) Miscellaneous													
5 Special reserves								-126,849.71				-127,999.06	-254,848.77
1) Reserves withdrawn in current period													
2) Utilised in current period								126,849.71				127,999.06	254,848.77
6 Miscellaneous													
IV Closing balance	929,017,761.00				31,259,534.18		13,730,309.79	15,593.38	77,898,985.76		404,738,995.48	100,675,037.66	1,577,336,217.25

Amount incurred at the last term:

Unit: Chinese Yuan (RMB)

Items	Last period												
	Owner's equity attributable to the parent company											Non-controlling interest	Total owner's equity
	Equity Capital	Other Equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Retained earnings		
		Preferred shares	Perpetual bonds	Miscellaneous									
I Closing balance of last year	929,017,761.00				31,117,140.96		-22,278,198.84	437,253.24	77,898,985.76		395,548,113.53	125,425,795.46	1,537,166,851.11
Plus changes in accounting policies													
Correction of errors in previous period													
Business combination under common control													
Miscellaneous													
II Opening balance of current year	929,017,761.00				31,117,140.96		-22,278,198.84	437,253.24	77,898,985.76		395,548,113.53	125,425,795.46	1,537,166,851.11
III Changes in amount incurred in current period (indicate the decrease with '-')							2,060,850.03	-294,810.15			21,734,437.33	-19,207,226.01	4,293,251.20
1 Total comprehensive income							2,060,850.03				21,734,437.33	-18,935,093.56	4,860,193.80
2 Changes in the capital contributed by owners													
1)Common shares invested by shareholders													
2)Capital invested by other equity instrument holders													
3) Amount of share-based payment recorded in owner's equity													
4)Miscellaneous													
3 Profit distribution													
1)Appropriation of surplus reserves													
2)Appropriation of the general risk reserve													
3)Profit distributed to the owners (or shareholders)													
4) Miscellaneous													
4 Transfer within the owner's equity													
1)Transfer of capital reserves into paid-in capital (or equity capital)													
2)Transfer of surplus reserves into paid-in capital(or equity capital)													
3)Surplus reserves to cover the deficit													
4) Miscellaneous													
5 Special reserves								-294,810.15				-272,132.45	-566,942.60
1) Reserves withdrawn in current period													
2) Utilised in current period								294,810.15				272,132.45	566,942.60
6 Miscellaneous													
IV Closing balance	929,017,761.00				31,117,140.96		-20,217,348.81	142,443.09	77,898,985.76		417,282,550.86	106,218,569.45	1,541,460,102.31

VIII. Statement of equity changes of the parent company

Amount incurred at this term:

Unit: Chinese Yuan (RMB)

Items	This period										
	Equity Capital	Other Equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owner's equity
		Preferred shares	Perpetual bonds	Miscellaneous							
I Closing balance of last year	929,017,761.00				155,822,801.02				65,431,085.56	206,645,636.07	1,356,917,283.65
Plus changes in accounting policies											
Correction of errors in previous period											
Miscellaneous											
II Opening balance of current year	929,017,761.00				155,822,801.02				65,431,085.56	206,645,636.07	1,356,917,283.65
III Changes in amount incurred in current period (Indicate the decrease with "-")										-107,315,149.60	-107,315,149.60
1 Total comprehensive income										-107,315,149.60	-107,315,149.60
2 Changes in the capital contributed by owners											
1)Common shares invested by shareholders											
2)Capital invested by other equity instrument holders											
3) Amount of share-based payment recorded in owner's equity											
4)Miscellaneous											
3 Profit distribution											
1)Appropriation of surplus reserves											
2) Profit distributed to the owners (or shareholders)											
3) Miscellaneous											
4 Transfer within the owner's equity											
1)Transfer of capital reserves into paid-in capital (or equity capital)											
2)Transfer of surplus reserves into paid-in capital (or equity capital)											
3)Surplus reserves to cover the deficit											
4) Miscellaneous											
5 Special reserves											
1) Reserves withdrawn in current period											
2) Utilised in current period											
6 Miscellaneous											
IV Closing balance	929,017,761.00				155,822,801.02				65,431,085.56	99,330,486.47	1,249,602,134.05

Amount incurred at the last term:

Unit: Chinese Yuan (RMB)

Items	Last period										
	Equity Capital	Other Equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owner's equity
		Preferred shares	Perpetual bonds	Miscellaneous							
I Closing balance of last year	929,017,761.00				155,822,801.02				65,431,085.56	282,374,244.70	1,432,645,892.28
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	282,374,244.70	1,432,645,892.28
III Changes in amount incurred in current period (Indicate the decrease with "-")										-75,728,608.63	-75,728,608.63
1 Total comprehensive income										-75,728,608.63	-75,728,608.63
2 Changes in the capital contributed by owners											
1)Common shares invested by shareholders											
2 Capital invested by other equity instrument holders											
3) Amount of share-based payment recorded in owner's equity											
4)Miscellaneous											
3 Profit distribution											
1)Appropriation of surplus reserves											
2) Profit distributed to the owners (or shareholders)											
3) Miscellaneous											
4 Transfer within the owner's equity											
1)Transfer of capital reserves into paid-in capital (or equity capital)											
2)Transfer of surplus reserves into paid-in capital(or equity capital)											
3)Surplus reserves to cover the deficit											
4) Miscellaneous											
5 Special reserves											
1) Reserves withdrawn in current period											
2) Utilised in current period											
6 Miscellaneous											
IV Closing balance	929,017,761.00				155,822,801.02				65,431,085.56	206,645,636.07	1,356,917,283.65

Notes to financial statements

2016

I. Fast facts about the company

1. Company's Profile

Zhongrun Resources Investment Corporation (ZRC) was formerly known as Shandong Zhongrun Investment Holding Group Co. Ltd (hereinafter referred to as Zhongrun Holding). Zhongrun Holding was formerly known as Shandong 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). ZRC's stocks are listed in Shenzhen Stock Exchange (stock code: 000506).

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

The up-to-date business registration data is as follows the registered capital is 929,017,761 Chinese yuan, the registered address is "Building 17, Zhongrun Century Plaza, No.13777 Jingshi Road, Jinan City, the legal representative is Li Mingji, the business licence no. for the legal entity is 913700000206951100B, the business scope covers exploration and development of mineral resources processing, and sale of mineral products, and corporate equity investment.

Up to 31/12/2016, Shenzhen Nanwu Bei'an Assets Management Co., Ltd. (hereinafter referred to as Nanwu Bei'an) is both the parent company and ultimate parent company of ZRC.

This Financial Report was issued on 27/04/2017 with the approval of ZRC's Board of Directors.

2. Scope of consolidation

A total of seven subsidiaries are incorporated into ZRC's consolidated financial statements for 2016. For details about the subsidiaries, refer to Note VII 'Equity in Other Entities'. Comparing with last year, this year's scope of corporation doesn't change.

II. Basis for preparing the financial statements

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*, and other accounting standards including *Application Guide to Accounting Standards for Business Enterprises*, *Interpretations of Accounting Standards for Business Enterprises* and other related accounting regulations (hereinafter referred to as *Accounting Standards for Business Enterprises* collectively) promulgated by the ministry of Finance, the stipulations on information disclosure under *No.15 of Compilation Rules on Information Disclosure by the Companies Offering Securities to the Public — General Provisions on Financial Reports* (revised in 2014) promulgated by CSRC, and the important accounting policies and accounting estimates set forth below.

According to the relevant regulation, the company's accounting basis is accrual basis. Except part of finance derivatives, the whole report is based on historical costs. If any assets impaired, the company recorded provision of the impairment according to relevant accounting policies.

ZRC assessed its going-concern ability within at least 12 months from the end of the reporting period, the company will be unaffected by any matter or event that may make a significant impact upon its going-concern ability.

III. Major accounting policies and accounting estimates followed by ZRC

Based on the characteristics of actual production and operation, the Company has formulated a number of specific accounting policies and accounting estimates for transactions and events such as revenue recognition, provision for bad debts of accounts receivable and depreciation of fixed assets according to the relevant accounting standards. Details can be found in Note III (XII) Confirmation and measurement of bad debt provision for accounts receivable "." (XIV) Recognition and measurement of fixed assets "." (XXVI) Income recognition principle ".

(I) Declaration on compliance with the accounting standards for business enterprises

The financial statements prepared by the Company are in compliance with the requirements of the *Accounting Standards for Business Enterprises* and reflect the financial status, operating results and cash flow of the Company in a true and complete manner. In addition, all material respects in the financial statements of the Company are in consistent with all relevant disclosure requirements for financial statements and their notes in the *Corporate Information Disclosure Rules for Public Issuance of Securities No. 15 - General provisions for financial reporting* and which published and revised by China Securities Regulatory Commission in 2014.

(II) Accounting period

The accounting period of the Company is divided into Annual term and Medium term, the Medium term refers to the reporting period shorter than a full fiscal year. The fiscal year is the calendar year, from January 1 to December 31 of each year.

(III) Operating cycle

Normal operating cycle refers to the period from the date of purchasing the processing-purpose assets to the date of earning cash or cash equivalents. ZRC treats 12 months as one operating cycle, and also the yardstick for the liquidity of assets and liabilities.

(IV) Base currency for bookkeeping

The Company and its domestic subsidiaries use Chinese yuan (RMB) as the reporting currency.

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

The currency used for preparing the financial statements are Chinse yuan (RMB).

(V) Accounting treatment methods for business combination under common control and not under common control

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

1 Business combination under common control

Business combination under common control means that the involved businesses, whether before or after the combination are ultimately controlled by one or multiple same parties on a non-temporary basis.

The assets and liabilities acquired by the Company in the business combination, the assets and liabilities of the merged party acquired by the combining party, except adjustments occurred due to different accounting policies, should be measured as the book value of acquired party's on the acquiring party's consolidated financial statement at the date of acquisition. The difference between the acquired part of the book value of the acquired party's equity shown in the final control party's financial statement and the paid consolidated consideration book value (or total issued face value) will be used to adjust the capital reserve. When capital reserve is insufficient to offset, adjust the retained earnings.

Achieving the business acquisition under the common control by conducting multiple transactions, the book value of the investment held before the merger plus the sum of the book value of the consideration for the new payment, will be used to adjust the capital reserve (share premium). When capital reserve is insufficient to offset, adjust the retained earnings. The long-term equity investment held by the merging party before getting the actual control of the acquired party, from the later date between 1) the date of obtaining the original equity, and 2) the date on which the merging party is in the same party as the merged party, to the date of merge happened, if confirmed any relevant change in profit or loss, other comprehensive income and other changes of owner's equity, should be offset against the initial retained earnings or current profits and losses during the comparative reporting period, except the comprehensive income or liabilities and changes in net assets arising from the re-measurement of the benefits plan.

2 Business combination not under common control

Business combination not under common control means that the involved businesses are not ultimately controlled by one or multiple same parties. The difference between the fair value of the cost the merging company spend and the fair value of the acquiree's identifiable net assets obtained at the acquisition date is recognized as goodwill; if the cost of the combination is less than the fair value of the acquiree's identifiable net assets acquired in the merger, the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the measurement of the cost of the combination are reviewed. After the review, if the combined cost is still less than the fair value of the acquiree's identifiable net assets, the difference will be included in the current profits and losses.

If at the date of acquisition or at the end of the period of merging, the fair value of the assets paid as a merger consideration, or the fair value of the identifiable assets and liabilities of the acquiree acquired in the merger cannot be reasonably determined due to various factors, at the end of that accounting period, the company is allowed to temporarily determine the value of the business based on the merger accounting. If further information is required to be adjusted within 12 months from the date of purchase, it shall be deemed to have occurred on the date of purchase, retrospective adjustment, and the comparative report information provided on a temporary basis. The adjustment of the value of the identifiable assets and liabilities achieved in the business combination cost or the merger after 12 months from the date of purchase shall be conducted in accordance with the accounting principle *Accounting Standards for Business Enterprises No. 28 - Accounting Policies, Accounting Estimates Changes and Accounting Error correction.*

The deductible temporary difference from the acquiree in the business combination, but does not meet the conditions for deferred income tax assets, shall not be confirmed on the date of purchase. Within 12 months after purchase, if new or further information is obtained to indicate that the relevant situation at the purchase date already exists, it is expected that the economic benefits brought by the purchaser at the date of purchase can be deducted from the temporary difference, can confirm the deferred income tax assets and simultaneously decrease goodwill. When goodwill is insufficient to setoff, the difference shall be recognized in the current profits and losses, except for the above circumstances, confirm the deferred income tax assets and the difference shall be recognized as profit or loss.

Achieving the business acquisition under the uncommon control by conducting multiple transactions, the company need to determine whether the transaction is a "package of transactions" according to corporate accounting standards. The terms, conditions and economic effects of multiple transactions are consistent with one or more of the following circumstances, which usually indicate that multiple transactions should be accounted for as a package of transactions: 1) These transactions are made at the same time or in consideration of each other's effects, 2) the transaction as a whole to achieve a complete business results, 3) the occurrence of a transaction depends on the occurrence of at least one other transaction, 4) a single transaction is not economical, but and other transactions together when considering economical.

If the transaction is a "package of transactions", deal with all transactions as one transaction which generates a whole control. If the transaction does not belongs to "package of transactions", in the consolidated financial statements, need to recalculate the acquiree's equity which bought before the merging date under the fair value of the equity at the date of merging. The differences between the fair value and its book value need to be recorded into profit and loss. If the equity of the acquiree which have been held before the date of merging is related to other comprehensive income or changes in other owner's equity, then shall be recorded in profit and loss in the accounting period at the date of purchase. Except for other consolidated income arising from the revaluation of the investee's net profit or net asset changes.

3 The handling of transaction costs in business combination

Fees for the conduct of audit for the acquisition, relevant legal services, assessment consulting, other intermediary services and other related administrative expenses, will be included in the current profits and losses. The transaction costs of equity securities or debt securities issued as consideration for merger are included in the initial recognition amount of equity securities or debt securities.

(VI) How to prepare consolidated financial statements

1 Principle for determining the consolidation scope

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

2 How to prepare consolidated financial statements

Based on the financial statements of the Company and its subsidiaries and other relevant information, the company prepared consolidated statements. The Company compiles the consolidated financial statements and regards the entire enterprise group as an accounting entity. It reflects the overall financial status, operating results and cash flow of the Company according to the determination, measurement and presentation requirements of the relevant accounting standards and unified accounting policies.

When the financial statements are consolidated, the internal transactions and transactions between the Company and its subsidiaries, between different subsidiaries are offset against the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated owner's equity changes.

During the reporting period, the subsidiaries and business that have been consolidated under the same control shall be deemed to have been incorporated into the consolidation scope of the Company from the date of the control of the subsidiary, its financial results, cash flow will be included in the consolidated income statement and consolidated cash flow statement since the time when the final controlling party began to control. During the reporting period, the opening balance of the consolidated balance sheet was adjusted at the same time, and adjusted the related items of the comparative report since the time when the final controlling party began to control.

In the current period, if the subsidiaries are not consolidated under the same control, the consolidated balance sheet shall not be adjusted at the beginning of the balance sheet; the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets at the acquisition date. The income, expenses and profits of the subsidiaries from the date of purchase to the end of the period shall be included in the consolidated income statement. The cash flow from the date of purchase to the end of the period shall be included in the consolidated cash flow statement.

The equity, profit and loss and profit attributable to minority shareholders of the subsidiary are presented separately under the total net profit items and consolidated income of the consolidated income statement under the owner's equity item in the consolidated balance sheet. The current loss of the minority shareholders of the subsidiary is more than the balance formed by the minority shareholders 'share of the owner's equity at the beginning of the subsidiary, and the minority shareholders' equity is reduced.

3 The purchase of minority shares and the non-loss of control of part of the disposal of subsidiaries

The difference between the net asset share that calculated from the date of purchase or the marging date, and in accordance with the shareholding ratio, and the long-term invetsment cost consideration for the purchase of a minority shares in the new acquisition, and the difference between the disposal price of the part of the disposal of the equity investment in the case of non-loss of control and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiary from the date of purchase or the date of consolidation . Are adjusted to consolidate the balance sheet in the capital reserve, the capital reserve in the capital premium is insufficient to offset, adjust the retained earnings.

4 Loss of control of the disposal of subsidiaries of the company

In the current period, the income, expenses and profits of the subsidiaries from the beginning to the disposal date are included in the consolidated income statement. The cash flow from the beginning of the year to the consolidated cash flow statement is included in the consolidated cash flow statement. When the disposal of part of the equity investment or other reasons for the loss of control of the original subsidiary, the disposal of the remaining equity investment, the company in accordance with its loss of control at the fair value of the re-measurement. The difference between the consideration obtained from the disposal of the equity and the fair value of the remaining equity shall be calculated as the difference between the share of the net assets and the goodwill of the original subsidiaries which shall be calculated from the original date of purchase, control of the current investment income. The other comprehensive income related to the equity investment of the original subsidiary shall be treated on the basis of the same basis for the disposal of the relevant assets and liabilities by the acquirer in the event of loss of control (ie, in addition to the netting of the original subsidiary, Liabilities or net assets caused by changes in the rest of the same period into the current investment income). Subsequent measurement of the remaining shareholding in this part is carried out in accordance with the relevant provisions of *Accounting Standard for Business Enterprises No. 2 - Long-term Equity Investment or Accounting Standard for Business Enterprises No. 22 - Financial Instruments Recognition and Measurement*, (XV) "Recognition and measurement of long-term equity investment" or Note 3 (X) "Confirmation and measurement of financial instruments".

5 Step-by-step disposal of subordinate equity investment to loss of control

The Company has dealt with the equity investment of the subsidiary until the loss of control has been dealt with in a number of transactions, and it is necessary to distinguish whether the transactions involving the equity investment of the subsidiary until the loss of control belong to the package. The disposal of the equity investment of the subsidiary until the loss of control of the transaction is a package of transactions, the transaction as a disposal of subsidiaries and loss of control of the transaction accounting treatment; However, the loss of control before each disposal price The difference between the share of the net assets of the subsidiary corresponding to the disposal of the investment is recognized as other comprehensive income in the consolidated financial statements and transferred to the loss or loss of control in the current period.

Do not belong to a package of transactions, each of these transactions as the case, respectively, in accordance with the "no loss of control in the case of partial disposal of the subsidiary's long-term equity investment" and "due to the disposal of part of the equity investment or other reasons lost to the original Subsidiary of the control "(see the previous paragraph) apply the principle of accounting treatment. The difference between the value of the net asset and the book value of the net assets that the subsidiary has calculated from the date of purchase at the time of each disposition price corresponding to the disposal investment is included in the capital reserve (share premium) as an equity transaction. Shall not be transferred to the profits and losses of the loss of control in the event of loss of control.

(VII) Classification of joint venture arrangements and common management accounting

Joint venture arrangements refer to an arrangement controlled jointly by two or more participants. The Company divides the JV arrangements into joint ventures and joint ventures in accordance with the rights and obligations under the JV Arrangement.

A joint venture means a joint venture arrangement in which the Company only has the right to the net assets of the arrangement. The Company's investment in the joint venture is accounted for using the equity method and is accounted for in accordance with the accounting policies described in Note 3 (XV) 3 (2) "Long-term equity investment accounted for by equity method". Joint operation refers to the joint venture arrangement in which the Company has the relevant assets of the arrangement and undertakes the relevant liabilities of the arrangement. The Company confirms the following items related to the share of interest in the joint operation and is subject to accounting treatment in accordance with the relevant accounting standards:

(1) to confirm the assets held by the Company individually and to confirm the share of the common assets held by the Company;

(2) to confirm the liabilities assumed by the Company alone and to recognize the share of liabilities held by the Company;

(3) to confirm the sale of common operating output that generated income by the company's share

(4 to confirm the revenue generated from the sale of the joint venture by the share of the Company;

(5) Confirm the costs incurred separately and confirm the costs incurred by the joint venture in accordance with the share of the Company.

When the Company sells or sells the assets as a joint venture (the asset does not constitute a transaction, the same below) or when the assets are purchased jointly from the joint venture, the Company only confirms that the transaction is generated before the sale of the assets to the third party Of the profits and losses are part of the common operation of other participants. If the assets are incurred in accordance with the provisions of *Accounting Standard for Business Enterprises No. 8 - Impairment of Assets* and other assets, the Company shall confirm the loss in full amount due to the Company's investment or sale of assets to the joint venture. Since the Company has purchased the assets from the common operation, the Company confirms the loss according to the share.

(VIII) Standards for recognising cash and cash equivalents

In the preparation of the cash flow statement, the company's cash in hand, cash equivalent and deposit that can be used at any time to pay out are regarded as Cash. Cash equivalents are those companies that hold short term (generally within 3 months from the date of purchase), with strong liquidity, easy to convert to known amounts of cash, and very low risk of change in value.

(IX) Foreign currency transactions

1 Method of currency translation for foreign currency transactions

For the foreign currency business that occurs, the spot exchange rate (usually refers to the central parity of the day exchange rate published by the People's Bank of China) is used to transfer foreign currency to RMB, and the RMB is used for bookkeeping. However, the foreign currency exchange business or transaction involving foreign currency exchange is translated into the amount of the functional currency according to the actual exchange rate.

2 Method of currency translation for foreign currency monetary items and foreign currency nonmonetary items

At the balance sheet date, the foreign exchange monetary items are translated at the spot exchange rate at the balance sheet date. The resulting exchange differences, except (1) The exchange differences resulted from foreign currency special loan related to the acquisition and construction of assets eligible for capitalization need to be dealt with in accordance with the principle of capitalization of borrowing costs; (2) the exchange difference of the hedging instrument for the effective hedging of net investment abroad, which is included in other comprehensive income until the net investment is disposed of as the current gain and loss; and (3)the exchange differences arising from changes in the carrying amount of foreign currency monetary items for sale other than amortized cost are included in other consolidated income and are recognized in profit or loss for the current period.

Foreign currency non-monetary items measured at historical cost are still measured using the amount of the reporting currency converted at the spot exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date when the fair value is determined. The difference between the amount of the functional currency and the amount of the original accounting standard is recognized in profit or loss for the current period.

3 Translation of foreign currency financial statements

The asset items and liabilities items in the balance sheet shall be translated by using the spot exchange rate as of the balance sheet date, the shareholder's equity items excluding "Undistributed profit" shall be translated by using the spot exchange rate at the time of trading. The income items and expense items in the profit statement shall be translated by using the approximate exchange rate (average exchange rate of current period) of the spot exchange rate as of the trading date. The undistributed profit at the beginning of the year is the undistributed profit at the end of the previous year. The undistributed profit at the end of the year is calculated according to the profit distribution after conversion. The translation differences of foreign currency statements arising therefrom shall be recorded in other comprehensive income under the shareholder's equity in the balance sheet. The Company shall transfer the difference between the foreign currency statements related to the overseas operation and the proportion of the foreign business in the balance sheet to the disposal of the current profits and losses. In the case of disposal of part of the equity investment or other reasons leading to a decrease in the proportion of overseas business interests but not the loss of control of foreign operations, foreign currency transactions related to the translation of foreign currency statements will be attributable to minority shareholders' interests, not transferred to the current profits and losses.

The cash flow statement is translated using the approximate exchange rate (current average exchange rate) of the cash flow date. The impact of exchange rate changes on cash as an adjustment item is reflected separately in the cash flow statement "Impact of exchange rate changes on cash and cash equivalents".

(X) Financial instruments

Financial instruments are contracts that form a financial asset of an enterprise and form other units of financial liabilities or equity instruments. Financial instruments include financial assets, financial liabilities and equity instruments. Financial assets and financial liabilities are measured at fair value at initial recognition. If financial assets and financial liabilities are measured at fair value and the changes in their fair value are recorded in current profits and losses, the incurred transaction expenses shall be directly recorded in profits and losses. For other types of financial assets and financial liabilities, the incurred transaction expenses shall be recorded in the initial recognised amount.

1 Classifying, recognising and measuring financial assets

Trading and trading of financial assets in a regular manner and making accounting confirmation and derecognition on the trading day. Financial assets are initially classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

(1) Financial assets measured at fair value with changes in fair value recorded in the current profits and losses

The financial assets measured at fair value with changes in fair value recorded in the current profits and losses include tradable financial assets and the designated financial assets measured at fair value with changes in fair value recorded in the current profits and losses.

Financial assets are categorised as tradable financial assets when they meet any of the following conditions: (1) the financial assets are obtained mainly for the purpose of sale in a recent period (2) the assets are initially recognised as an integral part of the centrally managed identifiable financial instrument portfolio and objective evidence shows that Zhongrun Group manages the portfolio by using a short-term profit method, (3) the financial assets are derivative instruments excluding the designated derivative instruments that are also effective hedging instruments derivative instruments under a financial guarantee contact and the derivative instruments that are associated with and need to be settled by delivering the equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured.

Financial assets may at the time of initial recognition be designated as the financial assets measured at fair value with changes in fair value recorded in the current profits and losses when they meet one or more of the following conditions: (1) the designation may eliminate or remarkably decrease the inconsistencies of the financial assets in the gains or losses arising from the differences in measurement basis, (2) the formal written document on ZRC s risk management or investment strategy expressly stipulates that the associated financial asset portfolio or the portfolio of financial assets and financial liabilities is managed, evaluated and reported to key management personnel in terms of fair value.

The financial assets at fair value through profit or loss (excluding the declared but not yet paid cash dividends) use the fair valueas the initial recognition amount and the relevant transaction costs included in the current profits and losses. Gains or losses arising from changes in fair value and dividends and interest income related to such financial assets are recognized in profit or loss for the current period.

(2) Held-to-maturity investment

Held-to-maturity investments refer to the non-derivative financial assets with a fixed maturity date and a fixed or deter able returned amount that a company has a clear intent and ability to hold till the maturity date.

The initial recognition amount at the fair value (net of the interest paid on the interest paid but not yet received) and the related transaction costs at the time of acquisition to maturity. Held-to-maturity investments are subsequently measured as per amortised costs by using the effective interest method. The gains or losses accrued at the time of derecognition, impairment or

amortisation shall be recorded in the current profits and losses.

The effective interest method is to calculate the amortised costs and interest income or expense of financial assets or financial liabilities (including a portfolio to of financial assets or financial liabilities) of different periods as per the effective interest rate. The effective interest rate refers to the interest rate which used to discount the future cash flow of financial assets or financial liabilities within an expected duration or applicable shorter period into their current book value. In calculating the effective interest rate, ZRC estimates the future cash flow (without regard to future credit loss) by considering all contract terms on the financial assets or financial abilities and also takes into account the various fees, transactions expenses and discounts or premiums that are paid or charged by the parties to a financial asset or financial liability contract and constitute an integral part of the effective interest rate.

(3) Loans and receivables

Loans and receivables refer to the non-derivative financial insets that are not quoted in an active market and have a fixed or determinable returned amount. ZRC classified loans and receivables as notes receivable, accounts receivable, other receivables and long-term receivables. The amount of the contract or agreement receivable to the purchaser shall be the initial confirmation amount; if the nature of the financing is carried out, the initial confirmation shall be made at its present value. Loans and receivables are measured at amortized cost using the actual interest method, and gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

(4) Available-for-sale financial assets

The available-for-sale financial assets include the non-derivative financial assets designated to be available for sale at the time of initial recognition and the financial assets other than the financial assets measured at fair value with changes in fair value recorded in the current profits and losses, loans and receivable, and held-to-maturity investments.

The final cost of the available-for-sale debt instrument investment is determined by the amortized cost method, ie the initial recognition amount deduct the repaid principal, plus or less the different amount, using the effective interest method, between the initial recognition amount and the maturity date. The amortization of the accumulated amortization and the amount of the impairment loss incurred. The end-of-period cost of the available-for-sale equity instrument is its initial acquisition cost.

At the time of acquisition, set the sum of the fair value (net of the cash dividends declared but not yet issued or interest on bonds that have been paid but not yet received) and related costs as the initial recognition amount. Interest earned during the holding period or cash dividend is recognized as investment income. The available-for-sale financial assets are subsequently measured at fair value, and the discounted premium is amortized using the effective interest method and recognized as interest income. At the end of the period, the fair value change of the available-for-sale financial assets is recognized as other comprehensive income except for the impairment loss and the exchange difference related to the amortized cost of foreign currency monetary financial assets recognized as current gains and losses. However, the equity instruments which fair value cannot be reliably measured, and derivative financial assets that are linked to the equity instrument and which are to be settled by delivery of the equity instrument are measured at cost. The difference between the price paid and the carrying amount of the financial asset shall be recorded into the investment gains and losses. At the same time, the amount of the accumulated amount of the fair value of the other comprehensive income shall be transferred to the corresponding part of current profit and loss.

2 How to recognise and measure the transfer of financial assets

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

Financial assets shall be derecognised if they meet any of the following conditions: (1) the contractual rights for charging the cash flow of the financial assets are terminated, (2) the financial assets have been transferred and nearly all risks and returns on the ownership of the financial assets are transferred to the transferee, (3) the financial assets have been transferred, and ZRC waives the control over the financial assets although ZRC neither transfers nor retains nearly all risks and returns on the ownership of the financial assets.

If ZRC neither transfers nor retains nearly all risks and returns on the ownership of the financial assets, and does not waive the control over the financial assets, the related financial assets and related liabilities shall be recognized according to the extent to which ZRC is continuously involved in the transferred financial assets. The extent to which ZRC is continuously involved in the transferred financial assets refers to the risk level that ZRC will face due to value changes in the financial assets.

In determining whether the transfer of financial assets meet the above-mentioned conditions for the termination of financial assets, the use of the principle of substance over form. If the transfer of financial assets does not meet the conditions for derecognition, the financial asset shall be recognized and the consideration received shall be recognized as a financial liability. Where the total transfer of financial assets satisfies the conditions for derecognition, the difference between the following two amounts shall be recorded into the current profits and losses: (1) the sum of the consideration received from the transfer and the accumulated amount of the fair value change directly attributable to the owner's equity; (2) the carrying amount of the transferred financial asset. If the partial transfer of financial assets satisfies the conditions for derecognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized portion and the non-derecognised part according to the respective relative fair value and the difference between the following two amounts (1) the book value of the derecognised portion. (2) The book value of the derecognized portion is the sum of the amount of the fair value change that is directly included in the owner's equity.

3 Classifying, recognising and measuring financial liabilities

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

(1) Financial liabilities measured at fair value with changes in fait value recorded in the current profits and losses

Financial liabilities at fair value through profit or loss, including transactional financial liabilities and financial liabilities at initial recognition when measured at fair value and whose changes are recognized in profit or loss for the current period, are classified as specified in the initial recognition. The conditions for financial assets at fair value through profit or loss are the same. For such financial liabilities, subsequent gains are measured at fair value, gains or losses arising from changes in fair value, and dividends and interest expenses related to such financial liabilities are recognized in profit or loss for the current period.

(2) Other financial liabilities

If derivative financial liabilities are associated with equity instruments not quote in an active market whose fair value cannot be reliably measured and need to be settled by delivering the equity instruments, the derivative financial liabilities shall be subsequently measured in terms of costs. Other financial liabilities are measured at amortized cost using the effective interest method, and gains or losses arising from derecognition or amortization are recognized in profit or loss for the current period.

(3) Financial guarantee contract

Financial guarantee contracts that are not classified as financial liabilities at fair value through profit or loss are initially recognized at fair value and are determined in accordance with the *Accounting Standards for Business Enterprises No. 13 - contingencies after initial recognition*. The amount and the initial recognition amount are deducted from the higher of the balance after the accumulated amortization determined in accordance with the principles of *Accounting Standard for Business Enterprises No. 14 - Income*.

4 Derecognition of financial liabilities

If financial liabilities are relieved from current obligations in whole or in part, the financial liabilities shall be derecognized in whole or in part. If ZRC (debtor) and a creditor sign an agreement *to assume new financial liabilities in lieu of existing* financial liabilities and the contractual items for the new financial liabilities are substantively different from those for the existing financial liabilities, existing financial liabilities shall be derecognized while new financial liabilities shall be recognized. If a substantial change is made to all or part of the terms of the existing financial liability, the existing financial liability or part of shall be derecognized and the financial liability after the amendment shall be recognized as a new financial liability.

The difference between the carrying amount of the recognized financial liability and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in the current profits and losses when all or part of the financial liability is derecognized. If the Company repurchases part of the financial liabilities, the book value of the financial liabilities shall

be distributed at the repurchase date in accordance with the relative fair value of the continuing recognition and termination confirmation. The difference between the carrying amount assigned to the derecognised portion and the consideration paid (including the transferred non-cash asset or the new financial liability) is recognized in profit or loss for the current period.

5 Equity instruments

An equity instrument is a contract that proves that the Company has a residual interest in the assets after deducting all liabilities. The Company issues (including refinancing), repurchase, sale or cancellation of equity instruments as changes in equity. The Company does not confirm the fair value of equity instruments. Transaction costs related to equity transactions are deducted from equity.

The Company's distribution of equity instruments holders (excluding stock dividends) and reduction of shareholders' equity. The Company does not confirm the fair value of equity instruments.

Differences between financial liabilities and equity instruments:

Financial liabilities are liabilities that meet one of the following conditions:

(1) To the other party to pay cash or other financial assets contract obligations.

(2) Contractual obligations with other parties to exchange financial assets or financial liabilities under potentially unfavorable conditions.

(3) A non-derivative contract to be settled in the future or available to the enterprise's own equity instrument and the enterprise will deliver a variable number of self-equity instruments under the contract.

(4) Derivative contracts to be settled in future use or available to the enterprise's own equity instruments, except for contracts with a fixed amount of self-equity instruments that exchange fixed amounts of cash or other financial assets.

If the Company cannot unconditionally avoid delivery of cash or other financial assets to fulfill a contractual obligation, the contractual obligation is in conformity with the definition of financial liability. If a financial instrument is to be used or can be settled using the Company's own equity instruments, it is necessary to consider the Company's own equity instruments used to settle the instrument as substitutes for cash or other financial assets or to enable the instrument holder Enjoy the residual interest in the assets after the issuer deducts all liabilities. If it is the former, the tool is the company's financial liabilities; if it is the latter, the tool is the company's equity instruments.

6 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date of signing of the relevant contract and subsequently measured at fair value. The fair value of the derivative financial instruments recognized as an asset, the fair value of a negative number recognized as a liability. In addition to the hedging instruments designated as hedging instruments tha are highly effective in hedging, the gains or losses arising from changes in their fair value will be determined based on the nature of the hedge relationship in accordance with the requirements of the hedge accounting period, and the fairness of the remaining derivative instruments changes in value are recognized in profit or loss for the current period.

In the case of a hybrid instrument containing an embedded derivative, there is no close relationship between the embedded derivative and the main contract in terms of economic characteristics and risks if it is not specified as a financial asset or financial liability at fair value through profit or loss, and ss with embedded derivatives, the tools that exist in accordance with the definition of the derivative, and the embedded derivatives are split from the mixing tool and processed as a separate derivative financial instrument. If the embedded derivative is not separately measured at the time of acquisition or subsequent balance sheet, the hybrid tool as a whole is designated as a financial asset or financial liability at fair value through profit or loss.

7 Determination of Fair Value of Financial Instruments

The determination of the fair value of financial assets and financial liabilities is set out in Note 3 (XI).

8 Provision for impairment of financial assets

In addition to the financial assets which is at fair value and the change of its fair value is recorded into the current profit or loss, the Company checks the carrying amount of other financial assets at each balance sheet date. If there is objective evidence that the financial asset is impaired, the Company should prepare the provision for impairment of financial assets.

The objective evidence that the financial asset need to be impaired is the actual occurrence of the measurable events that actually will impact on the expected future cash flow of the financial asset. The objective evidence of impairment of financial assets, including the following observable cases. 1) Serious financial difficulties in the issuer or the debtor. 2) The debtor violated the terms of the contract, such as the payment of interest or principal default or overdue.3) The Company makes concessions to the debtor who has financial difficulties due to economic or legal consideration. 4) The debtor is likely to close down or carry out other financial restructuring. 5) The issuer suffered financial difficulties, resulting that financial assets cannot be trading on the market. 6) When it is not possible to identify whether the cash flow of an asset in a group of financial assets has been reduced, but after the overall assessment of the financial assets based on the published data, the Company found that the estimated future cash flows at the initial recognition of the group's financial assets have been reduced and the reduction is measurable, including situation that the ability of the debtor of the group of financial assets to pay back the loan will be gradually deteriorated, or the situations that may lead to fail to pay back the financial assets occurred in the debtor's residential country or region's economy. 7) Significant adverse changes in the technology, market, economic or legal environment in which the debtor operates, so that the equity instrument investor may not be able to recover the investment cost. 8) The fair value of equity investment has experienced serious or non-temporary decrease. 9) Other evidence that financial assets are impaired.

(1) Held-to-maturity investments, loans and accounts receivable impairment tests

Firstly distinguish the individual financial assets with great amounts, conduct the impairment test on each asset individually. For financial assets with insignificant amounts, the impairment test may be carried out individually or together with financial asset portfolio with the similar credit risk characteristics. Financial assets which do not need to impair under individual test (including significant and insignificant financial assets), must be included in the financial assets portfolios with similar credit risk characteristics to retest. The financial assets which are measured at cost or amortized cost, and required further impairment after the test, shall be reduced to the present value of the estimated future cash flow. The amount of the written-down shall be recognized as impairment loss and recorded into the current profits and losses. The short-term receivable which its expected future cash flow has very small differences comparing with its present value, when confirming relevant impairment loss, will not discount its future cash flow. After confirming the impairment loss, if there is objective evidence that the value of the financial asset has been restored and is objectively related to the event occurring after the confirmation of the loss, the original impairment loss is reversed and the impairment loss confirmed before is transferred back to the original account. The book value after transferring back the impairment loss does not exceed the amortized cost of the financial asset on the reversal date assuming no impairment provision is made.

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

The Company conducts separate inspection on the available-for-sale equity instruments at the balance sheet date. For equity instrument investment measured at fair value, the investment in the available-for-sale equity instruments is impaired when the relevant factors determine that the decrease in the fair value of the available-for-sale equity instrument investment is a serious or a non-temporary decline, where "serious decline" means that the fair value is less than 50% of the cost range, "non-temporary decline" means that the fair value of the continuous decline in a period to reach or exceed 12 months. In the case of investing in cost-based equity instruments, the Company takes into account whether there is a significant adverse change in the technical, market, economic or legal environment in which the investee operates, and whether the equity instrument is impaired.

When the available-for-sale financial assets measured at fair value are impaired, the accumulated losses which was directly attributable to other comprehensive income due to the decrease in fair value need to be transferred out and included in the impairment loss. For the investment in the available-for-sale debt instruments that have been recognized for the impairment loss, if its fair value is confirmed to restore, and objectively this restore is related to events occurred after the original impairment loss is recognized, the original impairment loss shall be reversed and recorded into the current profit and loss. For equity instruments investment which has been recognize the impairment loss, the recovery of fair value need to be directly included in the other comprehensive income.

When the available-for-sale equity instruments which are measured at cost need to be impaired, the Company shall record the differences between the carrying amount of the equity instrument investment and the present value resulted from the discounted future cash flow at the prevailing market rate of return of the similar financial asset, is recognized as the impairment loss and should be included in the current profits and losses. Once the impairment loss is confirmed, it cannot be reversed.

9 Offsetting of financial assets and financial liabilities

When the Company has the legal right to offset the recognized financial assets and financial liabilities and is currently capable of executing such legal rights and the Company plans to settle the financial assets and liquidate the financial liabilities, the amount after financial assets offset the financial liabilities will be shown the balance sheet.

Except that, financial assets and financial liabilities are stated separately in the balance sheet and cannot offset against each other.

(XI) Fair Value

Fair value refers to the price that market participants will pay for transferring a debt or will receive for selling an asset in the orderly occurred transaction in the measurement day. Assuming that orderly sale of the asset or the transfer of liability is carried out in the principal market of the relevant asset or liability, the Company records relevant assets or liabilities at the fair value. When there is no princial market, the Company assumes that the transaction is conducted in the most advantageous market of the relevant assets or liabilities. The principal market (or the most favorable market) is the trading market in which the Company can enter on the measurement day.

The Company uses the valuation technology that is applicable in the current circumstances and has sufficient available data and other supporting information, considering that market participants' 1) ability to generate economic benefits by achieving the best use of the assets, or 2) the ability to sell the assets to other market participants who is able to generate economic benefits by achieving the best use of the assets, and giving priority in use of relevant observable input values, and using the unobservable input values only if the observable input values are not available or are not practicable.

For the assets and liabilities which are measured or disclosed at fair value in the financial statement, the company needs to determine the fair value level according to the lowest level input which is significant to the whole fair value: the first level input is the unadjusted offer price which the company can get for the same assets or liabilities in an active market at the date of measurement. The second level input, is the direct or indirect observable input value of an asset or liability except the first level input, including a quotation of similar assets or liabilities in an active market, the offer price of the same or similar assets or liabilities in an inactive market, other observable input values other than offer prices and quotations, such as the observed benefits and yield curves during the normal quotation period. The third level input, is the unobservable input of relevant assets or liabilities, including interest rates that cannot be directly observed or cannot be verified by observable market data, stock volatility, the future cash flow of the depreciation obligations assumed in the business merges and acquisitions, and financial forecesting based on the company's own data. At each balance sheet date, the Company will reassess assets and liabilities that are continuously recognized at fair value in the financial statements, to confirm whether there is a conversion between the fair value measurement levels.

(XII) Recognition criteria and method of provision for bad debts of accounts receivable

1 Standards for recognizing the receivables with a significant individual amount and methods for making bad debt provisions for such receivables

The standard amount or other judgement approach that confirming a receivable with a single significant amount	Accounts receivable - amount of more than 5 million yuan (inclusive) or more; other receivables - the amount of more than 5 million (inclusive) or more.
The method to prepare provision of bad debts provision for receivable with a single significant amount	If there is objective evidence that the impairment occurs after the individual impairment loss test, the provision for bad debts shall be accrued based on the difference between the present value of its future cash flow and its book value.

2 Method of preparing the bad debt provision based on assets group

Name of the group	Basis of determining a group	Method of preparing the bad debt provision
The group of aging	Confirming the basis of a group by identifying aging credit risk	Aging analysis
The group of low credits	(1) related with the production and operation of the project and after maturity all the various collateral and deposits can be recovered. (2) The amount due from the Company's subsidiaries within the scope of the Company's acquisitions.	Prepare the provision for bad debts according to the differences between its future cash flow present value and its book value

The method of preparing the provision for bad debts of accounts receivable according to the receivable aging:

Account receivable age	Account receivables Provision ratio (%)	Other receivables Provision ratio (%)
1 year (including 1 year)	5.00	5.00
1 to 2 years (including 2 years)	10.00	10.00
2 to 3 years (including 3 years)	20.00	20.00
3 to 4 years (including 4 years)	30.00	30.00
4 to 5 years (including 5 years)	40.00	40.00
5 years or more	100.00	100.00

3 Receivables with an insignificant individual amount for which bad debt provisions are made

Reason for preparing provision for bad debts individually	There is conclusive evidence that there is a significant difference in recoverability
Method for provision for bad debts	based on the difference between the present value of its future cash flow and its book value

4 For other receivables (including notes receivable, prepayments, interest receivable, long-term receivables, etc.), if there is conclusive evidence that significant difference in the recoverability of the receivables exist, the Company shall prepare the provision for bad debts under the individual determination method.

5 If there is objective evidence that the value of the receivable has been restored and objectively related to the occurrence of the event after the recognition of the loss, the original impairment loss shall be reversed and recorded into the current profits and losses. However, the carrying amount after the reversal cannot exceed the amortized cost of the receivable on the reversal date assuming no impairment provision is made.

(XIII) Confirmation and measurement of inventory

1 Classification of inventories

Inventories refer to the finished products or goods held by an enterprise in daily act wines for sale products in process, and materials or articles consumed in the process of production or rendering of services. ZRC's inventories include completed products, products under construction lands to be developed entrusted developed products, raw materials or goods in stock products in process, auxiliary materials arid low-priced and easily worn articles.
Completed products refer to the developed real estate available for sale.
Products under construction refer to the real estate that is still under construction for the purpose of sale.
Lands to be developed refer to the lands which ZRC has purchased and is deciding to develop into sale-purpose or lease-purpose real estate.
Entrusted developed products refer to the real estate that RRC is developing on commission.

2 Measuring the obtained inventories according to the actual cost

If a project is developed as a whole, the lands to be developed shall all be transferred into the products under construction for a protect that is developed stage by stage, the portion of the lands developed by stages shall be transferred into the products under construction, and the lands to be developed in later periods shall be still retained in the lands to be developed.

Public supporting facilities shall be recorded in the development costs as per actual costs. When public supporting facilities are completed, they shall be amortized into the costs of available-for-sale real estate (for example, residential buildings). Inventories obtained from the debt reorganization to offset the debt, need to be recorded based on fair value of the inventory.

In the case where the fair value of the non-monetary assets exchange has the commercial substance and the fair value of the assets or the assets surrendered can be reliably measured, the exchange of non-monetary assets is usually determined based on the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the asset is more reliable; the exchange of non-monetary assets that do not satisfy the above-mentioned premise is the cost of the book value of the asset and the associated taxes payable.

The inventories obtained by the merger and acquisition of the enterprises under the same control shall be determined according to the book value of the merged party. The inventories obtained from the merger and acquisition of the enterprises under the same control shall be determined at their fair value.

3 The cost measurement of the inventories delivered by the enterprise will be measured under the weighted average method at the end of the month

4 Amortization method for low value consumables and packaging
Low-value consumables are amortized according to one-off basis.

5 At the balance sheet date, the lower between the cost of inventory and net realizable value are recorded

For the directly saleable inventories (including completed products or goods and available-for-sale materials), the net realizable value shall be determined as their estimated sale prices minus estimated sales expenses and related taxes. For the materials used for production, the net realizable value shall be determined as the estimated sale prices of the finished products minus the costs accrued as of the completion of such products, estimated sales expenses and related taxes. For the inventories held for implementing sales contracts or services contracts, the net realizable value shall be determined based on the contract prices, if the inventories held by ZRC outnumber the ordered quantities under sales contracts, the net realizable value of the balance between them shall be determined based on the general sale prices.

ZRC makes provisions for inventory revaluation on an item-by-item basis. If certain inventory items are correlated to or have the same or similar purposes as/to the product series produced or sold in the same areas, and are difficult to be measured separately from other inventory items, their costs and net realizable value may be measured collectively For a great variety of inventories with low unit price, their costs and net realizable value may be measured type by type.

If the factors that write down the inventories have disappeared, the write-down amounts shall be restored and reversed to the original provisions for inventory devaluation, the reversed amounts shall be recorded in the current profits and losses.

6 Inventory taking system ZRC practises a perpetual inventory system

(XIV) Confirmation and measurement of assets held for sale

ZRC classifies a non-current asset that meets all of the following conditions as an asset held for sale if it is available for immediate sale under its current circumstances according to the usual terms for the sale of such assets.

1 The component must be sold under its current circumstances, and only on the basis of the usual terms of the sale of such components
2 The company has made a resolution on disposed of a component (or non-current assets), and has obtained appropriate authority of the approval from general assembly of shareholders if this disposal is required approval by the shareholders
3 An irrevocable assignment agreement has been signed with the assignee, and
4 The completion of the assignment within a year is highly probable

The non-current assets (excluding financial assets and deferred income tax assets) that meet the conditions for sale are listed as other current assets in the lower value between the book value and the fair value less the disposal expenses. The fair value less the amount of disposal costs than the original book value, recognized as an asset impairment loss.

(XV) Long-term equity investments

The term "long-term equity investment" mentioned in this section refers to long-term equity investments where ZRC has control, joint control, or significant influence over the investee, including equity investments in subsidiaries, joint ventures and associates. Long-term equity investments where ZRC does not have control, joint control, or significant influence over the invested are treated as available-for-sale financial assets or measured at their fair value with their changes included in the financial assets in the profit or loss for the current period For the accounting policies, see Note 3.10 "Recognition and measurement of financial instruments".

1 Determination of common control and significant impact

Joint control is the contractually agreed sharing of control by ZRC over an arrangement and the decisions relating to the activities of the arrangement require the unanimous consent of all of the parties that have joint control. The Company is jointly engaged with other joint ventures to jointly control the investee and implement the joint control of the investee and enjoy the right to the net assets of the investee. The investee is a joint venture of the Company. When determining whether there is a common control, protective rights which the company has will not be considered.

Significant influence means that ZRC has the right to participate in the financial and operating policy decisions of the invested entity, but does not have control or joint control of those policies with other parties. If the Company can exert a significant influence on the investee, the investee is an associate of the Company. In determining whether a significant impact on the investee can be exerted, it is assumed that the investee's direct or indirect holding of the voting shares of the investee and the current enforceable potential voting rights held by the investee and the other party are assumed to be converted to the investee the impact of the equity, including the current convertible warrants issued by the investee, stock options and convertible corporate bonds and so on.

2 Determination of investment cost of long - term equity investment

(1) For long-term equity investments acquired through the business combination under common control of ZRC, the share of the owner's equity of the acquired at the date of the business combination in the carrying amount in the consolidated financial statements of the ultimate controlling party shall be treated as the initial cost of such investments. The difference between the initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred, the carrying amount of the debts or the total face value of the issued shares, should be recorded to adjust capital reserve. When the capital reserve is insufficient to offset, adjust retained earnings. Obtaining the share rights of an acquired company which under the same control by multiple transactions, and ultimately achieved a merger of enterprises under the same control, must be judged whether it's a 'package of transactions'. If it's a package of transaction, the whole transaction will be recorded as one accounting transaction. If it's not a package of transactions, at the date of the merger, set the share of carrying amount of the acquiree's equity in the final controlling party's consolidated financial statements as the initial investment cost of long-term equity investment. The difference between the long-term equity investment initial investment cost and the book value of the long-term equity investment before the merger plus the sum of the book value of the new consideration for the acquisition of the shares, need to be recorded into capital reserve. When the capital reserve is insufficient to offset, adjust retained earnings.

(2) For long-term equity investment acquired through the mergers not under common control of ZRC, the initial investment cost of the long-term equity investment is calculated according to the merger cost determined by the purchase date. The merger cost is the fair value of the assets, liabilities incurred or assumed by the purchaser and the equity securities issued for the acquisition of the acquirer in order to obtain control of the acquire. The transaction costs of the auditors, legal services, assessment consulting and other related administrative expenses incurred by the purchaser for the merger of the purchaser shall be recorded into the current profits and losses at the time of occurrence; the transaction costs of the equity securities or debt securities issued by the purchaser as the consideration for the merger The initial recognized amount of equity securities or debt securities. The Company shall include the consideration of the merger agreement as part of the consideration for the business combination, and shall include the cost in the business combination cost at its fair value at the date of purchase. Obtaining the share rights of an acquired company which under the same control by multiple transactions, and ultimately achieved a merger of enterprises under the same control, must be judged whether it's a 'package of transactions'. If it's a package of transaction, the whole transaction will be recorded as one accounting transaction. If it's not a package of transactions, the Company shall set the sum of the original book value of the equity investment held by the acquiree plus the new investment costs, as long-term equity investment accounted for measurement under the cost method. The original shareholding is accounted for using the equity method, and the other comprehensive income are not subject to accounting treatment. The difference between the fair value and the book value of the original equity investment that is the available-for-sale financial assets, its accumulated fair value which originally was recorded in the consolidated income, shall be transferred to the current year's profit and loss.

(3) Other equity investments except the long-term equity investments formed by the business combination shall be initially measured at its cost: the initial purchase cost in accordance with the actual purchase price paid in cash. Equity investment obtained by issuing equity securities, should be valued based on the fair value of the equity securities. Any expenses related to the issuance of equity securities should be confirmed in accordance with the relevant provisions of the Accounting Standard for Business Enterprises No. 37 - Financial Instruments. Under the condition that Non-monetary assets are of a commercial substance, and the fair value of an asset or exchange of assets can be measured reliably, the company shall recognize the initial investment costs of the long-term equity investment exchanged by non-monetary assets as the fair value of swapped or exchanged assets plus relevant tax expense, unless there is conclusive evidence representing that the fair value of the exchange-in assets is more reliable. Non-monetary assets exchange which does not meet the above premise, the company shall set the initial investment costs of the long-term equity investment as the sum of book value of the exchange-out plus any relevant tax expenses. For the long-term equity investment obtained through debt restructuring, the initial investment costs are determined on the basis of the fair value. The costs, taxes and other necessary expenses directly related to the acquisition of long-term equity investments are also included in the investment cost.

For the additional investment that can be a significant impact on the investee or the implementation of joint control but does not constitute control, its long-term equity investment cost is the fair value of the original holding equity investment plus the new investment costs in accordance with *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, as the initial investment cost calculated by the equity method. If the original equity investment is classified as available-for-sale financial assets, the difference between the fair value and the book value and the accumulated fair value originally recorded in the other comprehensive income shall be transferred to the current profits and losses of the equity method.

3 Subsequent measurement of long-term equity investment and recognition methods for profits and losses

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

The long-term equity investment of the Company to the subsidiaries is accounted for using the cost method. The Company shall recognize the current investment income in cash dividends and profit, excluding the payment which have been paid as acquisition and cash dividends or profits that have been declared but not yet paid in addition to the actual payment of the consideration or the consideration.

(2) Long-term equity investments accounted for by use of the equity method

A long-term equity investment where ZRC has joint control or significant influences over the investee shall be accounted for by use of the equity method.

Where the equity method is used, if the initial investment cost of a long-term equity investment exceeds ZRC's due share of the fair value of the investee's identifiable net assets upon acquisition of the investment, the initial cost of the long-term equity investment may not be adjusted. It the initial cost of a long-term equity investment is less than ZRC's due share of the fair value of the investee's identifiable net assets for the investment, the difference shall be included in the profit or loss for the current period and the initial cost of the long-term equity investment shall be adjusted simultaneously. After the acquisition of long-term equity investment, when the accounting policies and accounting periods adopted by the investee are inconsistent with the company, the financial statements of the investee are adjusted according to the accounting policies and accounting periods of the Company, and according to the adjustment, the investment gains and losses and other comprehensive income need to be recognized. The investment income and other comprehensive income shall be recognized separately and the book value of the long-term equity investment shall be adjusted respectively according to the share of the net profit or loss and other comprehensive income realized by the investee or the share of the investee. If the share of the net profit or loss of the investee is recognized, the net profit of the investee is adjusted and recognized on the basis of the fair value of the identifiable assets of the investee when the investment is made. The Company shall reduce the carrying amount of the long-term equity investment accordingly in accordance with the profits or cash dividends declared by the investee, and adjust the long-term changes in the equity of the investee other than the net profit or loss, other comprehensive income and profit distribution. The carrying amount of the equity investment is included in the owner's equity. The gains and losses of the unrealized internal transactions between the Company and the associates and the joint venture shall be offset by the proportion of the attributable to the Company in accordance with the proportion of the Company. And the loss of unrealized internal transactions incurred by the investee is an asset impairment loss and is fully recognized.

When the Company confirms that the loss of the investee shall be shared, it shall be treated in the following order: First, the carrying amount of the long-term equity investment shall be offset. Secondly, when the carrying amount of the long-term equity investment is not sufficient to offset, the company shall continue confirming investment loss and offset the book value of long-term receivables with a maximum amount that do not higher than the book value of other long-term equity that substantially constitute the long-term equity of the net investment in the investee. After the above treatment, when the company still bears additional obligations in accordance with the investment contract or agreement, the company shall calculated the estimated liabilities according to the expected obligations, and include the liabilities into the current period's investment losses. If the net profit of the investee is realized in the later period, the Company will recover the amount of the share of the income after the income has been compensated for the unrecognized loss share.

In the period of holding investment, the investee shall prepare the consolidated financial statements, and shall be accounted for on the basis of the amount of the net profit attributable to the investee in the consolidated financial statements, other comprehensive income and other changes in the owner's equity. When the assets that company sold to the joint venture or associate constitute transactions, the difference between the consideration and the book value of the business must be fully recorded in the current period's profit and loss. The Company shall conduct accounting treatment in accordance with the provisions of Accounting Standard for Business Enterprises No. 20 - Business combination, and the profits or losses related to the transaction shall be recognized in full amount.

4 Disposal of long-term equity investments

The difference between the book value and the actual acquisition price of the long-term equity investment shall be recorded into the current profits and losses.

1) Disposal of long-term equity investments under equity method

When dispose long-term equity investment that accounted for under the equity method, and will still be accounted for under the equity method after disposal, the disposal will use the same basis as the investee's direct disposal of the relevant assets or liabilities, and the gain or loss which was recorded in other comprehensive income shall be apportioned. The owner's equity recognized by the change of the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee is carried out proportionally into the current profits and losses.

If the disposal of part of the equity investment and other reasons for the loss of the joint control of the investment unit or a significant impact on the disposal of the remaining equity after the financial instruments to confirm and measure the accounting standards, the loss of joint control or significant impact on the date of the fair value and book The difference between the values is recognized in profit or loss for the current period. The other comprehensive income recognized by the equity method for the original equity investment is accounted for using the same basis as the investee's direct disposal of the relevant assets or liabilities at the time of recognition. The owner's equity recognized by the change of the owner's equity other than the net profit or loss, other comprehensive income and profit distribution of the investee shall be transferred to the current profits and losses upon termination of the use of the equity method.

2) The disposal of long-term equity investments under the cost method

For long-term equity investments accounted for by use of the cost method, if the remaining equities are still accounted for by use of the cost method, other consolidated income previously recognized by use of the equity method or the recognition and measurement principals for financial instruments before ZRC gains control over the investee shall be treated on the same basis as the relevant assets or liabilities directly disposed of by the investee and carried forward to the profit or loss for the current period by the corresponding proportion. Changes in owners' equity in the net assets of the invested recognized by use of the equity method other than net profits, losses other consolidated income or profit distribution shall be carried forward to the profits and losses in the period by the corresponding proportion.

If ZRC loses control of the investee because of its partial disposal of equity investments, when preparing individual financial statements, if ZRC has common control of or significant influence over the investee with the remaining equities, the equity method shall be used and adjustments shall be made such that the remaining equities are accounted for by use of the equity method since their date of acquisition.

If the Company has lost control of the original subsidiary due to the disposal of part of the equity investment or other reasons, the residual shareholding after the disposal can be jointly controlled or exerted a significant influence on the investee, and the equity method shall be changed and the remaining shares As of the date of acquisition, the equity investment held prior to the date of purchase is carried out proportionally by other comprehensive interests and other owners' equity recognized by the equity method: After the disposal of the remaining equity cannot be jointly controlled or exerted significant influence on the investee, it shall be subject to accounting treatment in accordance with the relevant provisions of *Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, and on the date of loss of control. The difference between the fair value and the book value is recognized in profit or loss for the current period, and the other comprehensive income and other owners' equity are all transferred to the current profits and losses.

For disposal of ZRC's equity investment in its subsidiary through multiple transactions conducted by stages till the loss of control, if such transactions are conducted as a package deal, then each is treated as a transaction that disposes of ZRC's equity investment in its subsidiary with loss of control. The difference between the proceeds from each disposal and the carrying amount of the long-term equity investment corresponding to the disposed equity before the loss of control is recognized as other comprehensive income first, and then all transferred to the current profits or losses when the control is lost.

(XVI) Confirmation and measurement of investment in real estate

1. The term "investment real estate" refers to the real estate held for generating rent and/or capital appreciation, including land use rights that have been leased, land use rights held and prepared for value-added transfer, buildings that have been leased (including buildings that used for leasing after self-construction or development, and buildings that is under self-construction or development and will be used for leasing in the future).
2. Investment real estate is initially measured in accordance with the cost, then uses the cost model for subsequent measurement. For the subsequent expenditure associated with the investment real estate, when the economic benefits associated with the asset are likely to flow into and the cost can be measured reliably, the investment real estate costs are included. Other follow-up expenses are recognized in profit or loss when incurred.
3. The investment real estate measured in the cost model is depreciated or amortized using the same method as fixed assets and intangible asset
4. When the use of investment real estate is changed to its personal use, the investment real estate is converted into fixed assets or intangible assets from the date of change, and the book value before conversion is used as the conversion value. When the use of own-used real estate or inventory changes to business use (earn rent or capital appreciation), from the date of change, the fixed assets or intangible assets shall be transferred into investment real estate, converted to the use of cost model measurement of investment real estate, and set the book value before the conversion as the recorded value after conversion.
5. When the investment real estate is disposed of, or permanently withdrawn from use and is expected to be unable to obtain economic benefits from its disposal, the termination investment real estate should be confirmed. The disposal proceeds of the sale, transfer, scrapping or damage of investment real estates are deducted from their book value and related

taxes and are recognized in profit or loss for the current period.

(XVII) Confirmation and measurement of fixed assets

1 Conditions of fixed assets

Fixed assets are tangible assets that have the following characteristics: (1) held for the purpose of selling commodities, rendering labor service, leasing or business management; (2) the useful economic life is more than one accounting year.

When all of the following conditions are met, a fixed asset should be recognized:

a. The economic benefits related to the fixed asset are likely to flow into ZRC and
b. The cost of the fixed asset can be measured reliably

Accrual expenses related to fixed assets, in line with the above conditions of recognition, shall be included in the cost of fixed assets; expenses that does not meet the above conditions of confirmation, shall be included in the current profits and losses.

2 Initial measurement of fixed assets

The initial measurement of a fixed asset shall be made at its actual costs on acquisition.

3 Subsequent measurement of fixed assets

Fixed assets are depreciated when they are reach the intended use status. The depreciation will stop when the assets ire recognized as termination or when they are classified as holding non-current assets for sale. The provision for depreciation of the assets relating to mineral exploration and mining owned by ZRC's subsidiary Vatukoula Gold Mines Plc (refer as VGM Plc) is made under the units-of-production method. The provisions for depreciation of other fixed assets are made under the straight-line method. The depreciation period estimated net residual rates and annual depreciation rates for fixed assets under the straight-line method are listed as follows by category:

Asset category	Depreciation period	Net residual rate	Annual depreciation rate (%)
Houses and buildings	3-45 years	0-5%	33.33-2.11
Means of transport	3-12 years	0-5%	33.33-7.92
Other equipment	4-12 years	0-5%	25.00-7.92

The fixed asset of land refers to the land owned by ZRC's subsidiary VGM Plc, for which no depreciation is provided because of permanent ownership.

4 Recognition basis and measurement method of fixed assets acquired under finance leases

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease

a. The ownership of the leased asset is transferred to the lessee when the term of lease expires,
b. The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the dull when the option becomes exercisable. Thus, on the beginning date of the lease, it can be reasonably determined that the option will be exercised.
c. Even if the ownership of the asset is not transferred, the lease term covers the major part (equal to or greater than 75%) of the useful life of the leased asset,

d. For the lessee, the present value of the minimum lease payment amounts to substantially all (equal to or greater than 90%) of the fair value of the leased asset at the inception of the lease, for the lessor, the present value of the minimum lease receipt on the lease beginning date amounts to substantially all (equal to or more than 90%) of the fair value of the leased asset on the lease beginning date,
e. The leased assets are of a specialized nature such that only the lessee can use them without making major modifications

For fixed assets acquired under finance leases, their initial recognition amount is stated at the lower of the fair value of the leased asset and the present value of the minimum lease payment at the start date of the leases. The minimum lease payments are recorded as long-term payables, and the difference is recognized as unrecognized financing costs. The initial direct costs incurred in the process of leasing negotiations and signing of the lease contract, such as fees, attorneys' fees, travel expenses and stamp duty attributable to the leasing project, are included in the value of the leased asset. Unrecognized financing costs are apportioned using the effective interest method during each period of the lease term.

The fixed assets that are leased under finance are depreciated using the same policies as their own fixed assets. If there is reasonable assurance that ZRC will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life.

5 Other instructions

(1) Fixed assets that have been discontinued for three consecutive months due to insufficient start-up, natural disasters, etc. are recognized as idle fixed assets (except for seasonal disabling). Idle fixed assets and other similar types of fixed assets are depreciated under the same method.

(2) If the fixed assets are in a disposable state or are expected to not generate economic benefits by use or disposal, the termination is recognized and the depreciation and amortization are terminated as well.

(3) The difference between the disposals proceeds of the fixed assets sold, transferred, scrapped or damaged after deducting their book value and related taxes is recognized in profit or loss for the current period.

(4) The Company has carried out regular inspection expenses on fixed assets, and there is conclusive evidence that the part that meets the conditions for recognition of fixed assets is included in the cost of fixed assets and does not conform to the recognition conditions of fixed assets. Fixed assets are depreciated regularly during regular overhaul intervals.

(XVIII) Confirmation and measurement of construction in progress

1 Construction in progress can be confirmed if it is highly possible to bring in economic benefits and its costs can be measure reliably, etc.

2 When the construction in process brought to its expected condition for use, it will be transferred to fixed assets according to the actual project cost. If the construction-in-process is brought to the expected condition for use but not recorded in the final accounts of completed project, it shall be transferred to fixed assets according to its estimated value. After it is recorded in the final accounts of completed project, the original provisional estimated value shall be adjusted according to its actual costs, but the original depreciation will no longer be adjusted.

(XIX) Confirmation and measurement of borrowing costs

Borrowing costs, including interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings.

1 Recognition principles for capitalised borrowing costs

Borrowing costs incurred to ZRC that can be accounted for as purchase or production of assets satisfying the conditions for capitalisation are capitalised and recorded in the cost of related assets. Other borrowing costs are recognised as expenses according to the amount incurred and recorded in the profit and loss of the current period.

2 Capitalisation period of borrowing costs

(1) If the borrowing costs meet all of the following three conditions, they shall be capitalized
   a. Assets expenditure has been incurred
   b. The borrowing costs have been incurred
   c. The necessary construction or production activities for the assets to reach the expected state for use have begun

(2) Capitalization suspension: Where the acquisition and constriction or production of a qualified asset is interrupted abnormally and the interruption lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recorded in the profit or loss for the current period, till the acquisition and construction or production of the asset restarts.

(3) The disbursement of the borrowing costs can be continue to be capitalized if the interruption of the assets acquired or produced in accordance with the capitalization condition reaches the procedure necessary for the intended use or sale

(4) Capitalization termination: The capitalization of relevant borrowing costs is terminated when a constructed or produced asset reaches its expected state for use or sale. When part of the project that is purchased or produced in the capitalized assets is completed and can be used separately, the part of the asset borrowing costs shall cease to be capitalized. The parts of the assets purchased or produced are completed separately, but must wait until the whole is completed before they can be used or sold abroad. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.

3 Calculation of capitalisation amount of loan expenses

The capitalised borrowing expenses of finances specifically raised for asset construction or production, shall be measured at the excess of the borrowing expenses actually occurred at the relevant period (Including amortization of discounts or premiums determined in accordance with the effective interest rate) over the interests arising from the deposit of the unused part of the finance for the relevant period. The amount of interest that should be capitalized shall be determined by the amount of interest received from the bank or the investment income obtained from the temporary investment.

If general borrowings are used in the purchase, construction, or production of assets satisfying the capitalization conditions, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted avenge of the excess of cumulative assets expenditures over the specific borrowings times capitalisation rate (weighted average interest rate) of used general borrowings. During the capitalization period, the capitalized amount of interest for each accounting period shall not exceed the amount of interest actually incurred for relevant borrowings during that period. The exchange difference between principal and interest of foreign currency special borrowings is capitalized during the capitalization period. The ancillary costs incurred in the case of special borrowings shall be capitalized before the assets that are eligible for capitalization are purchased or produced to meet the intended use or saleable status. Any expenses occurred after the assets are bringing into the intended use condition or can be sold after the occurrence of the state, shall be included in the current profits and losses. The ancillary expenses incurred in the general borrowing are included in the current profits and losses when incurred. If there is a discount or premium in the borrower, the discount or premium amount that should be amortized for each accounting period shall be determined under the effective interest rate method.

(XX) Recognition and measurement of intangible assets

1 Measurement of intangible assets

ZRC's intangible assets are mainly mineral rights and exploration rights. Intangible assets are initially measured at cost. The costs of intangible assets, including purchase price, related taxes and other expenses directly attributable to the asset's intended use. When the payment of the purchase price of intangible assets is more than normal credit conditions and deferred, if the intangible assets is naturally a financing assets, the cost of intangible assets will be based on the current value of the purchase price. Intangible assets which used for offsetting debts in the debt restructuring, shall be recognized in the current period based on the fair value of the intangible assets, and record the differences between book value of the restructuring debt and fair value of intangible assets used for offsetting debt into the current profit and loss. The intangible assets exchanged for non-monetary assets shall be determined based on the fair value of the assets surrendered, based on the fact that the fair value of the non-monetary assets is commercially viable and the fair value of the exchange or exchange of assets can be reliably measured. Unless there is conclusive evidence that the fair value of the transferred assets is more reliable; For the non-monetary assets exchange that does not meet the above premise, the Company should set the cost of intangible assets as the sum of the carrying amount of assets and the relevant taxes and fees, and does not recognize any profit or loss. Expenditures for other items are included in the current profits and losses when incurred.

Expenses which is related to intangible assets, if the relevant economic benefits are highly likely to flow into the company and the relevant costs can be measured reliably, then shall be recorded into intangible assets. Except that, all expenses will need to be included in the current profit and loss.

The acquired land use rights are usually accounted as intangible assets. For buildings and other buildings under self-development and construction, the relevant land use rights expenditure and building construction costs shall be respectively included in the intangible assets and fixed assets. If the building is purchased from external parties, the Company shall distribute the relevant price into the price of the land use rights and the price of building. When it is difficult to achieve rational distribution, all relevant prices are recorded as fixed assets.

2 Intangible assets' useful life and amortization

Based on contractual rights or other legal rights of intangible assets, industry situation, historical experience, relevant experts and other comprehensive factors, intangible assets which its term of bringing economic benefits to the company can be reasonably confirmed, are recognized as intangible assets with limited useful life, intangible assets which its term of bringing economic benefits to the company cannot be reasonably confirmed, are recognized as intangible assets with uncertain useful life.

For intangible assets with limited useful life, the following factors are normally considered when estimating their useful life:

(1) the use of the assets of the product usually life cycle, available similar to the asset life of the information;
(2) technical and technological aspects of the current situation and the future development trend estimates;
(3) the market demand for the products or services provided by the assets;
(4) actions expected by prospective or potential competitors;
(5) the expected maintenance expenditure to maintain the economic benefits of the asset, and the company's ability to pay the relevant expenses;
(6) the relevant legal provisions of the asset control period or similar restrictions, such as the franchise period, the lease period;
(7) with the company holding other assets, such as the relevance of life.

The intangible assets with limited useful life shall be systematically and reasonably amortized in the service life in accordance with the expected realization of the economic benefits associated with the intangible asset. If the expected realization of economic benefits cannot be achieved, use the straight-line method. The mineral rights held by ZRC's subsidiary Sichuan Pingwu ZhongJin Mining Co., Ltd are amortized under the straight-line method and the mineral rights held by VGM Plc under the units-of-production method.

The intangible assets with uncertain service life shall not be amortized, but the service life of the intangible assets shall be reviewed and tested for impairment every year. At the end of each year, the Company has reviewed the useful life and amortization method of intangible assets with limited service life. Compared with the previous estimates, the Company has adjusted the original estimates and processed according to the accounting estimates. It is expected that an intangible asset cannot brings in any future economic benefits, the book value of the intangible asset shall be transferred to the current profit and loss.

3 Confirmation and measurement of internal research and development project expenditure

Expenditure on internal research and development projects is divided into expenditure at the research stage and expenditure at the development stage. The criteria for the division of the research phase and the development phase: the planned stage of the acquisition of new technologies and knowledge should be identified as a research phase, which is characterized by planning and exploratory; Before the commercial production or use, the research results or other knowledge applied to a plan or design to produce new or substantial improvement of materials, devices, products and other stages, should be identified as the development stage, the stage is particularly targeted for specific objectives and has the high possibility of forming the results. Expenditures at the research stage of the internal research and development project are included in the current profit and loss when incurred.

Internal research and development projects in the development phase of the expenditure, while meeting the following conditions, recognized as intangible assets:

(1) The completion of the intangible asset so that it can be used or sold is technically feasible;
(2) Having the intention to complete and use or sell the intangible asset;
(3) The way in which an intangible asset generates economic benefits, including the existence of a market for the existence of a market or intangible asset in the production of the intangible asset, the intangible asset which will be used internally, proving its usefulness;
(4) Have sufficient technical, financial resources and other resources to support the completion of the development of the intangible assets and the ability to use or sell the intangible assets;
(5) Expenditure attributable to the stage of intangible assets can be measured reliably.

If a development or research does not meet any of the above conditions, shall be included in the current profits and losses at the time of occurrence. When the Company cannot distinguish between the research stage expenditure and the development stage expenditure, the total R&D expenditure will be included in the current profits and losses.

(XXI) Impairment losses on long-term assets

Long-term equity investment, long-term assets such as investment real estate, fixed assets, construction in progress and intangible assets with a limited cost measurement, and with the following signs, shall be impaired:

1) The market price of the asset has fallen significantly in the current period, and the decline is significantly higher than the expected decrease in time due to the passage of time or normal use;
2) the economic, technical or legal environment in which the enterprise operates, and the market in which the assets are located will have a significant change, and will have negative impact on the enterprise in the current period or in the near future;
3) Market interest rate or other market return on investment has increased in the current period, thus affecting the discount rate of the present value of future cash flow of enterprise assets, resulting in a significant reduction in the recoverable amount of assets;
4) There is evidence that the asset is obsolete or that its entity has been damaged;
5) The assets have been or will be idle, terminated or planned for early disposal;
6) Evidence from internal reporting indicates that the economic performance of the asset has been lower or lower than expected, for example, the net cash flow created by the asset or the realized operating profit (or loss) is far below (or higher than) the expected amount, etc.
7) Other signs that the asset may have been impaired

If there is any indication that the long-term assets are present similar situation as above on the balance sheet date, the impairment test shall be carried out. If the impairment test results indicate that the recoverable amount of the asset is lower than its book value, the impairment provision shall be made according to the difference and should be included in the impairment loss. The recoverable amount is the higher of the fair value of the asset minus the disposal cost and the present value of the expected future cash flow of the asset.

The method for determining the fair value is set out in Note III (11). The disposal costs include the legal costs related to the disposal of the assets, the relevant taxes and fees, the handling fees and the direct costs incurred in order to achieve the recordable status of the assets. The disposal costs include the legal costs related to the disposal of the assets, the relevant taxes and fees, the handling fees and the direct costs incurred in order to achieve the recordable status of the assets; Assets impairment charges are calculated on the basis of individual assets and are recognized. If it

is difficult to estimate the recoverable amount of individual assets, the recoverable amount of the asset group is determined by the asset group to which the asset group belongs. The asset group is the smallest portfolio of assets that can generate cash inflows independently. The goodwill presented separately in the financial statements, when the impairment test is conducted, apportions the book value of goodwill to the asset group or group of assets that is expected to benefit from the synergistic effect of the business combination."If the test results indicate that the recoverable amount of the asset group or portfolio of assets containing the assessed goodwill is lower than its book value, then the corresponding impairment loss is recognized. The amount of the impairment loss shall be offset by the book value of the goodwill allocated to the asset group or the combination of the asset group and the proportion of the book value of the other assets other than goodwill in the asset group or group of assets, offsetting the carrying amount of other assets. Goodwill and unsecured intangible assets are tested at least at the end of each year. Once the asset impairment loss is recognized, it will not be reversed in the later period.

(XXII) Recognition and amortization of long-term deferred expenses

The long-term deferred expenses are recorded on the basis of actual expenses and are avergely amortized over the term of benefits or within the prescribed period. If the long-term cost of the project does not benefit the subsequent accounting period, the residual value of the item which has not yet been amortized shall be transferred to the current profits and losses, among them:

The rents for prepaid operating leases of fixed assets shall be amortized evenly over the period stipulated in the lease contract; The fixed asset improvement expenses leased under operating lease shall be amortized evenly over the shorter period of the remaining lease term and the useful life of the leased asset. The lease expenses of the fixed assets leased under the financial leasing method shall be amortized over the shorter period of the period between the remaining lease term and the remaining useful life of the fixed assets during the two renovation intervals.

(XXIII) Employee compensation

The term "employee compensation" refers to remuneration or compensation in various forms given by ZRC to obtain the services offered by the employees or to dismiss them. The employee compensation mainly includes short-term compensation, post-employment benefits, dismissal benefits and other long-term benefits. The benefits provided by the enterprise to the spouses, children, dependents, survivors of the deceased and other beneficiaries are also employee compensations. According to the liquidity, the employee pay is listed on the balance sheet line item "staff salary payables" and the line item "long-term compensation payables".

1. Accounting treatment for short-term compensation

In the accounting period in which the employees provide services, shall record wages which actually occurred, bonus, medical insurance which the company pay for the employee according to the regulated benchmark and proportion, social insurance including work injury insurance and maternity, etc., and house fund as liabilities, and included in the current profit or loss or related Capital costs. If the employee's welfare is non-monetary welfare and it can be measured reliably, it shall be measured at fair value. If the liability is not fully paid within 12 months after the end of the annual reporting period in which the employee provides the relevant service and the financial impact is significant, the liability will be measured at the discounted amount.

2. Accounting treatment of after-services benefits

The after-service benefit plan includes designed deposit plan and designed benefit plan. Among them, the designed deposit plan, is an after-service plan that the company will deposit a fix cost to a separate fund and will no longer bear the obligation to any further pay; designed benefit plan, is any after-service benefits plan except the designed deposit plan.

1) Designed deposit plan

The Company shall pay the basic endowment insurance and unemployment insurance for the employees in accordance with the relevant provisions of the current government. In the accounting period when the employees provide services for the Company, the deposit amount calculated according to the designed deposit plan shall be recognized as liabilities set out in the current profits and losses or related Capital cost. Besides the basic endowment insurance, the company established the enterprise annuity payment system according to the national enterprise annual related policies. The company pays the local social insurance institution according to a certain percentage of the total wages of the employees, and the corresponding expenses shall be included in the current profit and loss or the related capital expenditure.

3. The accounting treatment of dismissal of benefits

The earlier time between when the Company cannot unilaterally withdraw the dismissal benefits provided by the dismissal of the labor relations plan or the reduction proposal, and when the Company confirms the costs or costs associated with the reorganization involving the dismissal of the benefits, the Company shall confirm the remuneration liabilities produced by the dismissal benefits, and record the liabilities into the current profit and loss. But for the dismissal benefits that are expected not to be fully paid within twelve months after the end of the annual reporting period, the expenses are processed in accordance with the remuneration of other long-term employees. The employee's internal retirement plan is treated on the same principle as the above dismissal benefits. The Company will record salaries of retired staff and social insurance etc. which are supposed to be paid in the period from the date when employee stop services to the date of normal retirement, into current profit and loss (dismissal benefits) in accordance with the conditions for recognition of the estimated liabilities. After the official retirement date, the economic compensation (such as the normal pension pension) is dealt with according to the after-services benefits.

4. Accounting for other long-term employee benefits

The other long-term employee benefits provided by the Company to the employees, if in accordance with the designed deposit plan, shall be subject to the accounting treatment according to the designed deposit plan, otherwise will be treated align with treatments of designed benefits plan. However, the portion of the remuneration of the net remuneration or net assets of the beneficiary plan is included in the current profit and loss or related capital expenditure.

(XXIV) Estimated liabilities

ZRC recognizes estimated liabilities when obligations related to contingencies satisfy all the following conditions:

1) This obligation is a present obligation of ZRC
2) An outflow of economic benefits caused by the performance of the obligation is highly probable
3) The amount of the obligation can be measured reliably.

The estimated liabilities are initially measured at the best estimate of expenses required for the performance of present obligations, taking into account factors such as the associated risks and uncertainties of these contingencies and the time value of money. If the time value of money is significant, the best estimate is determined by discounting the relevant future cash outflow. The best estimates are dealt with in the following cases: 1) where there is a continuous range (or interval) of the expenditure required and the likelihood of the various results in the range is the same, the best estimate is the median of the range: The average of the lower limit is determined. 2) There is no continuous range (or interval) of the required expenditure, or the existence of a continuous range, but the possibility of occurrence of various results within the range is not the same, and if the contingency involves a single item, the best estimate will be determined based on the most possible amount; 3) If the contingencies involve multiple items, the best estimate is determined by the various possible outcomes and the associated probabilities.

Where the expenses required by the Company to settle the estimated liabilities are all or partly expectedly compensated by a third party, the amount of compensation shall be recognized as the asset separately when the amount of compensation can be received and the amount of compensation recognized does not exceed the carrying amount of the estimated liability. The carrying amounts of estimated liabilities shall be reviewed and adjusted at each balance sheet date. When there is conclusive evidence that such carrying amounts cannot reflect the present best estimates, the carrying amounts shall be adjusted against the present best estimates.

(XXV) Confirmation and measurement of share payment

1 Types of share paid

The Company's shares are paid for services provided by employees (or other parties) as the equity instrument, or for transactions caused liabilities based on equity instruments, including equity-settled share-based payments and cash-settled shares.

2 Recognition and measurement of fair value of equity instrument

(1) Where there is an active market, it is determined by the quotation in the active market
(2) Where there is no active market, the valuation technology is used, including the price used in the most recent market transactions of the parties who are familiar with the situation and voluntarily traded, simultaneously referring to the current fair value of other financial instruments that are substantially the same, cash flow discounting, and option pricing models.

3 Identify the basis for the best estimate of the equity instruments

During each balance sheet date of the waiting period, the Company makes the best estimate of the follow-up information based on the latest changes in the number of viable employees and corrects the number of equity instruments that are expected to be exercisable. On the date of the execution, the final estimate of the number of exercisable equity instruments should be consistent with the actual amount of exercise.

4 Accounting treatment of share payment

(1) Equity-settled share-based payments

If the equity payment is made in exchange for the provision of services by the employee, the right shall be exercised immediately after the grant, and the relevant value or expense shall be included in the fair value of the equity instrument at the date of grant, and the capital reserve shall be adjusted accordingly. Completion of the service within the waiting period or the fulfillment of the required performance conditions is exercisable. On each balance sheet date in the waiting period, based on the best estimate of the number of viable rights instruments, the fair value of the instrument. The current acquisition of the services included in the relevant costs or costs, the corresponding adjustment of capital reserves, after the date of the feasibility of the relevant costs or costs and the total amount of owners to adjust the total. If the fair value of the other party's services can be reliably measured, the fair value of the other party's services cannot be measured reliably at the fair value of the other party's services. Can be measured reliably, according to the equity instrument in the service acquisition date of the fair value measurement, included in the relevant costs or costs, a corresponding increase in the owner's equity.

(2) Cash-settled share-based payments

If the cash is paid in cash for the services of the employees, the fair value of the liabilities assumed by the company shall be included in the relevant cost or expense at the date of grant, and the corresponding liabilities shall be increased. Completion of the waiting period of the service or to meet the required conditions of performance in exchange for employee services in cash to pay the shares of the payment, in the waiting period of each balance sheet date, based on the best estimate of the feasibility of the situation. According to the company to bear the fair value of liabilities, the current acquisition of services included in the relevant costs or costs and the corresponding liabilities. The changes in the fair value of the liabilities are recognized in each of the balance sheet date and the balance sheet date before the relevant liabilities are settled.

(3) Terminate or revise the share payment plan

If the change increases the fair value of the equity instruments granted, the Company confirms the increase in the service in accordance with the increase in the fair value of the equity instrument; If the change increases the number of equity instruments granted, the Company will recognize the increase in the fair value of the equity instruments accordingly as an increase in the service; if the Company changes the enforceable conditions in a manner that is beneficial to the employee, the Company, . Consider the revised enforceability conditions. If the change reduces the fair value of the equity instruments granted, the Company continues to recognize the amount of the service based on the fair value of the equity instrument on the grant date, irrespective of the decrease in the fair value of the equity instrument; If the modification reduces the number of equity instruments granted, the company will reduce the portion as a cancellation of the granted equity instrument; if the enforceability conditions are modified in a manner that is not conducive to the employee, do not consider the enforceability of the conditions. If the equity payment is canceled, the cancellation date shall be treated as an accelerated exercise, and the amount of the unrecognized amount shall be immediately recognized (the amount recognized in the remaining waiting period shall be immediately credited to the current profits and losses and the capital reserve shall be recognized). Employees or other parties can choose to meet the conditions of non-enforceable but not satisfied during the waiting period, as the cancellation of the equity settlement of the payment process. However, if a new equity instrument is granted and the grant of an equity instrument is used to replace the canceled equity instrument on the date of the new equity instrument grant, in the same manner as the modification of the terms and conditions of the original equity instrument, Alternative equity instruments for processing.

5 Accounting treatment for share payment transactions involving in the company or the company's shareholders

For transactions involving in the Company and the actual controller of the Company, if the clearing enterprise or the receiving enterprise are in the Company's group, and the other are not in the company group, the accounting treatment in the consolidated financial statements should be in accordance with the following provisions:

1) If the settlement enterprise is an investor who accepts the service enterprise, it shall be recognized as the long-term equity investment of the service enterprise in accordance with the fair value of the equity instrument or the fair value of the liability, and the capital reserve (other capital reserve) or liabilities

2) If the company accepts the service company instead of having the obligation to settle or grant the employees of the enterprise is its own equity instruments, the share payment transactions as equity settlement of the payment processing; If the service enterprise has the obligation of settlement and grants the employee of the enterprise which is not its own equity instrument, it shall deal with the share payment transaction as cash settlement

In the Company, the share payment transactions, the accepting service enterprises and the settlement enterprises of the Company are not the same enterprise. In the individual financial statements of the receiving enterprise and the settlement enterprise, the confirmation and measurement of the transaction of the shares shall be made in accordance with the above principles.

(XXVI) Revenue

1 The principle of recognition of revenue

1) Selling goods

The sales income of goods shall be recognized when the following conditions are met:

a. The Company has transferred the major risks and rewards of the ownership of the goods to the purchaser;
b. The company neither retains the continuing management rights associated with ownership and does not have effective control over the goods sold;
c. The amount of income can be measured reliably;
d. The relevant economic benefits are likely to flow into the enterprise;
e. When the relevant costs incurred or to be incurred can be reliably measured.

2) Providing services

The results of the provision of labor services at the balance sheet date can be reliably estimated (while the amount of income that satisfies the income can be measured reliably, the relevant economic benefits are likely to flow in, the progress of the transaction can be reliably determined, and the costs incurred and will occur in the transaction Can be reliably measured), using the percentage of completion method to confirm the income of the provision of labor services, and according to the results of the work has been completed [/has been provided services accounted for the proportion of total labor services / already incurred costs accounted for the proportion of the total estimated cost] provide completion of labor service transactions.

If the results of the labor service transaction cannot be reliably estimated at the balance sheet date, the following cases shall be handled: If the cost of labor has been expected to be compensated, the company shall provide labor income in accordance with the amount of labor costs already incurred, and carry over the labor costs at the same amount; If the cost of labor services is not expected to be compensated, the cost of labor services incurred shall be recorded into the current profits and losses, and the income from providing labor services shall not be recognized.

3) Transfer the use rights of assets

Revenues from the use by others of entity assets may be recognized in the following circumstances respectively when all these conditions have been satisfied it is probable that the economic benefits associated with the transaction will flow to ZRC, the amount of revenue can be measured reliably.

a. The amount of interest should be recognized in accordance with the length of time for which ZRC's cash is used by others and the actual interest rate.

b. The amount of royalties should be recognized in accordance with the period and method of charging as stipulated in the relevant contract or agreement

4) Construction contract

a. If the results of the construction contract can be reliably estimated at the balance sheet date, the contract revenue and contract fees shall be recognized according to the percentage of completion method. If the contract results cannot be reliably estimated at the balance sheet date, if the contract cost can be recovered, the contract revenue is recognized according to the actual contract cost that can be recovered. The contract cost is recognized as the contract cost in the current period. If the cost of the contract cannot be recovered, it is recognized as a contract fee at the time of occurrence and the contract revenue is not recognized.

b. The results of fixed cost contract can be reliably estimated if it satisfies all conditions below: The total contract revenue can be measured reliably, the economic benefits associated with the contract are likely to flow in, the actual contract costs can be clearly distinguished and reliably measured, the progress of the completion of the contract and the cost of the contract to be completed can be measured reliably, and The cost of the contract also satisfies the following conditions that the results can be reliably estimated: the economic benefits associated with the contract are likely to flow in; the actual contract costs incurred can be clearly distinguished and reliably measured

c. The method of determining the progress of the completion of the contract is the ratio of the actual contract costs incurred to the contract to the total cost of the contract / the proportion of the contracted work that has been completed to the total estimated workload of the contract / the progress of the actual determination.

d. At the balance sheet date, if the estimated total cost of the contract exceeds the total contract revenue, the estimated loss is recognized as current expenses. The contract which are in implementation, shall be recorded depreciation according to the difference. For contract which are waiting to be implemented, the differences will be confirmed as liabilities.

2 The principle of recognition of specific revenue

(1) Revenue from selling real estate shall be recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the real estate have been transferred to the buyer ZRC retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold. ZRC has received the relevant payment or obtained the evidence of payment collection, the relevant costs of selling the real estate can be measured reliably. In other words, ZRC recognizes the revenue when the real estate has been completed and accepted, the sales contract has been signed, the buyer's payment evidence has been obtained, and the formalities for transferring the real estate has been completed.

(3) Revenue from selling gold shall be recognized when all the Following conditions: have been satisfied the significant risks and rewards of ownership of the gold have been transferred to the buyer by the enterprise. ZRC retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the gold sold, ZRC has received the relevant payment or obtained the evidence of payment collection the relevant costs of selling gold can be measured reliably.

(XXVII) Government subsidies

1 Types of government subsidies

Government subsidies refer to the monetary or non-monetary assets (excluding the capital invested by the government as an owner) obtained for free by ZRC from the government.
Government subsidies are classified into those related to assets and those related to income.

The government subsidy related to the assets refers to the government subsidy obtained by the enterprise for the purchase or construction of long-term assets, including the purchase of fixed assets or intangible assets, and the financial subsidy of fixed assets. Revenue-related government grants refer to government grants other than government-related government subsidies. The Company divides the government subsidy into the specific criteria related to the income: the government subsidy document does not explicitly stipulate the subsidy for the purchase and construction of the asset, which is recognized as the government subsidy related to the income. If the government document does not specify the subsidy object, the subsidy is divided into the government subsidy and the government subsidy related to the asset in the following way:

(1) If a particular protect is specified in government documents, the subsidy is divided according to the proportion of the expenditure in the project budget amount that will be included in assets and the expenditure that will be included in expenses. Such proportion shall be reviewed at each balance sheet date and modified when necessary.

(2) If there is only a general description about the purpose of the subsidy and no particular project is specified in government documents, the subsidy is treated as government subsidy related to incomes.

2 Recognition and measurement of government subsidies

When the government grants were actually received, the company recognizes and measured the actual cash received as the government subsidies. However, if there is conclusive evidence at the end of the period that financial support funds are expected to be received under the requirements of the financial support policy, then the subsidies shall be measured in accordance with the amount receivable. Government grants measured in accordance with the amount receivable shall meet the following conditions:

1) The amount of the subsidy receivable has been approved by the government department, or it can reasonably be calculated on the basis of the relevant provisions of the officially issued financial fund management scheme, and it is expected that there is no significant uncertainty in its amount;

2) is based on the released local financial sector officially and in accordance with the provisions of the "*Government Information Disclosure Ordinance*" to take the initiative to open the financial support project and its financial management approach, and the management approach should be universal (any compliance Conditions of the enterprise can apply), rather than specifically for specific enterprises to develop;

3) The relevant subsidy has clearly promised the payment period, and the payment of the money is a corresponding budget as a guarantee, which can reasonably ensure that it can be received within the prescribed period;

4) Other relevant conditions (if any) that should be satisfied in accordance with the Company and the specific circumstances of the subsidy.

If the government subsidy is a monetary asset, it shall be measured at the amount received or receivable. For non-monetary assets, it shall be measured as fair value. If the fair value cannot be

obtained reliably, it shall be measured in nominal amount. The Company obtains the government subsidy related to the assets and recognizes it as deferred income and distributes it evenly over the useful life of the relevant assets and is included in the current profits and losses.

(1) For the purpose of compensating the relevant expenses or losses in the subsequent period of the Company, it shall be recognized as deferred income and included in the current profits and losses during the period when the relevant expenses are recognized;
(2) to compensate for the relevant costs or losses incurred by the enterprise, directly included in the current profits and losses. If there is any relevant deferred income, the deferred income will be offset against the balance of the relevant deferred income, and the excess shall be included in the current profit and loss. If there is no relevant deferred income, it shall be directly included in the current profits and losses.

(XXVIII) Deferred income tax assets / deferred income tax liability

1 Recognition and measurement of deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognized according to the differences between the carrying amounts of assets and liabilities and their tax base. The Company's current income tax and deferred income tax are recognized as income tax or income in the current profits and losses, but does not include income tax arising from: (1) business combination; (2) transactions or events recognized directly in the owner's equity. For deductible temporary differences, it is possible to carry forward the deductible losses and tax credits for subsequent years, and the Company is likely to obtain deductible temporary differences, deductible losses and tax credits. The amount of future taxable income is limited to the recognition of the resulting deferred income tax assets, unless the deductible temporary difference is generated in the following transactions:

1) The transaction is not a business combination, and the transaction does not affect the accounting profit does not affect the amount of taxable income
2) For the deductible temporary differences related to the investments of subsidiaries, joint ventures and associates, and the following conditions are met, the corresponding deferred income tax assets are recognized: Temporary differences are likely to be reversed in the foreseeable future and it is likely that future taxable income will be used to offset deductible temporary differences.

The taxable temporary differences are recognized as deferred income tax liabilities unless the taxable temporary difference is incurred in the following transactions:

1) The initial confirmation of goodwill, or the initial recognition of the assets or liabilities arising from the transaction with the following characteristics the transaction is not a business combination and the transaction does not affect the accounting profit nor the taxable income

2) For temporary differences in taxable taxes related to investments in subsidiaries, joint ventures and associates, the timing of the temporary discrepancy can be controlled and the temporary difference is likely to not be reversed in the foreseeable future. The difference between the carrying amount of the asset and the liability and its taxable basis (the difference between the taxable basis and the carrying amount of the item which is not recognized as an asset and liability in accordance with the tax law) The deferred income tax assets or deferred income tax liabilities are recognized at the applicable tax rate for recovering the asset or the liquidation period. Recognize that deferred tax assets are limited to the amount of taxable income that is likely to be used to offset deductible temporary differences. At the balance sheet date, there is conclusive evidence that it is probable that sufficient taxable income will be used to offset the deductible temporary differences in the future period and to confirm the unrecognized deferred income tax assets in the previous accounting period. The carrying amount of the deferred income tax assets shall be reduced and the carrying amount of the deferred income tax assets shall be reduced if the taxable income is likely to be obtained in the future period to offset the interest of the deferred income tax assets. When it is probable that sufficient taxable income will be obtained, the amount will be reversed.

To the extent of the future taxable income that ZRC will probably acquire to offset the deductible temporary differences deductible losses and tax deductions, it recognises the deferred tax income assets arising therefrom. However, it does not recognise those arising from the initial recognition of assets or liabilities in a transaction which is not business combination at the time of transaction, neither affects the accounting profit nor taxable income (or deductible losses).

For deductible temporary differences related to investments in subsidiaries, joint ventures or associates, deferred tax assets should be recognized accordingly when all the following conditions have been satisfied it is probable that the deductible temporary differences will be reversed in the foreseeable future, it is probable to earn taxable income to deduct the deductible temporary differences in the future.

2 The current income tax assets and current income tax liabilities of the Company are presented at the net amount after offsetting when the legal rights are settled on a net basis and are intended to be settled in net or acquired assets and the liquidation liabilities are carried out simultaneously

When there is a statutory right to settle the current income tax assets and current income tax liabilities on a net basis, the deferred income tax assets and the deferred income tax liabilities are related to the income tax levied on the same taxpayer or the different taxpayers. However, in the future period of each of the important deferred income tax assets and liabilities transferred back to the period, the tax involved in the main intention of a net settlement of current income tax assets and liabilities or assets at the same time, liquidation of liabilities, the company deferred income tax Assets and deferred income tax liabilities are presented at the net amount after offsetting.

(XXIX) Confirmation and measurement of Lease business

1 Classification of leasing

Leases are classified as finance leases and operating leases. A lease is classified as a finance lease if all the risks and rewards associated with the ownership of a leased asset are substantially transferred to the lessee. All other leases are classified as operating leases. The conditions for the recognition of financial leases are set out in Note III (17) 4 "*Recognition basis and method of valuation of fixed assets for finance leases*".

2 Accounting of operating leases

(1) Lease fees paid by ZRC for leased assets shall be amortized on a straight-line basis over the whole lease term (including the rent-free period) and shall be included in the current expenses. The initial direct costs incurred by the Company in connection with the leasing transaction are charged to the current expenses. If the amount is large, the Company shall be capitalized and included in the current period in the same period as the lease income. When the Company undertakes the expenses related to the lease to be borne by the lessee, the Company will deduct the part of the total amount of the rental income from the rental income after deducting the rental expenses. Or rent is included in the current profits and losses when the actual occurrence.

(2) Lease fees received by ZRC from leasing assets shall be amortized on a straight-line basis over the whole lease term (including the rent-free period), and shall be recognized as lease income. Initial direct costs related to lease transactions paid by ZRC shall be included in the current expenses if the amount is large, it shall be capitalized and shall be included in the current income by stages within the whole lease term on the same basis as the recognition of lease income. Or rent is included in the current profits and losses when the actual occurrence.

3 Accounting of finance leases

(1) For the lessor: At the beginning of the lease period, the sum of the minimum lease receipt amount and the initial direct cost of the Japanese company as the book value of the receivable finance lease and record the unguaranteed residual value; The difference between the sum of the minimum lease payments, the initial direct costs and the unguaranteed residuals and their present value is recognized as unrealized financing income. The amount of long-term debt and the long-term creditor's rights due within one year after deducting the unrealized financing income. Unrealized financing income in the lease term, the actual interest rate method is used to calculate the current financing income. Or rent is included in the current profits and losses when the actual occurrence.

(2) For the lessee: At the beginning of the lease period, the Japanese company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment as the recorded value of the leased asset and the minimum lease payment as the book value of the long-term payables. As unrecognized financing costs. The initial direct costs are included in the value of the leased asset. Unrecognized financing costs the actual interest rate method is used to calculate the financing costs for the current period during the lease term. The minimum lease payments are deducted from unrecognized financing charges after the balance of long-term liabilities and long-term liabilities due within one year. Or rent is included in the current profits and losses when the actual occurrence.

(XXX) Termination of operation

Termination of operations is an integral part of the following conditions that have been disposed of by the Company or classified as held by the Company for separate purposes when operating and preparing the financial statements:

1) the component represents an independent principal business or a principal operating area
2) the component is intended to be part of an independent main business or a major operating area
3) The component is a subsidiary obtained solely for the purpose of re-sale

(XXXI) Other important accounting policies and accounting estimates

In the course of using the accounting policy, the Company needs to judge, estimate and assume the book value of the statements that cannot be accurately measured due to the inherent uncertainty of the business activities. These judgments, estimates and assumptions are based on past historical experience of the management of the Company and are based on other relevant factors. These judgments, estimates and assumptions affect the reporting amount of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, the actual results resulting from these estimated uncertainties may differ from the current estimates of the management of the Company, resulting in a significant adjustment to the carrying amount of future assets or liabilities affected. The Company makes a periodic review on the basis of the aforesaid judgments, estimates and assumptions on the basis of continuous operation. The change of accounting estimates only affects the current period of change. The number of impacts is confirmed in the current period of change; both affect the change and affect the future period. The number of changes in the current and future period to be confirmed. In the balance sheet, the company need to determine the amount of the financial statements, the important areas of estimation and assumptions are as follows:

1 Classification of leasing

In accordance with the *Accounting Standards for Business Enterprises No. 21 - Lease*, the Company classifies the leases as operating leases and finance leases. At the time of classification, the management needs to have all the risks associated with the ownership of the leased assets And the remuneration is substantially transferred to the lessee, or whether the Company has substantially assumed all the risks and rewards associated with the ownership of the leased asset, to make an analysis and judgment.

2 Provision for bad debts

In accordance with the accounting policies of accounts receivable, the Company adopts the allowance method to calculate the bad debts. Impairment of receivables is based on an assessment of the receivability of receivables, which involves management's judgment and estimation. The difference between the actual impairment of the receivables and the original estimate will affect the carrying amount of the receivable and the provision or reversal of the provision for bad debts of the receivable in the period when the estimated change is made.

3 Provision for diminution in value of inventories

According to the inventory accounting policy, the Company accrues inventory depreciation reserve according to the lower of the cost and the net realizable value, and the inventory is higher than the net realizable value and the old and the unsold inventory. Impairment of inventories to net realizable value is based on the assessment of the availability of inventories and their net realizable value. Identification of inventory impairment requires management to make conclusive evidence and take into account the purpose of holding the inventory, the balance sheet date after the impact of factors such as the basis of judgments and estimates. The difference between the actual result and the original estimate will affect the carrying amount of the inventory and the provision or reversal of the provision for diminution in value of the inventory at the time of the estimated change.

4 Fair value of financial instruments

For financial instruments that do not have an active trading market, the Company determines its fair value through various valuation methods. These valuation methods include discounted cash flow model analysis and so on. At the time of valuation, the Company is required to estimate future cash flows, credit risk, market volatility and correlation, and select the appropriate discount rate. These related assumptions are uncertain and their changes will have an impact on the fair value of financial instruments.

5 Impairment of available-for-sale financial assets

The Company determines whether the impairment of available-for-sale financial assets depends to a large extent on the judgment and assumptions of the management to determine whether it is necessary to recognize its impairment losses in the income statement. In the course of judging and making assumptions, the Company shall assess the extent to which the fair value of the investment is lower than the cost and the duration of the investment and the financial position and short-term business outlook of the investee, including industry status, technological change, credit rating, The default rate and the risk of opponents.

6 Impairment of non-financial non-current assets

At the balance sheet date, the Company determines whether there is any indication of possible impairment of non-current assets other than financial assets. Intangible assets with uncertain service life shall be subject to impairment test in addition to the annual impairment test, if there is any indication of impairment. Other non-current assets other than financial assets, when there are indications that the carrying amount of the book cannot be recovered, the impairment test. When the carrying amount of the asset or asset group is higher than the recoverable amount, i.e. the higher of the fair value less the disposal expenses and the present value of the expected future cash flow, the impairment has occurred. The net value of the fair value minus the disposal expenses is determined by reference to the price of the sale agreement or the observable market price of the similar asset in the fair trade, minus the incremental cost that can be directly attributable to the disposal of the asset. In the expected future cash flow present value, the need for the asset (or asset group) production, price, related operating costs and the use of the current value of the discount rate to make a significant judgment In estimating the recoverable amount, the Company will use all relevant information available, including projections of production, selling prices and associated operating costs based on reasonable and supportable assumptions.

7 Depreciation and amortization

The Company's depreciation and amortization of investment real estates, fixed assets and intangible assets are calculated on a straight-line basis over their useful lives after taking into account their residual values. The Company regularly reviews the useful life to determine the amount of depreciation and amortization charges to be included in each reporting period. The service life is determined by the Company based on previous experience with similar assets and in conjunction with the expected technical update. If there is a significant change in the previous estimate, the depreciation and amortization costs will be adjusted in the future.

8 Deferred income tax assets

In the event that there is likely to be sufficient taxable profits to offset the loss, the Company recognizes deferred income tax assets for all unused tax losses. This requires the management of the Company to use a large number of judgments to estimate the time and amount of future taxable profits, combined with the tax planning strategy to determine the amount of deferred tax assets should be recognized.

9 Income Tax

In the normal business activities, the Company has some uncertainty about its final tax treatment and calculation. Whether the project can be approved by the tax authorities before taxation. If the final result of these tax matters is different from the originally estimated amount, the difference will have an impact on the current income tax and deferred income tax for the final recognition period.

10 Estimated liabilities

In accordance with the terms of the contract, the existing knowledge and historical experience, the Company estimates and makes corresponding provision for product quality assurance, expected contract loss and deferred delivery breach. The best estimate of the expenditure required by the Company for the performance of the relevant current obligations in the event that the current obligation has been incurred and the performance of such current obligations is likely to cause the economic benefits to flow out of the Company Recognized as an estimated liability. The recognition and measurement of the estimated liability depends to a large extent on the judgment of the management. In the course of the judgment, the Company shall assess the risks, uncertainties and monetary time values associated with such contingencies. Among them, the Company will sell, repair and transformation of the sale of goods to customers to provide after-sales quality maintenance commitment to the estimated liabilities. The estimated operating experience of the Company has been taken into account, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this provision may affect future gains and losses.

11 Fair value measurement

Some of the Company's assets and liabilities are measured at fair value in the financial statements. In the case of an estimate of the fair value of an asset or liability, the Company adopts available observable market data; if the first level input is not available, the three parties have a qualified assessment body to carry out the valuation, in the process of the management of the company in close cooperation with them to determine the appropriate valuation technology and related model input value. The relevant information on the valuation techniques and input values used in determining the fair value of the various types of assets and liabilities are disclosed in Note III (11) "Fair value".

(XXXII) Changes of significant accounting policies and accounting estimates

1 Changes of significant accounting policies

No changes of significant accounting policies occur during this accounting period.

2 Changes of significant accounting estimates

No changes of significant accounting estimate occur during this accounting period.

(XXXIII) Correction of the previous errors

In this issue, there is no significant correction of the company.

IV. Taxation

(I) The main taxes and tax rates

Taxes	Tax basis	Tax rate

VAT	Value added in the process of sale of goods or the provision of taxable services, services	17%、11%、9%、6%、5%、0%
Business tax	Taxable turnover	5%
Land value - added tax	The transfer of state-owned land use right and the value of the added value of the property and other attachments on the ground; the pre-paid principal is paid in advance according to the prepayment rate stipulated in the real estate location.	In accordance with the provisions of the local tax authorities, the Company shall pay the land value-added tax in accordance with 2% -3% of the pre-sale income before the completion of the project. To be completed all the projects, for settlement and then liquidation, according to the rate of progressive rate of 30% -60% paid.
Property tax	Deposits, according to the original value of the original property minus 30.00% of the residual value of 1.2% of the levy; leased from the rental income of 12%	1.2%、12%
Urban maintenance and construction tax	Tax payable	7%、5%
Education surcharge	Tax payable	3%
Local education is attached	Tax payable	2%
Corporate income tax	Taxable income	25%、20%
Gold tax	Gold sales amount	3%

Notes:

(1) The VAT rate is adjusted from 15% to 9% as of January 1, 2016, according to the relevant regulations of the Vatukoula Gold Mines Limited (hereinafter referred to as VGML), a subsidiary of VGM Plc.
(2) VGML export sales for zero tax rate
(3) VGM Plc According to the financial law promulgated on 2 July 2013, the corporate income tax rate is 21% before April 1, 2015 and 20% after April 1, 2015
(4) VGML Plc subsidiary VGML sales gold in accordance with the amount of 3% of the amount of gold to pay taxes

(II) Tax concessions and approvals

According to the Circular of the State Administration of Taxation [2002] No. 142, "Notice on Gold Tax Policy", the sales of gold products produced by subsidiaries of the Company are exempted from VAT.

V. Notes to major items of consolidated financial statements

The following notes, unless otherwise specified, refer to January 1, 2016, and the end of the period is December 31, 2016; this period refers to the year 2016, the last period means 2015

(I) Notes to balance sheet Items

Note 1: Monetary capital

(1) Breakdowns

Item	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Amount in yuan	Amount in foreign currency	Exchange rate	Amount in yuan
Cash						
Including: CNY			10,708.87			19,579.49
Fiji dollar	15,200.00	3.2478	49,366.26	15,200.00	3.0423	46,242.67
Subtotal of Cash			60,075.13			65,822.16
Bank deposit						
Including: CNY			41,779,816.42			80,151,912.19
Fiji dollar	525,044.29	3.2478	1,705,228.34	115,687.32	3.0423	351,953.00
USD	695,870.21	6.8202	4,745,986.66	107,465.18	6.4176	689,672.38
HKD	5,236,890.65	0.89451	4,684,451.06	1,280,593.49	0.83778	1,072,855.61
Subtotal of Bank deposit			52,915,482.48			82,266,393.18
Other Monetary Capital						
Including CNY			65,836,291.16			35,420,494.74
Fiji Dollar	1,276,768.06	3.2478	4,146,665.25	1,272,187.88	3.0423	3,870,349.75
HKD				23,479,534.00	0.83778	19,670,683.99
Subtotal of Other Monetary Capital			69,982,956.41			58,961,528.48
Total			122,958,514.02			141,293,743.82
Among them: The total amount deposited outside the main land China			15,331,596.57			24,613,889.36

(2) Other monetary capital:

Project	The end of the period	The beginning of the year
Letter of credit	30,750,000.00	30,000,000.00
Environmental Governance Margin	1,196,600.00	1,196,600.00
Safe production margin	305,088.55	303,789.30
Time deposit	4,146,665.25	3,870,349.75
Mortgage deposit	3,493,450.21	3,920,105.44
Purchase of minority shareholders' equity		19,670,683.99
Freeze funds	30,091,152.40	
Total	69,982,956.41	58,961,528.48

(3) Until 31 December 2015, except other monetary capital, the monetary capital of ZRC is not subject to realisation restriction or potential recovery risks such as pledge or freezing

Note 2: Account receivable

(1) Breakdown

Category	The end of the period		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable in significant amounts with separate provisions for bad debts				
Accounts receivable with provision for bad debts made by group	26,603,593.36	94.52	20,316,015.64	76.37
Accounts receivable in insignificant amounts with separate provisions for bad debts	1,541,307.62	5.48		
Total	28,144,900.98	100.00	20,316,015.64	72.18

Category	The beginning of the period		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable in significant amounts with separate provisions for bad debts	16,114,804.86	32.40		
Accounts receivable with provision for bad debts made by group	33,627,908.24	67.60	19,250,614.21	57.25
Accounts receivable in insignificant amounts with separate provisions for bad debts				
Total	49,742,713.10	100.00	19,250,614.21	38.70

[Note] Description of the type of accounts receivable

(1) Accounts receivable in significant amounts with separate provisions for bad debts: Accounts receivable with amount of more than RMB 5 million (including) and provision for bad debts individually.

(2) Accounts receivable with provision for bad debts made by group: In addition to the scope (1), according to similar credit risk characteristics are divided into several combinations, according to the combination of bad debt provision for accounts receivable.

(3) Accounts receivable in insignificant amounts with separate provisions for bad debts: In addition to the scope (1), there is conclusive evidence that there is a significant difference in recoverability and receivables with provision for bad debts individually.

(2) Provision for bad debts

1) Aging combination				
Aging	Book balance		Provision for bad debts	Proportion (%)
Within 1 year	299,555.50		14,977.78	5.00
1-2 years	6,670,000.00		667,000.00	10.00
2-3 years				
3-4 years				
4-5 years				

More than 5 years	19,634,037.86		19,634,037.86	100.00
Subtotal	26,603,593.36		20,316,015.64	76.37
(2) Accounts receivable with no single amount but bad debts at the end of the period				
Company name	Book balance	Provision for bad debts	Proportion (%)	Reason
The Perth Mint	1,541,307.62			There is noπisk of impairment
Subtotal	1,541,307.62			

(3) Provision for bad debts made, recovered or reversed during the current period

A provision of 1,065,401.43 Chinese yuan is made for bad debts for the current period and nil has been recovered or reversed for provisions for bad debts.

(4) During the reporting period, the Company did not recover any other receivables through other means such as debt restructuring.

(5) Account receivable written off during the current period

No accounts receivable are written off for the current reporting period.

(6) Top 5 companies owing accounts receivables as of 31 December 2016

Customer name	Amount	Ageing	Percentage total receivables (%)
Zibo Zhongrun Xinmate Co., Ltd.	14,590,694.73	Within 1 year	51.84
Zibo Zhongrun Department Store Co., Ltd.	6,670,000.00	4-5 years, over 5 years	23.70
Perth Mint Refinery	1,541,307.62	Within 1 year	5.48
Ping An Bank Co., Ltd. Jinan Branch	299,555.50	over 5 years	1.06
Natural person	88,207.74	over 5 years	0.31
Sub Total	23,189,765.59		82.39

(7) During the reporting period, the Company did not recognize any termination of accounts receivable

Note 3: Prepayments

(1) Presented by aging

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (include 1 year)	26,665,919.35	45.40	64,173,175.18	99.08
1-2 years (include 2 years)	31,771,223.24	54.09	5,796.22	0.01
2-3 years (include 3 years)			298,456.21	0.46
Over 3 years	300,377.40	0.51	291,077.40	0.45
Total	58,737,519.99	100.00	64,768,505.01	100.00

(2) The amount of the top 5 closing balances summed by the receiver of the prepayment is 44,859,635.03 Chinese Yuan, which accounts for 69.26% of the total prepayments.

Company name	Relationship with the Company	The end of the period	Aging	Unsettled reason	Ratio to the closing balance (%)
Jinan Kailida Building Materials Co., Ltd	Non-affiliated party	18,043,868.70	1-2 years	Not yet available	30.72
Shandong Weihua Decoration Engineering Co., Ltd	Non-affiliated party	6,855,000.00	1-2 years	Not yet available	11.67
Shandong Overseas Chinese Gardening Co., Ltd	Non-affiliated party	6,553,011.98	1-2 years	Not yet available construction	11.16
JINAN QINGONG INTERNATIONAL TRADE CO LTD	Non-affiliated party	3,181,358.46	Within 1 year	The goods are not reached	5.42
RELIANCE HEXHAM PTY LTD	Non-affiliated party	1,664,247.35	Within 1 year	Not yet available	2.83
Subtotal		36,297,486.49			61.80

(3) Aging over 1 year and the amount of advance payment is not timely settlement of the reasons for the statement

Creditor	Amount of money	Not the reasons for the timely settlement
Jinan Kailida Building Materials Co., Ltd	13,908,712.30	Not yet available
Shandong Weihua Decoration Engineering Co., Ltd	6,855,000.00	Not yet available
Shandong Overseas Chinese Gardening Co., Ltd	6,553,011.98	Not yet available, have not under construction

Note 4: Other receivables

(1) Disclosure of other receivables by category

Category	Closing Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivable in significant amounts with separate provisions for bad debts				
Other receivable with provision for bad debts made by group	1,416,526,230.18	99.97	323,121,718.80	22.81
Other receivable in insignificant amounts with separate provisions for bad debts	391,179.18	0.03	265,155.00	67.78
Total	1,416,917,409.36	100.00	323,386,873.80	22.82

Category	Opening Balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivable in significant amounts with separate provisions for bad debts	519,488,000.00	39.57		
Other receivable with provision for bad debts made by group	792,047,409.13	60.32	238,989,186.77	30.17
Other receivable in insignificant amounts with separate provisions for bad debts	1,388,528.51	0.11	86,831.00	6.25
Total	1,312,923,937.64	100.00	239,076,017.77	18.21

[Note] Description of the type of accounts receivable

a. Accounts receivable in significant amounts with separate provisions for bad debts: Accounts receivable with amount of more than RMB 5 million (including) and provision for bad debts individually.

b. Accounts receivable with provision for bad debts made by group: In addition to the scope (1), according to similar credit risk characteristics are divided into several combinations, according to the combination of bad debt provision for accounts receivable.

c. Accounts receivable in insignificant amounts with separate provisions for bad debts: In addition to the scope (1), there is conclusive evidence that there is a significant difference in recoverability and receivables with provision for bad debts individually.

(2) Provision for bad debts

a. Aging combination

Ageing	31 December 2016		
	Other receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	691,570,552.97	34,578,527.54	5.00
1-2 years (including 2 years)	33,012,009.60	3,301,200.99	10.00
2-3 boars (including 3 years)	443,768.94	88,753.80	20.00
3-4 years (Including 4 years)	381,700,978.02	114,510,293.43	30.00
4-5 years (including 5 years)	231,926,629.38	92,770,651.77	40.00
Over 5 years	77,872,291.27	77,872,291.27	100.00
Total	1,416,526,230.18	323,121,718.80	22.81

b. Other receivable in significant amounts with separate provision for bad debts at the end of the period

Company name	Book balance	Provision for bad debts	Proportion (%)	Reason
Social security fee	24,497.19			There is no risk of impairment
Housing fund	101,526.99			There is no risk of impairment
Baoding Pumps	22,500.00	22,500.00	100.00	Individual identification cannot be recovered
Shandong Zhaoyuan Gold Machinery Factory	4,555.00	4,555.00	100.00	Individual identification cannot be recovered
Shandong Jingjin Pressure Machinery Group	13,100.00	13,100.00	100.00	Individual identification cannot be recovered
Yunnan Qujing 317 Drilling	100,000.00	100,000.00	100.00	Individual identification cannot be recovered
Sichuan ecological environment company	25,000.00	25,000.00	100.00	Individual identification cannot be recovered
Sichuan Forestry Science Research Institute	100,000.00	100,000.00	100.00	Individual identification cannot be recovered
Subtotal	391,179.18	265,155.00	67.78	

(3) Provisions for bad debts made recovered or reversed during the current period

A provision of 19,971.34 Chinese yuan is made for bad debts for the current period. The amount of provision for bad debts in the current period is RMB 84,495,321.94. The amount of bad debt provision for the current period is RMB 179,217.58. The amount of bad debt provision in the current period is RMB 14,723.01.

(4) During the reporting period, the Company did not recover any other receivables through other means such as debt restructuring.

(5) Other receivables classified by nature

Nature of payment	The end of the period	The beginning of the year

Disposal of subsidiaries	598,622,348.69	628,622,348.69
Travels	757,945,549.44	619,879,394.98
Deposit and deposit	56,479,570.59	62,373,025.57
Employee Sponsorship Loan	1,329,116.18	914,153.44
Collection and payment	2,540,824.46	1,135,014.96
Total	1,416,917,409.36	1,312,923,937.64

(6) Top 5 companies owing other receivables as of 31 December 2016

Customer name	Amount	Ageing	Percentage of the total other receivables (%)
Li, Xiaoming	554,960,000.00	Within 1 year	39.17
Shandong Ansheng Asset Management Group Co., Ltd	369,300,000.00	3 - 4 years	26.06
Qilu Property Co., Ltd	229,322,348.69	4 - 5 years	16.18
Perth International Electronics (Beijing) Co., Ltd	124,963,854.01	Within 1 year	8.82
Zibo City Housing Authority	40,255,600.00	1-2 years, 3-4 years	2.84
Subtotal	1,318,801,802.70		93.07

[Notes]

(1) Other receivables Li Xiaoming, Shandong Ansheng Asset Management Group Co., Ltd. (hereinafter referred to as "AXA Assets"), Qilu Property Co., Ltd. (hereinafter referred to as "Qilu Property") for the formation of the reasons and recovery see Note 13, (three).

(2) Other receivables Pepsi International Electronics (Beijing) Co., Ltd. (hereinafter referred to as "Perth") for the company's external loans.

In August 2015, in accordance with the plan to promote the implementation of the mine project, in order to support the implementation of the project, the Company intends to sign the loan contract with the company, the voluntary loan RMB300 million (borrowing interest rate is based on the current bank one-year loan interest rate) to the company, for the company's iron ore project pre-survey and design work. Nanan Bei'an Fortune Management Co., Ltd. (hereinafter referred to as "Nanan Bei'an Fortune"), a wholly-owned subsidiary of Nanan Bei'an, provides an unconditional joint and several liability guarantee. Perth is an affiliated company of the Ilro River Iron Ore Co., Ltd. for the actual use of funds. As at 31 December 2016, the Company had received a total of RMB 117,070,000.00 from Pei Si Company and a consideration of RMB 7,893,854.01 for Perth's capital occupation.

(7) During the reporting period, the Company has no other receivables that have been derecognized

Note 5: Inventories

(1) Breakdowns

Items	Closing balance			Opening balance		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Raw materials	64,926,209.93		64,926,209.93	40,339,247.45		40,339,247.45
In the product	22,217,707.11		22,217,707.11	15,070,839.38		15,070,839.38
Has developed products	570,994,673.66	178,442.62	570,816,231.04	811,946,718.69	302,586.52	811,644,132.17
Under construction	151,762,911.55		151,762,911.55	125,632,446.76		125,632,446.76
products						
Auxiliary material	1,659,432.93		1,659,432.93	1,888,497.47		1,888,497.47
Total	811,560,935.18	178,442.62	811,382,492.56	994,877,749.75	302,586.52	994,575,163.23

[Note] Inventories at the end of the period are not used for debt guarantee.

(2) Breakdown of finished products as of 31 December 2016

Name of project	Completion time of phase I	Total investment (in 10,000 Chinese yuan)	Value at 31 December 2015
OTC phase 1	March 2006	26,319.38	10,000,404.29
OTC phase 2	May 2007	25,360.00	18,726,140.59
OTC phase 3	March 2007	39,633.60	18,439,235.99
OTC phase 4	December 2009	51,961.00	13,164,993.52
OTC phase 5	December 2012	20,899.09	18,838,816.56
OTC phase 6	December 2013	71,899.55	491,825,078.71
Total		236,072.62	570,994,673.66

(3) Breakdown of products in progress as of 31 December 2016

Name of projects	Start time of products in progress	Completion time of phase I	Estimated total investment (in 10,000 yuan)	31 December 2015
OTC phase 3	October 2005	March 2007	29,253.00	103,550,263.22
OTC phase 6	June 2010	December 2013	128,535.00	48,212,648.33
Total			157,788.00	151,762,911.55

(4) Inventory impairment

a. Changes

Category	The beginning of the period increased	Increased current period	This period is reduced		The end of the period
			Turn back	Reseller	
Waters of Venice (3 groups)	302,586.52			124,143.90	178,442.62
Subtotal	302,586.52			124,143.90	178,442.62

b. Impairment made, recovered or reversed during the current period

At the end of the period, there was no impairment of inventories, so no provision for impairment of inventories was made.
No reversal of the provision for diminution in value of inventories in the current period.

(5) Capitalization of borrowing costs in ending balance

Inventory item name	Ending balance	Where the borrowing costs are capitalized

Has developed products	570,994,673.66	3,066,424.47
Subtotal	570,994,673.66	3,066,424.47

Note 6: Other current assets

1. Details of the situation

Project	The end of the period	The beginning of the year
Prepayment to pay taxes	43,943,899.25	56,699,596.05
* VAT to be refunded	15,107,793.58	22,302,516.60
Total	59,051,692.83	79,002,112.65

Note: VAT to be refunded is a VAT refund for VGML, a subsidiary of the Company.

2. At the end of the period, there were no obvious signs of impairment of other current assets, so no provision for impairment was made.

Note 7: Available-for-sale financial assets

1. Breakdown

Project	The end of the period	The beginning of the year
Available for sale debt instruments		
Available for sale of equity instruments		
Measured at fair value	16,192,890.00	7,373,204.99
Measured by cost		
Other		
Total	16,192,890.00	7,373,204.99

2. There is no reclassification of held-to-maturity investments in the balance of available-for-sale financial assets at the end of the period.

3. Available - for - sale financial assets at fair value

Project	The fair value at the end of the period	Fair value at the beginning of the period
Available for sale debt instruments		
Available for sale of equity instruments	16,192,890.00	7,373,204.99
Other		
Subtotal	16,192,890.00	7,373,204.99

4. Reasons for the provision for impairment of available - for - sale financial assets and basis

(1) The cost of the available-for-sale financial assets at the end of the period (amortized cost), fair value, the amount of the fair value change accrued to other comprehensive income, and the amount of the provision for impairment:

Available for sale of financial assets	Available for sale debt instruments	Available for sale of equity instruments	Total
Equity tool costs / amortization cost of debt instruments	60,876,758.15		60,876,758.15
Fair value	16,192,890.00		16,192,890.00
The amount of changes in fair value that are accrued to other comprehensive income	10,637,745.53		10,637,745.53
Amount of impairment has been accrued	55,321,613.68		55,321,613.68

(2) Changes in the impairment of available-for-sale financial assets in the current period

Available for sale of financial assets	Available for sale debt instruments	Available for sale of equity instruments	Total
The amount of impairment has been accrued at the beginning of the period	56,084,728.91		56,084,728.91
In this issue			
Which: from other comprehensive income into			
This period is reduced	763,115.23		763,115.23
Which: after the fair value of the recovery back			
Available for sale of financial assets	Available for sale debt instruments	Available for sale of equity instruments	Total
Translation of foreign currency statements	763,115.23		763,115.23
Provision is made at the end of the period	55,321,613.68		55,321,613.68

Note 8: Investment real estate

1. Breakdown

			Increased current period		This period is reduced	
Items	The beginning of the year	Outsourcing	Stock transfer	Business combination increases	Dispose of other transfers	The end of the period
(1)The original book value						
Houses and buildings	124,252,620.23		70,440,329.97			194,692,950.20
Land use rights						
Construction in progress						
Total	124,252,620.23		70,440,329.97			194,692,950.20
(2) Accumulated Depreciation /			Accrual / amortization			
Amortization						
houses and buildings	23,607,997.80		4，009,888.39			27,617,886.19
Land use rights						
Construction in progress						
Total	23,607,997.80		4，009,888.39			27,617,886.19
(3) Impairment provision			Accrual			
Houses and buildings						
Land use rights						

Construction in progress						
Total						
(4) Book value						
Houses and buildings	100,644,622.43					167,075,064.01
Land use rights						
Construction in progress						
Total	100,644,622.43					167,075,064.01

2.At the end of the period, there was no obvious indication of impairment of investment property, so no provision for impairment was made.

3.The end of the investment real estate for mortgage security situation.

Items	Original value	Accumulated depreciation	Book net worth
Building	124,252,620.23	26,980,568.92	97,272,051.31

4. At the end of the period there is no real estate certificate of investment real estate

Note 9: fixed assets

Items	The beginning of the year	Increased current period		Reduced current period		The end of the period
		Purchase	Construction in progress	Disposed of or scrapped	Foreign currency translation	
(1) the original book value						
Houses and buildings	63,654,924.09		480,000.00		-675,720.55	64,810,644.64
Mechanical equipment	160,292,932.63	12,388,178.00	12,031,691.03	16,400.00	-10,322,160.03	195,018,561.69
Means of transport	57,103,930.44	16,449,998.82		168,583.00	-3,647,672.60	77,033,018.86
Well Lane	205,124,370.13	73,999,291.75			-15,836,270.86	294,959,932.74
Land	8,305,666.12				-561,043.25	8,866,709.37
Total	494,481,823.41	102,837,468.57	12,511,691.03	184,983.00	-31,042,867.29	640,688,867.30
(2) Accumulated depreciation		Provision				
Houses and buildings	26,356,867.77	7,406,044.36			-259,067.60	34,021,979.73
Mechanical equipment	56,777,368.38	25,982,315.35		15,097.00	-3,765,440.22	86,510,026.95
Means of transport	27,991,343.06	9,888,931.49		98,420.00	-1,728,609.30	39,510,463.85
Well Lane	15,080,037.57	14,464,869.84			-1,405,730.23	30,950,637.64
Land	96,782.78	100,627.59			-9,230.45	206,640.82
Total	126,302,399.56	57,842,788.63		113,517.00	-7,168,077.80	191,199,748.99
(3) Impairment provision		Provision				
Houses and buildings	170,299.90				-47,491.64	217,791.54
Mechanical equipment	11,950.93				-3,332.72	15,283.65
Means of transport	73,141.90				-20,397.08	93,538.98
Well Lane						
Land						
Total	255,392.73				-71,221.44	326,614.17
(4) Book value						
Houses and buildings	37,127,756.42					30,570,873.37
Mechanical equipment	103,503,613.32					108,493,251.09
Means of transport	29,039,445.48					37,429,016.03
Well Lane	190,044,332.56					264,009,295.10
Land	8,208,883.34					8,660,068.55
Total	367,924,031.12					449,162,504.14

[Note] Depreciation amount of RMB 57,842,788.63. The original value of fixed assets transferred from construction in progress is RMB 12,511,691.03. At the end of the period has been depreciated. The original value of fixed assets that continue to be used is RMB 18,867,142.39.

2. Explanation on the Reason and Basis of Provision for Depreciation of Fixed Assets
At the end of the period, there was no obvious indication of impairment of fixed assets, so no provision for impairment was made.
3. Temporarily idle fixed assets
During the reporting period, the Company had no temporary idle assets.

4. Fixed assets leased by finance leases
During the reporting period, the Company has no fixed assets leased under finance lease.

5. Operating lease leased fixed assets
During the reporting period, the Company had no fixed assets leased out of lease.

6. At the end of the period, there is no fixed assets with no title certificate.

7. At the end of the period, the Company has no fixed assets for borrowing.

Note 10: Construction in progress

1. Breakdown

Project name	The end of the period			The beginning of the year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Mine road, tailings	1,416,128.00		1,416,128.00	1,416,128.00		1,416,128.00
Tailings dam expansion and renovation project	14,802,399.46		14,802,399.46	6,824,394.42		6,824,394.42
Equipment not yet installed	4,931,913.63		4,931,913.63	11,135,880.70		11,135,880.70
Other	226,946.50		226,946.50	226,946.50		226,946.50
Total	21,377,387.59		21,377,387.59	19,603,349.62		19,603,349.62

2. Significant changes in construction in progress

Project name	Budget	Opening Balance	Increased current period
Mine road, tailings	2,832,256.00	1,416,128.00	
Tailings dam expansion and renovation project	17,912,171.10	6,824,394.42	7,829,919.71
Equipment not yet installed	8,717,503.42	11,135,880.70	6,276,008.65
Other	283,683.13	226,946.50	480,000.00
Total	29,745,613.65	19,603,349.62	14,585,928.36

Project name	Transferred to fixed assets in the current period	Other reductions in this period	Foreign currency translation difference	Ending balance
Mine road, tailings				1,416,128.00
Tailings dam expansion and renovation project		508,812.70	656,898.03	14,802,399.46
Equipment not yet installed	12,031,691.03	1,019,210.38	570,925.69	4,931,913.63
Mine road, tailings				1,416,128.00
Other	480,000.00			226,946.50
Subtotal	12,511,691.03	1,528,023.08	1,227,823.72	21,377,387.59

Project name	Project investment ratio (%)	Interest capitalization Which: the current interest income Current interest capital				
		Project progress (%)	Amount of money	The amount of the amount	Ratio of change	Sources of funds
Mine road, tailings	50.00	50.00				Self-raised
Tailings dam expansion and renovation project	82.64	82.64				Self-raised
Equipment not yet installed	56.70	56.70				Self-raised
Other	80.00	80.00				Self-raised
Total	71.87	71.87				

3. Provision for impairment of construction in progress
At the end of the period, there was no evidence of significant impairment of construction in progress.

4. Instructions for construction in progress at the end of the period for borrowing
At the end of the period, there is no construction in progress for borrowing.

Note 11: Intangible assets

1. Breakdown

Project	The beginning of the year	Increased current period			Reduced current period		The end of the year
		Purchase	Internal research and development	Foreign currency translation increased	Dispose	Other	
(1) the original book value							
Mining rights	166,718,499.47			9,461,415.95			176,179,915.42
Prospecting rights	235,894,741.10	29,104,275.47		1,445,180.00			266,444,196.57
Other	4,478,170.86	403,637.74		266,029.39			5,147,837.99
Total	407,091,411.43	29,507,913.21		11,172,625.34			447,771,949.98
(2) Accumulated amortization		Provision	Other		Dispose	Other	
Mining rights	42,390,650.95	8,377,321.72		1,287,438.87			52,055,411.54
Prospecting rights							
Other	1,452,699.79	523,454.76		44,500.63			2,020,655.18
Total	43,843,350.74	8,900,776.48		1,331,939.50			54,076,066.72
(3) Impairment provision		Provision	Other		Dispose	Other	
Mining rights							
Prospecting rights	37,845,716.19	50,000.00		1,445,180.00			39,340,896.19
Other	669,884.85			186,810.82			856,695.67
Total	38,515,601.04	50,000.00		1,631,990.82			40,197,591.86
(4) Book value							
Mining rights	124,327,848.52						124,327,848.52
Prospecting rights	198,049,024.91						227,103,300.38
Other	2,355,586.22						2,270,487.14
Total	324,732,459.65						353,498,291.40

[Note] The current amortization is RMB 8,900,776.48.
The Company has no intangible assets formed through internal research and development.

2. Explanation on the Reason and Basis of Provision for Impairment of Intangible Assets
The provision for impairment of the exploration rights of RMB 500.00.00 in the current period is the related expenses incurred by the prospecting rights overdue period.

3. The intangible assets used for mortgage or guarantee at the end of the period.

4. At the end of the period, there was no intangible asset.

Note 12: Deferred income tax assets / deferred income tax liabilities

1. Deferred tax assets and deferred income tax liabilities are not shown as net offsets

(1) Unrecognized deferred income tax assets and liabilities:

Deferred income tax assets	The end of the period		The beginning of the year	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences

Bad debt provision for income tax effect	13,205,652.17	52,822,608.69	13,765,672.64	55,062,690.56
The effect of the income tax on the provision for diminution in value	44,610.56	178,442.22	75,646.63	302,586.52
Income tax on income	17,754,754.66	71,019,018.64	22,247,866.40	88,991,465.62
Total	31,005,017.39	124,020,069.55	36,089,185.67	144,356,742.70

Deferred income tax assets	The end of the period		The beginning of the year	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Bad debt provision for income tax effect	3,647,673.66	14,590,694.62	3,742,036.28	14,968,145.03
The effect of the income tax on the provision for diminution in value	982,165.06	3,928,660.23	6,625,524.09	26,502,096.36
Income tax on income	4,629,838.72	18,519,354.85	10,367,560.37	41,470,241.39
Total				

Project		The end of the period		The beginning of the year
Deductible temporary differences				
Deductible loss		336,267,138.83		353,687,182.71
Provision for bad debts		290,639,668.91		203,350,772.42
Impairment of intangible assets		39,340,896.19		37,845,716.19
Expected liabilities		11,350,000.00		11,350,000.00
Interest payable		132,613.61		132,613.61
Subtotal		677,730,317.54		606,366,284.93

(3) The deductible loss of unrecognized deferred income tax assets will expire in the following years

Years	The end of the period	The beginning of the year	Remarks
2016		4,903,697.02	
2017	19,173,798.85	70,851,550.41	
2018	167,032,729.13	160,698,782.63	
2019	74,800,377.89	73,998,169.39	
2020	43,234,983.26	43,234,983.26	
2021	32,025,249.70		
Subtotal	336,267,138.83	353,687,182.71	

Note 13: Other non-current assets

1. Breakdown

Project	The end of the period	The beginning of the year
Self - built power station	37,107,989.70	
Total	37,107,989.70	

2. The amount of other non-current assets of the larger description

Self-built power station prepayment for VGML Plc subsidiary VGML prepaid PDV INTERNATIONAL (HK) LTD's self-built power station prepayment.

Note 14: Short term borrowings

1. Breakdown

Loan category	The end of the period	The beginning of the year
Guaranteed borrowing	300,000,000.00	
Credit loan		1,450,791.03
Total	300,000,000.00	1,450,791.03

Note: The Company is provided by Yantai Trendy Industrial Co., Ltd. to guarantee the borrowing of RMB 300 million from Yantai Bank Muping Sub-branch.

2. Significant short-term borrowings that have been overdue Due from the reporting period The Company has no overdue short-term borrowings.

Note 15: Short term borrowings

1. Breakdown

Aging	The end of the period	The beginning of the year
Within one year	100,860,358.08	167,832,975.24
One-two years	53,316,608.94	27,523,345.23
Two-three years	19,363,422.10	21,088,716.25
Over three years	13,808,564.97	40,093.16
Total	187,348,954.09	216,458,129.88

2. Aging over 1 year

Company name	The end of the period	The reason of unsettlement
Suzhou construction group co., LTD. Zibo branch	21,970,521.62	Does not meet the settlement criteria
Shandong Bao cheng real estate co., LTD	27,206,459.82	Does not meet the settlement criteria
Shandong Gao yang construction co., LTD	8,640,992.61	Does not meet the settlement criteria
Total	57,817,947.05	

Note 16: Advance payment

1. Breakdown

Project	The end of the period	The beginning of the year
OCT a pre - sale housing	959,778.10	119,658.10
OCT Phase II prepayment	425,000.00	20,000.00
OCT three pre - sale housing	17,647,836.00	17,888,123.00
OCT four pre - sale housing	1,338,871.00	94,179.00
OCT five pre - sale housing	3,833,737.00	4,245,381.00
OCT six pre - sale housing	422,335,936.50	532,465,319.00
Total	446,541,158.60	554,832,660.10
2. The advance receipts are presented as follows:		
Aging	The end of the period	The beginning of the year
Within 1 year	117,370,436.50	180,716,154.00
1-2 years	50,741,086.00	167,725,757.00
2-3 years	154,465,848.00	90,521,416.00
Over 3 years	123,963,788.10	115,869,333.10
Total	446,541,158.60	554,832,660.10
3. A description of the reasons for the large amount of advance receipts that are not more than one year old		
Project name	The end of the period	Outstanding or carry forward
Zibo Rongsheng Real Estate Co., Ltd	25,290,000.00	Not yet completed
Zibo Jingyuan Property Co., Ltd	23,436,000.00	Not yet completed
Wang Lin	15,582,000.00	Not yet completed
Zibo City Central Hospital	6,000,000.00	Not yet completed
Zheng Tong	5,050,000.00	Not yet completed
Subtotal	75,358,000.00	

Note 17: Payroll payables

1. Breakdown

Item	Opening balance	Increase in the current period	Decrease in the current period	Foreign currency translation difference	Closing balance
(1) short pay	12,309,236.08	143,429,600.96	142,251,653.04	537,600.46	14,024,784.46
(2) after-service benefits - set the deposit plan	1,258,433.98	14,943,608.97	14,676,866.27	69,665.79	1,594,842.47
(3) dismissed benefits		331,358.66	331,358.66		
(4) other benefits due within the other year					
	13,567,670.06	158,704,568.59	157,259,877.97	607,266.25	15,619,626.93
Total					
2.Short-term remuneration					

Item	Opening balance	Increase in the current period	Decrease in the current period	Foreign currency translation difference	Closing balance
(1) wages, bonuses, allowances and subsidies	3,359,015.53	135,950,864.30	135,150,040.65	246,301.81	4,406,140.99
(2) Employee benefits	143,693.46	530,205.65	673,899.11		
(3) social insurance	1,521,557.22	2,506,574.72	2,386,683.20	101,466.31	1,742,915.05
Among them: medical insurance	66,948.39	475,570.86	475,570.86		66,948.39
Work injury insurance	1,454,608.83	1,982,860.50	1,862,968.98	101,466.31	1,675,966.66
Maternity insurance		48,143.36	48,143.36		
(4) housing provident fund	207,691.99	609,012.08	646,588.08		170,115.99
(5) union funds and staff education funding	4,305,967.71	406,253.11	66,098.15		4,646,122.67
(6) short-term paid absenteeism	2,771,310.17	3,426,691.10	3,328,343.85	189,832.34	3,059,489.76
(7) short-term profit sharing plan					
Subtotal	12,309,236.08	143,429,600.96	142,251,653.04	537,600.46	14,024,784.46
3. Set the deposit plan					
Items	Opening balance	Increase in the current period	Decrease in the current period	Foreign currency translation difference	Closing balance
(1) basic old-age insurance	284,750.66	1,269,195.18	1,269,195.18		284,750.66
(2) unemployment insurance premiums	48,025.25	61,161.08	61,161.08		48,025.25
(3) other	925,658.07	13,613,252.71	13,346,510.01	69,665.79	1,262,066.56
Subtotal	1,258,433.98	14,943,608.97	14,676,866.27	69,665.79	1,594,842.47

Note: other units VGML provision of provident fund (provident fund)

4. Other instructions
At the end of the period there is no arrears of wages payable.

Note 18: Tax payables

1. Breakdown

Project	The end of the period	The beginning of the period
VAT	935,339.87	-13,219.81
Business tax	34,639.85	1,765,287.45
Urban maintenance and construction tax	77,914.82	123,612.12
Corporate income tax	13,244,828.89	13,533,398.44
Property tax	301,513.04	17,772.67
Stamp duty	18,420.80	41,546.56
Land holding tax	444,509.07	980,331.73
Education surcharge	55,653.45	88,294.41

Special funds for water conservancy construction	11,130.69	17,658.89
Withholding of personal income tax	737,698.25	624,361.17
Other	988,192.14	413,121.95
Total	16,849,840.87	17,592,767.58

Note 19: Interest payables

Project	The end of the period	The beginning of the period
Short-term loan	498,437.50	
Other	22,995,444.66	132,613.61
Total	23,493,882.16	132,613.61

Note 20: Other payables

1. Breakdown

Project	The end of the period	The beginning of the period
Travels	390,147,324.28	574,716,968.74
Development of collection and payment	22,712,140.55	18,816,490.51
Purchase sincerity gold	4,856,429.24	5,450,616.24
To be liquidated	39,581,459.21	27,164,667.65
Other	4,446,597.80	465,373.46
Total	461,743,951.08	626,614,116.60
2.A description of the large amount of other payables aged over 1 year		
Company name	The end of the period	Outstanding or carry forward
Shandong Bona Investment Co., Ltd	39,166,533.92	Shareholders' borrowings
Sichuan Salt Industry Company	7,608,616.50	Not paid
Subtotal	46,775,150.42	

Note 21: Non-current liabilities due within one year

1. Breakdown

Item	The end of the period	The beginning of the period
Long-term borrowings due within one year	29,957,742.64	45,000,000.00
Bonds payable due within one year		
Long term payables due within one year		
Total	29,957,742.64	45,000,000.00

2.Long-term borrowings due within one year		
(1) details of the situation		
Loan category	The end of the period	The beginning of the period
Mortgage / guarantee loan	29,957,742.64	45,000,000.00
Subtotal	29,957,742.64	45,000,000.00

Note 22: Other non-current liabilities

1. Breakdown

Project and content	The end of the period	The beginning of the period
Vatukoula Social Assistance Trust Fund	765,148.57	3,752,008.79
Total	765,148.57	3,752,008.79

[Note] The Social Assistance Trust is a trust fund established by Trust Deed, a former VGML operator and a local mining association based on Trust Deed signed on 8 December 2009 to provide relief to those who have been unemployed. According to Trust Deed, VGML has to pay 6 million Fiji dollars. As of December 31, 2016, VGML is still required to pay 235,591.06 Fijian dollars.

Note 23: long-term loans

1. Breakdown

Loan category	The end of the period	The beginning of the period
Mortgage / guarantee loan	97,362,663.59	145,268,026.33
Total	97,362,663.59	145,268,026.33

Note: Long-term borrowings of € 17,425,000.00, of which: € 4,100,000.00 due within one year, equivalent to RMB29,957,742.64; long-term borrowings of RM313,325,000.00, equivalent to RMB97,362,663.59.
The loan is provided by VGM Plc with full guarantee of the standby letter of credit opened by the Company at Bank of China Co., Ltd. Jinan Beiyuan Road Brnach. The Zibo Zhongrun Zibo Xinmaot Real Estate Project and the Land Use Right Mortgage and Loan Comprehensive, the rate is 5.75% / year.

2. Long - term borrowings - foreign currency borrowings

Currency		The end of the period			The beginning of the period	
	Amount of original currency	Exchange rate	Equivalent to the amount of RMB	Amount of original currency	Exchange rate	Equivdlent to the amount of RMB
EUR	13,325,000.00	7.3068	97,362,663.59	20,500,000.00	7.0952	145268,026.33
Subtotal	13,325,000.00		97,362,663.59	20,500,000.00		145268,026.33

Note 24: long-term payroll payable

1. Breakdown

Project	The end of the period	The beginning of the period
Other long-term benefits	1,366,819.40	887,747.39
Total	1,366,819.40	887,747.39

Note: Other long-term benefits are VGML's long-term leave benefits.

Note 25: Estimated liabilities

Project	The end of the period	The beginning of the period	The cause of the formation
Expected loss	11,350,000.00	11,350,000.00	Expected overdue loan guarantee loss
Depreciation liabilities related to mine reclamation	54,542,940.63	51,585,202.90	Expected mine repair costs
Total	65,892,940.63	62,935,202.90	

Note: The estimated liabilities related to the above mine reclamation are the estimated cost of the mine repair for VGM Plc affiliates.

Note 26: Equity Capital

1. Breakdown

	Opening balance	Change of the year(+,-)					Closing
		Issue of new share	Bonus shares	Provident Fund shares	Other	Subtotal	
Total equity	929,017,761.00						929,017,761.00

2. Explanation of changes in shareholding in the current period
There was no change in the share capital of the Company during the reporting period.

Note 27: Capital reserve

1. Breakdown

Project	The beginning of the period	Increase in the current period	Reduced in the current period	The end of the period
Share premium	31,117,140.96	20,142,393.22		51,259,534.18
Total	31,117,140.96	20,142,393.22		51,259,534.18

Note: The increase in capital reserve in this period is the acquisition of VGM Plc minority shareholders by the subsidiary of Zhongrun International Mining Co., Ltd. (hereinafter referred to as "Zhongrun International").

Note 28: Other comprehensive income

1. Breakdown

		Changes in current period					
Project	The beginning of the period	Current amount before the current income tax	Deduct: Earnings are included in other consolidated income	Deduct: income tax expense	After tax attribution to the parent company	After tax attributable to minority shareholders	The end of the period
(1) Other comprehensive benefits that will be reclassified into profit and loss							
2) Gains and losses from changes in fair value of available-for-sale financial assets	2,581,175.75	8,056,569.78		8,056,569.78			10,637,745.53
2) Foreign currency translation of financial statements	-20,517,181.66	34,905,769.53			25,891,088.82	9,014,680.71	5,373,907.16
3) Other	-2,281,342.90						-2,281,342.90
Total	-20,217,348.81	42,962,339.31			33,947,658.60	5,014,680.71	13,730,309.79

Note 29: Special reserves

Project	The beginning of the period	Increased current period	Reduced current period	The end of the period
Safe production costs	142,443.09		126,849.71	15,593.38
Total	142,443.09		126,849.71	15,593.38

Note 30: Earned Surplus

1. Breakdown

Project	The beginning of the period	Increased current period	Reduced current period	The end of the period
Statutory surplus reserve	77,898,985.76			77,898,985.76
Total	77,898,985.76			77,898,985.76

Note 31: Undistributed profits

1. Breakdown

Project	Balance

Balance at the end of last year	417,282,550.86
Plus: the beginning of the undistributed profit adjustment	
Adjusted balance at the beginning of the year	417,282,550.86
Plus: net profit attributable to owners of the parent company in the current period	8,789,257.54
Other transferred	
Less: withdraw statutory surplus reserve	
Withdraw any surplus reserve	
Payable to common stock dividends	
Convert to common stock profit	
Owners' rights are carried over internally	21,332,812.92
No profit at the end of the period	404,738,995.48

Note: In the current period, the subsidiary company, Zhongrun Mining Development Co., Ltd. (hereinafter referred to as "Zhongrun Mining"), is a subsidiary of the Company.

(II) Notes to statement of profit and loss

Note 32: Operating income/ operating costs

1. Breakdown

Project	Number of current periods		Number of previous years	
	Income	Cost	Income	Cost
Main business income	804,605,741.56	503,263,356.55	1,372,474,488.34	1,035,626,793.24
Other operating income	7,527,271.96	4,078,460.39	15,353,988.52	3,372,571.12
Total	812,133,013.52	507,341,816.94	1,387,828,476.86	1,038,999,364.36
2.Main business income / main business cost by product list				
Product name	Number of current periods		Number of previous years	
	Income	Cost	Income	Cost
Real estate sales	409,102,764.59	225,670,028.01	1,055,708,637.00	779,563,528.66
Gold sales	395,502,976.97	277,593,328.54	316,765,851.34	256,063,264.58
Subtotal	804,605,741.56	503,263,356.55	1,372,474,488.34	1,035,626,793.24
3. Main business income / main business cost (by region)				
Area name	Number of current periods		Number of previous years	
	Income	Cost	Income	Cost
Zibo area	409,102,764.59	225,670,028.01	1,055,708,637.00	779,563,528.66
Fiji area	395,502,976.97	277,593,328.54	316,180,851.34	255,587,907.81
Sichuan Pingwu area			585,000.00	475,356.77
Subtotal	804,605,741.56	503,263,356.55	1,372,474,488.34	1,035,626,793.24
4.The top five customers of the company's operating income				
Client's name		Operating income		Percentage of total

				operating income (%)
The Perth Mint		395,502,976.97		48.70
Zibo Zhongrun new special Limited		6,168,480.66		0.76
Natural person1		5,268,886.00		0.65
Natural person 2		5,109,026.67		0.63
Natural person 3		4,565,296.00		0.56
Subtotal		416,614,666.30		51.30

Note: The top five customers in the company with the natural person's operating income for the sale of housing revenue.

Note 33: Business tax and surcharges

Project	Number of current periods	Number of previous years
Business tax	14,862,921.61	53,319,894.43
Urban maintenance and construction tax	1,422,742.81	3,732,392.63
Land value - added tax	20,684,792.16	49,185,860.84
property tax	669,753.59	
Stamp duty	144,678.59	
Education surcharge	847,156.39	2,572,738.12
Water Conservancy Construction Fund	103,458.08	287,900.95
Gold tax	11,732,641.45	9,375,049.31
Total	50,468,144.68	118,473,836.28

[Note] For details, please refer to the description of "Tax" in Note IV.

Note 34: Sales expense

Item	2016	2015
Labour cost	4,372,229.62	2,563,897.89
Administrative and marketing expenses	12,982,654.77	8,158,530.14
Other	142,632.74	396,367.00
Total	17,497,517.13	11,118,795.03

Note 35: Administrative expense

Item	2016	2015
Labor cost	19,869,876.33	24,596,427.45
Administrative and functional expenses	78,405,715.31	68,547,473.39
Property expense	2,373,248.17	2,878,604.35
Tax	361,162.23	3,201,713.55
Other	1,138,710.57	6,900,614.22
Total	102,148,712.61	106,124,832.96

Note 35: Financial expense

Item	2016	2015
Interest expenditure	48,812,577.64	8,715,447.97
Less: interest income	8,913,868.96	254,501.92
Less: exchange gain	33,856,469.26	24,981,523.46
Fees	145,876.14	
Other	1,960,663.18	538,824.74
Total	8,148,778.74	-15,981,752.67

Note 37: Asset impairment loss

Item	Number of current periods	Number of previous years
Bad debt loss	85,540,752.03	58,675,134.08
Loss on inventory depreciation	50,000.00	14,305,918.00
Impairment loss of available-for-sale financial assets		12,556,174.60
Total	85,590,752.03	85,537,226.68

Note 38: Non-operating income

(1) Breakdown

Item	Number of current periods	Number of previous years	The amount of current non-recurring gains and losses
Total gains from disposal of non-current assets	1,163.00	579,737.63	1,163.00
Including: gains from disposal of fixed assets	1,163.00	529.32	1,163.00
Loss from debt restructuring		579,208.31	
Donations	134,450.00	103,300.00	134,450.00
Other	917,217.97	2,095,094.30	917,217.97
Total	1,052,830.97	2,778,131.93	1,052,830.97

Note 39: Non-operating expenses

Item	2016	2015	Amounts included in the non-recurrent profit and loss for the current period
Total losses from disposal of non-current assets	1,163.00	579,737.63	1,163.00
Including losses from disposal of fixed assets	1,163.00	529.32	1,163.00
Losses from debt restructuring		579,208.31	
losses from exchange of non-monetary assets			
Donations	134,450.00	103,300.00	134450.00
Other	917,217.97	2,095,094.30	917,217.97
Total	1,052,830.97	2,778,131.93	1,052,830.97

Note 40: Income tax expenses

1. Breakdown

1.Breakdown		
Project	Number of current periods	Number of previous years
Current income tax expense	32,170,189.85	4,103,552.13
Deferred income tax expense	-653,553.37	23,441,871.72
Total	31,516,636.48	27,545,423.85

2. Accounting profit and income tax adjustment process	
Project	Number of current periods
The total profit	48,401,688.77
Income tax on statutory / applicable tax rates	13,350,422.19
Subsidiaries are subject to different tax rates	-[illegible],402,418.02
Adjust the impact of previous income tax	
Non-taxable income	
Non-deductible costs, costs and losses	4,535,180.88
The use of pre-recognized deferred tax assets of the deductible loss of the impact	-12,230,262.14
No deductible temporary differences or deductible losses of deferred income tax assets	30,163,713.57
Income tax expense	31,516,636.48

Note 41: Other comprehensive income

1. Breakdown

	2016			
Project	Pre - tax amount	Income tax	After tax attribution to the parent company	After tax attributable to minority shareholders
(1) Other comprehensive benefits that will be reclassified into profit and loss				
1) Gains and losses from changes in fair value of available-for-sale financial assets	8,056,569.78		8,056,569.78	
Less: Earnings are included in other consolidated income				
Subtotal	8,056,569.78		8,056,569.78	
2) Foreign currency translation of financial statements	34,905,769.53		25,891,088.82	9,014,680.71
Less: Earnings are included in other consolidated				

income				
Subtotal	34,905,769.53		25,891,088.82	9,014,680.71
3)Other				
Total	42,962,339.31		33,947,658.60	9,014,680.71

	2015			
Project	Pre - tax amount	Income tax	After tax attribution to the parent company	After tax attributable to minority shareholders
(1) Will be re-classified into profit and loss				
1) Gains and losses from changes in fair value of available-for-sale financial assets	2,581,175.75		2,581,175.75	
Less: Earnings are included in other consolidated income				
Subtotal	2,581,175.75		2,581,175.75	
2) Foreign currency translation of financial statements	-3,528,878.78		-520,325.72	-3,008,553.06
Less: Earnings are included in other consolidated income				
Subtotal	-3,528,878.78		-520,325.72	-3,008,553.06
Total	-947,703.03		2,060,850.03	-3,008,553.06

(III) Notes to statement of cash flows

Note 42: Major items of consolidated cash flow items

1. Other cash received relating to operating activities

Item	2016	2015
Non-operating income	1,452,481.35	2,575,278.39
Interest income	648,818.51	254,501.92
Other receivables	71,616,595.66	508,329,929.48
Other restricted monetary capital	20,763,336.21	1,711,123.78
Total	94,481,231.73	512,870,833.57

2. Payment of other cash related to operating activities

Item	2016	2015
Management expense	51,687,534.58	26,713,854.09
Sales expense	13,125,287.51	8,554,897.14
Non-operating expense	1,052,898.97	2,198,394.30
Financial expense	520,259.47	538,824.74
Other monetary capital restricted for use	30,106,939.20	50,395,083.08
Other receivables	510,655,694.05	565,967,239.89
Total	607,148,613.78	654,368,293.24

3. Other cash received relating to investment activities

Items	Number of current periods	Number of previous years
To recover the Perth company loan	180,000,000.00	
Total	180,000,000.00	

4. Payment of other cash related to investment activities

Project	Number of current periods	The number of previous years
Payment of the purchase of foreign standard company audit, assessment and other intermediary fees		4,650,000.00
Pay the Perth company loan	277,331,396.40	
Total	277,331,396.40	4,650,000.00

5. Other cash received relating to financing activities

Items	Number of current periods	The number of previous years
Received Shu Xiaoqian, Cui Wei and other loans	400,000,000.00	
Total	400,000,000.00	

6. Payment of other cash related to financing activities

Project	Number of current periods	The number of previous years
Intermediary fees associated with non-public offering of shares		2,000,000.00
Pay Shu Xiaoqian and other loans	100,000,000.00	
Total	100,000,000.00	2,000,000.00

Note 43: Supplementary information to the consolidated statement of cash flow

(1) Supplementary information to the consolidated statement of cash flow

Project	Number of current periods	The number of previous years
(1) Adjusting net profit to cash flow from operating activities:		
Net profit	9,885,052.29	5,807,896.83
Plus: provision for impairment of assets	85,590,752.03	85,53[illegible],226.68
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	61,347,643.62	54,50[illegible],418.18
Amortization of intangible assets	8,900,776.48	15,40[illegible],436.18
Amortization of long-term deferred expenses		
Disposal of fixed assets, intangible assets and other long-term assets (gains are listed with "-")	-3,657.00	579,737.63
Loss on disposal of fixed assets (income is listed with "-")		
Loss of fair value changes (gains are listed with "-")		
Financial expenses (earnings are listed with "-")	42,547,710.46	-16,264,075.49

Investment losses (gains are listed with "-")		
Deferred tax assets are reduced (increased by "-")	5,084,168.28	16,906,129.90
Deferred income tax liabilities increase (decrease by "-")	-5,737,721.65	6,535,741.82
Reduced inventory (added with "-")	131,676,288.49	446,563,312.54
Decrease in operating receivables (increase in "-")	26,195,687.76	-1,150,041,612.93
Increase in operating payables (decrease in "-")	-636,139,561.66	428,447,860.32
Other		4,650,000.00
Net cash flow from operating activities	-270,652,860.90	-101,367,928.34
(2) Significant investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Financing lease of fixed assets		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the balance	52,975,557.61	82,332,215.34
Less: the opening balance of the cash	82,332,215.34	29,752,176.29
Plus: the ending balance of the cash equivalents		
Less: the balance of the cash equivalents		
Net increase in cash and cash equivalents	-29,356,657.73	52,580,039.05

(2) Cash and cash equivalents

Project	The end of the period	The beginning of the period
(1) Cash	52,975,557.61	82,332,215.34
Among them: cash in stock	60,075.13	65,822.16
Can be used at any time to pay for bank deposits	52,915,482.48	82,266,393.18
May be used at any time to pay other monetary funds		
(2) Cash equivalents		
Which: three months due to bond investment		
(3) Cash balance at the end of the period and cash equivalents	52,975,557.61	82,332,215.34

[Note] Note to the supplement information to cash flow statement:

The ending balance of cash in the cash flow statement for the year ended 31 December 2016 was RMB 52,975,557.61 and the balance of monetary funds in the balance sheet was RMB 122,958,514.02 and the difference was RMB 69,982,956.41, which was deducted from the cash and cash equivalents Standard other monetary funds.

The ending balance of cash in the cash flow statement for the year 2015 is RMB 82,332,215.34 and the ending balance of the monetary funds in the balance sheet is RMB 141,293,743.82 and the difference is RMB 58,961,528.48. The cash balance of the cash flow statement is deducted from the cash and cash equivalents Standard other monetary funds.

Note 44: Assets with restricted ownership or use right

Items	Book value at the end of the period	Restricted reasons
Money funds	30,750,000.00	Margin of letter of credit
Money funds	1,196,600.00	Environmental Governance Margin
Money funds	305,088.55	Safe production margin
Money funds	4,146,665.25	Time deposit
Money funds	3,493,450.21	Mortgage deposit
Money funds	30,091,152.40	Freeze funds
Investment real estate	97,272,051.31	Loan collateral
Total	167,255,007.72	

Note 46: Foreign currency monetary items

1. Foreign currency monetary items

Items	Foreign currency balance at the end of the period	Exchange rate	The balance of RMB at the end of the period
Money funds			
Of which: Hong Kong dollars	5,236,890.65	0.89451	4,684,451.06
Fiji coins	1,817,012.35	3.24778	5,901,259.85
The dollar	695,855.65	6.8202	4,745,885.66
accounts receivable			
Among them: Fijian coins	474,572.27	3.24778	1,541,307.62
Other receivables			
Of which: Hong Kong dollars	5,335,914.20	0.89451	4,773,028.61
Fiji coins	275,586.06	3.24778	895,042.89
The dollar	80,000,000.00	6.9370	554,960,000.00
Accounts payable			
Among them: Fijian coins	21,240,554.16	3.24778	58,984,704.15
Australian dollar	116,705.34	4.92835	575,164.56
New Zealand dollar	95,326.48	4.74439	452,266.36
The dollar	123,969.30	6.8202	845,497.13
Other payables			
Of which: Hong Kong dollars	2,975,650.54	0.89451	2,661,749.16
GBP	43,974.55	8.5094	374,197.04
Fiji coins	218,543.91	3.24778	709,783.09
Rear	5,114.67	2.1238	10,862.42
Long term loan			
Among them: the euro	17,425,000.00	7.3068	127,320,406.23

2. The exchange rate of the major reporting items of the overseas operating entity

(1) Overseas operating entity:

Overseas operating entity	Main business place	Reporting currency	The basis of the selection of the functional currency
Zhongrun International Mining Co., Ltd	China Hong Kong	Hong Kong dollars	The business (goods, financing) is mainly denominated and settled in such currencies
VGML	Fiji	Fiji coins	The business (goods, financing) is mainly denominated and settled in such currencies
VGM Plc	United Kingdom	GBP	The business (goods, financing) is mainly denominated and settled in such currencies

(2) For the translation of foreign currency statements, please refer to Note 3 (9).

All assets and liabilities are translated into Renminbi at the spot exchange rate at the balance sheet date. In addition to the "undistributed profit" project, the owner's equity item is reflected in Renminbi at the spot exchange rate at the time of occurrence, and the item of "undistributed profit" is reflected by the amount in the owner's equity change table; The difference between the total amount of the asset class and the liability item and the owner's equity item after the conversion is reflected in the "other comprehensive income" item as the difference between the statements.

All items of the income statement are translated into Renminbi according to the average daily exchange rate of 2016.

VI. Change in consolidation scope

There is no change in consolidation scope for the current period.

VII. Equity in other entities

The data set forth in this section are denominated in millions of yuan unless otherwise specified.

(I) Equity in subsidiaries

1. Structure of the group company

Name of subsidiary	Level	Business premise	Registration location	Business nature	Shareholding ratio (%)		Voting ratio (%)	Way of acquisition
					Direct	Indirect		
dong Zhongrun Group Zibo Property Co., Ltd. ereinafter referred to as "Zibo Real Estate")	Level one	Zi Bo, Shandong	Zi Bo, Shandong	Real estate development	100.00		100.00	Business combination under common cont
Zhongrun Mining	Level one	Ji Nan, Shandong	Ji Nan, Shandong	Mineral investment	100.00		100.00	Establishment
Sichuan Pingwu	Secondary	Ping Wu, Sichuan	Ping Wu, Sichuan	Gold mining		76.00	76.00	Business combination not under common co
Zhongjin Mining Co., Ltd. (hereinafter referred to as "Tibet Zhongjin")	Secondary	Xizang	Xizang	Mineral products processing and marketing		71.20	71.20	Business combination not under common co
Mongolia Huiyin Mining Co., Ltd. (hereinafter referred to as	Secondary	Inner Mongolia	Inner Mongolia	Mineral exploration		75.20	75.20	Business combination not under common co
China Run International	Secondary	Hong Kong, China	British Virgin Islands	Mineral investment		100.00	100.00	Establishment
VGM Plc	Three levels	Fiji	England and Wales	Gold mining		79.52	79.52	Business combination not under common co

2. Important Non-wholly owned subsidiary

Name of subsidiary	Shareholding ratio of minority shareholders	Profits or losses attributable to minority shareholders for the current period	Dividends paid to minority shareholders in the current period	Balance of minority equity at end of the current period
Sichuan Pingwu Zhongjin Mining Co., Ltd.	24.00	-4,515,567.64		-14,090,577.27
Tibet Zhongrun Mining Co., Ltd.	28.80	-21,543.56		10,456,973.10
Inner Mongolia Hurling Mining Co., Ltd	24.80	-128,849.12		40,607,992.67
Vatukoula Gold Mines Plc	20.48	5,761,755.07		63,700,649.16

3. Important financial information of non-wholly owned subsidiaries

Unit: 0,000 Chinese Yuan

Name of subsidiary	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Sichuan Pingwu Zhongjin Mining Co., Ltd.	5,151,800.93	107,152,469.89	112,304,270.82	169,854,673.44		169,854,673.44
Tibet Zhongrun Mining Co., Ltd.	22,917,104.19	13,391,830.23	36,308,934.42			
Inner Mongolia Hurling Mining Co., Ltd	28,757,125.69	140,824,930.75	169,582,056.44	5,933,693.63		5,933,693.63
Vatukoula Gold Mines Plc	176,810,905.16	559,668,464.56	736,479,369.72	84,388,976.46	341,666,965.06	426,055,941.52

Unit: 0,000 Chinese Yuan

Name of subsidiary	31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Sichuan Pingwu Zhongjin Mining Co., Ltd.	449.75	8,493.72	8,943.47	15,297.92		15,297.92
Xizang Zhongrun Mining Co., Ltd.	2,308.68	1,335.69	3,644.37	5.99		5.99
Inner Mongolia Hurling Mining Co., Ltd	2,888.75	14,065.48	16,954.23	537.33		537.33
Vatukoula Gold Mines Plc	12,180.27	46,883.88	59,064.15	8,228.69	25,935.55	34,164 25

Unit: in 0,000 Chinese Yuan

Subsidiary name	2016			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Sichuan Pingwu Zhongjin Mining Co., Ltd.	11,208.55	-13,472,608.92	-13,472,608.92	21,114,043.59
Xizang Zhongrun Mining Co., Ltd.		-74,804.02	-74,804.02	810.27
Inner Mongolia Hurling Mining Co., Ltd		-520,590.40	-520,590.40	53,850.42
Vatukoula Gold Mines Plc	395,502,976.97	24,529,156.10	61,424,409.19	193,441,002.37

Subsidiary name	2015			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Sichuan Pingwu Zhongjin Mining Co., Ltd.	585,000.00	-18,602,976.33	-18,602,976.33	17,197,148.20
Xizang Zhongrun Mining Co., Ltd.		-161,795.52	-161,795.52	213,277.08
Inner Mongolia Hurling Mining Co., Ltd		-14,656,963.45	-14,656,963.45	879,154.89
Vatukoula Gold Mines Plc	316,180,851.34	-9,676,465.81	-18,437,715.66	-38,326,878.20

4. Significant restrictions on the use of the group's assets and settlement of the Group's liabilities.

None

(II) Transitions in which ZRC's share in its subsidiary's ownership interest has changed but ZRC still controls the subsidiary

1. A change in the share of the owner's equity in the subsidiary

(1) In June 2016, the Company's subsidiary Zhongrun Mining increased its capital contribution by RMB 52.00 million to 76.00% from the capital of Sichuan Pingwu by means of debt-to-equity swap. The transaction resulted in an increase of RMB 21,332,812.92 The
(2) In March 2010, the Company's subsidiary, Zhongrun International purchased 47,774,334 shares of VGM Plc minority shareholders, the shareholding ratio changed from 65.66% to 79.50%.
(3) In December 2016, the Company's subsidiary Zhongrun International purchased VGM Plc minority shareholders held 68,839 shares, the proportion increased from 79.50% to 79.52%.

2. The effect of the transaction on the minority interests and the ownership of the parent company

	Sichuan Pingwu	VGM Plc
Purchase cost / disposal price		
--Cash		16,499,841.27
- Fair value of non-cash assets	20,000,000.00	
Purchase cost / disposal price	20,000,000.00	56,784,627.71
Less: The share of the net assets of the subsidiaries calculated as the percentage of equity acquired / disposed of	-1,332,812.92	36,642,234.49
Difference	21,332,812.92	-20,142,393.22
Of which: increase capital reserve		20,142,393.22
Adjust the surplus reserve		
Adjust the undistributed profit	21,332,812.92	

VIII. Risk associated with financial instrument

The main financial instruments of the Company include equity investment, borrowings, accounts receivable, accounts payable, etc. Details of the financial instruments are described in Note 5.
The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are described below.
The management of the Company manages and monitors these exposures to ensure that the above risks are controlled within the limits.
The management of the Company manages and monitors these exposures to ensure that the above risks are controlled within the limits.

1. Risk management objectives and policies

The company makes an appropriate balance between risk and profitability as a financial risk management objective by using financial management policies and practices to control financial risks by identifying and analyzing the various financial risks it faces in order to reduce its potential adverse impact on the company's operating performance.

2. Market risk

The market risk of financial instruments refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

a. Foreign currency risk

Exchange rate risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in foreign exchange rates. The main business of the Company's real

estate business is located in China, the main business in RMB settlement, gold mining smelting business is located in Fiji, the main business to Fijian dollars, the dollar to settle. As a result, the market risk of foreign exchange changes undertaken by the Company mainly comes from the assets and liabilities of subsidiaries operating abroad and the otherreceivables of domestic foreign currency. Relevant foreign currency assets and foreign currency liabilities include: currency funds denominated in foreign currencies, accounts receivable, other receivables, long-term receivables, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year. Foreign currency financial assets and foreign currency financial liabilities are translated into Renminbi as shown in Note 5 (43) "Foreign currency monetary items".

b. Interest rate risk

In addition to short-term borrowings, long-term borrowing, the company has no significant interest-bearing assets and liabilities. The Company makes reasonable arrangements for the ratio of fixed-rate borrowings, short-term loans and medium- and long-term borrowings in accordance with the financial market environment to control the risk of cash flow changes arising from changes in interest rates. December 31, 2016, the company's short-term borrowings are expiry of 12 months or less, affected by interest rate fluctuations less. Long-term borrowings are fixed-rate financial liabilities, and there is no risk of interest rate volatility

c. Other price risk

The management of the Company considers that the price risk associated with financial assets and financial liabilities has no significant impact on the Company.

3. Credit risk

Credit risk refers to the risk that the counterparty party fails to fulfill its contractual obligations and the financial loss incurred by the Company.

The Company manages the credit risk according to the combination classification. The maximum credit risk exposure that may cause the Company's financial loss as of December 31, 2016 is mainly due to the failure of the other party to fulfill the obligations arising from the financial assets of the Company, including monetary funds, accounts receivable and other the carrying amount represents the highest credit risk associated with the financial risk faced by the Company.

The bank deposits of the Company are mainly stored in commercial banks with high credit rating, good asset status and low credit risk, and to avoid the credit risk of commercial banks by closely monitoring the changes of bank account balances. The company has formed a sound risk management and internal control system of accounts receivable, through a rigorous review of customer credit, strict implementation of accounts receivable collection procedures, reduce the credit risk of accounts receivable. In addition, the Company reviews the recovery of each individual receivables at each balance sheet date to ensure that sufficient provision for bad debts is made for uncollectible funds.

As at 31 December 2016, the balance of other receivables from the Company was RMB 1,416,917,409.36 and the carrying amount was RMB 1,093,530,535.56.Mainly including the disposal of subsidiaries of the shares, the purchase of sincerity and the Perth company loans and other funds. For the above-mentioned sums, the Company has taken measures including, but not limited to, third-party guarantees, pledges and other repayment measures, and regularly supervises the debtor's credit records. For debtors with poor credit records, the Company will use written reminders, to ensure that the Company's overall credit risk is within the controllable range. However, due to the huge amount of money, some debtors failed to fully perform the repayment agreement, the company's other receivables are facing a certain credit risk. The maximum credit risk exposure of the Company is the carrying amount of each financial asset in the balance sheet. For details, please refer to the relevant list of part (4) of the current risk.

4. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when an enterprise is required to settle its obligations in the form of cash or other financial assets. Liquidity risk is controlled by the financial department of the Company. The finance department, by monitoring the cash balance, the readily available securities and the rolling forecast for the cash flow over the next 12 months, ensures that the company has sufficient funds to repay the debt at all reasonably forecastable conditions to meet the company's operating needs and reduce the impact of cash flow fluctuations.

The maturity of the financial assets, financial liabilities and off-balance sheet items held by the Company according to the maturity of the cash flows of the remaining-discounted contracts are as follows (Unit: RMB ten thousand yuan):

Project	2016					
	Within one year	One to two years	Two to three years	More than three years	No limit	Total
Monetary assets:						
Money funds	414.67	3,075.00	119.66		8,686.52	12,295.85
Receivables	184.09			1,459.07	1,171.33	2,814.49
Other receivables	536.49	949.00		3,076.56	137,129.69	141,691.74
Total financial assets	1,135.25	4,024.00	119.66	4,535.63	146,987.54	156,802.08
Financial liabilities						
Short-term loan	30,000.00					30,000.00
Accounts payable	6,154.18	8,863.43		984.83	2,732.46	18,734.90
Other payables	30,219.60				15,954.80	46,174.40
Non-current liabilities due within one year	2,995.77					2,995.77
Long term loan		9,736.27				9,736.27
Guarantees provided by companies other than the scope of consolidation	50,000.00					50,000.00
Financial liabilities and contingent liabilities	119,369.55	18,599.70		984.83	18,687.26	157,641.34

Project	2015					
	Within one year	One to two years	Two to three years	More than three years	No limit	Total
Monetary assets:						
Money funds	2,354.10		3,000.00	119.66	8,655.61	14,129.37
Receivables	1,611.48			1,496.81	1,865.98	4,974.27
Other receivables	203.96	3.67			131,084.76	131,292.39
Total financial assets	4,169.55	3.67	3,000.00	1,616.47	141,606.35	150,396.04
Financial liabilities						
Short-term loan	145.08					145.08
Accounts payable	5,045.27	355.96	12,585.93	1,398.44	2,262.91	21,648.51
Other payables	50,018.69				12,642.72	62,661.41
Non-current liabilities due within one year	4,500.00					4,500.00
Long term loan	2,179.02	2,905.36	9,442.42			14,526.80
Guarantees provided by companies other than the scope of consolidation						
Financial liabilities and contingent liabilities	61,888.07	3,261.32	22,028.35	1,398.44	14,905.63	103,481.81

5. Capital management

The goal of the Company's capital management policy is to ensure that the Company can continue to operate, thereby providing returns to shareholders and benefiting other stakeholders while maintaining the best capital structure to reduce capital costs. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors the capital structure on the basis of the asset-liability ratio (ie, the total liabilities divided by the total assets).

As at 31 December 2016, the Company's asset-liability ratio was 51.15% (December 31, 2015: 52.43%).

IX. Disclosure of fair value

Item	Fair value at the end of period			
	Measurement of fair value at layer 1	Measurement of fair value at layer 2	Measurement of fair value at layer 3	Total
Subsequent measurement of fair value				
Available-for-sale financial assets				
Including: (1) Debt instrument investments				
(2) Equity instrument investments * 1	16,192,890.00			16,192,890.00
(3) Other				
Total	16,192,890.00			16,192,890.00

Note: Canadian Zinc Corporation on December 31, 2016 at the Toronto Stock Exchange closing price of 0.21 Canadian dollars / share, the company holds 15 million shares, the stock market value of 3.15 million Canadian dollars.

X. Related parties and transactions

The data in this section are in RMB yuan unless otherwise stated.

(I) Information about ZRC's parent company

Parent company	Type of enterprise	Registration	Registered capital (ten thousand yuan)	Shareholding ratio of parent company to the enterprise (%)	The voting ratio of the parent company to the enterprise (%)
Nanan Bei'an	limited liability company	Shenzhen	10,000.00	25.08	25.08

As of December 31, 2016, the ultimate controller of ZRC if Lu Fen.

1. Information about ZRC's subsidiaries

See Note 7 (1) Equity in subsidiaries for details about ZRC's subsidiaries.

2. Information other related parties

Name of other related parties	Relationship with ZRC
Shenzhen Nanwu Bei'an Wealth Limited	Under the same actual controller
Zheng, Qiang	Major Investors Individual

(II) Key management remuneration

Unit: in 0,000 Chinese Yuan

During the reporting period	Number of current periods	The number of previous years
Number of key managers	13	15
The number of people receiving remuneration in the Company	9	11
Total remuneration (ten thousand yuan)	475.77	454.13

(III) Other related transactions

As at 31 December 2016, the Company had received a total of Chinese yuan 117,070,000.00 from Pei Si Company and a consideration of 7,893,854.01 for Perth's capital occupation. Nanwu Bei' an Wealth for the Perth Company to provide unconditional joint liability guarantee.

XI. Commitments and contingencies

(I) Significant commitments

1. Other significant financial commitments

(1) Details of the encumbered and pledged security between companies within the scope of consolidation, as detailed in Note 1 (2) of the financial statements, 2.2, Guarantees between companies within the scope of the Company's consolidation.

(II) Contingencies

1. The guarantee provided by the Company for non-related parties

1) As at 31 December 2016, the Company provided guarantee for non-related parties (Unit: RMB ten thousand yuan):

Guarantee unit	Guaranteed company	Loan financial institutions	Guaranteed loan balance	Borrowing due date
Our company	Yantai Xinchao Industry Co., Ltd	Yantai Bank Co., Ltd. Muping Branch	30,000.00	2017/4/28
Our company	Yantai Xinchao Industry Co., Ltd	Yantai Rural Commercial Bank Co., Ltd. Muping District Branch	12,000.00	2017/6/11
Our company	Yantai Xinchao Industry Co., Ltd	Huaxia Bank Co., Ltd. Qingdao Branch	8,000.00	2017/4/26
Subtotal			50,000.00	

2. The Company's guarantees within the scope of the Company's merger
(1) As of December 31, 2016, the Company's property mortgages between the Company's consolidation scope (Unit: RMB yuan)

Guarantee company	Guaranteed company	Mortgagee	The subject matter of the mortgage	The original value of the collateral book	The book value of the collateral	Guaranteed loan balance	Borrowing due date
Zibo Zhongrun	VGM Plc	Bank of China Limited Cayman Branch	Zibo new mate real estate projects and land use rights	124,252,620.23	97,272,051.31	127,320,406.23	2018/3/16
Subtotal				124,252,620.23	97,272,051.31	127,320,406.23	

(2) As of 31 December 2016, the Company's standby letter of credit between the Company's consolidation scope (Unit: RMB yuan)

Guarantee company	Guaranteed company	Mortgagee	The subject matter of the letter	The original value of the collateral book	The book value of the collateral	Guaranteed loan balance	Borrowing due date
Our company	VGM Plc	Bank of China Limited Ji Nan Bei Yuan Street Branch	The Company's standby letter of credit	30,750,000.00	30,750,000.00	127,320,406.23	2018/3/16
Subtotal				30,750,000.00	30,750,000.00	127,320,406.23	

3. Other contingent liabilities and their financial impact

Zibo, a subsidiary of the Company, provided the stage guarantee for the purchase of mortgage loans by the real estate enterprises. The guarantee period was from the date of entry into force of the guarantee contract to the "real estate license" of the housing purchased by the commercial purchaser, after the registration is completed and the date of bank custody. As at 31 December 2016, the subsidiaries of the Company had a total amount of RMB 216,437,000.00 for the stage guarantee amount.

XII. Post balance sheet events

(1) Explanation on profit distribution after the balance sheet date

On April 27, 2017, the 26th meeting of the 8th Board of Directors of the Company examined and approved the 2016 Annual Profit Distribution Plan. The Company decided that no profit distribution should be made in 2016 or the capitalization of capital reserve was not carried out.

(2) Description of other events after the balance sheet date

1. On December 27, 2016, Nanwu Bei'an and Ningbo RanSheng Shengyuan Investment Management Partnership (limited partnership) signed an equity transfer agreement, all Nanwu Bei'an's holding of 233 million shares of Zhongrun resources were transferred to Ningbo RanSheng Shengyuan Investment Management Partnership (Limited Partnership). On January 17, 2017, the aforesaid equity transfer was completed. Ningbo RanSheng Shengyuan Shengyuan investment management partnership (limited partnership) became the company's controlling shareholder, Mr. Guo Changwei become the company's actual controller.

2. On April 18, 2017, the Board of Directors of Zhongrun Resources approved the adoption of the "Cooperation Framework Agreement" between Zhongrun Resources and Ningbo Meishan Bonded Port Area Huaxin Shengge Equity Invesnment Fund Mangement Co., Ltd. (hereinafter referred to as Huaxin Shengge). Zhongrun Resources will fully transfer the debts stated above to Huaxin Shengge, but not specific terms of the transaction and the transaction price has been confirmed. As of this report, the Company has not yet entered into a formal agreement with Huaxiang Shengge to determine the transfer price of the relevant subject.

XIII. Other significant events

The data in this section are in Renminbi yuan unless otherwise stated.

(A) Leasing

1. Operating leasing
(1) Operating rental

1) The original book value and accumulated depreciation amount of the operating property leased out of the investment real estate are detailed in Note 5 (8).

2) the amount of rental receipts received in subsequent years

Remaining lease period	Rental amount
1 year (including 1 year)	10,511,702.63
1 year or more 2 years (including 2 years)	11,595,009.52
2 years or more 3 years (including 3 years)	12,942,837.48
Over 3 years	113,102,486.19
Total	148,152,035.82

(B) Segment Information

1. The basis of the reporting segment and the accounting policy

ZRC determines operating segments based on internal organisation structure, management requirements and the internal reporting system. The operating segment refers to the component meeting all the following conditions.

a. The component can generate income and incur expenses in its daily activities
b. The management can periodically assess the component's operating results to determine the resources to be appropriated to it and value its results
c. The component's accounting information such as financial position, operating results and cash flows can be obtained

ZRC identifies the reportable segments based on business segment. A business segment is determined as a reportable segment when it meets one of the following conditions:

a. The segment's revenue is 10% or more of the total revenue of all segments
b. The segment's profit (loss) is 10% or more the combined result of all segments in profit or the combined result of at l segments in loss, whichever is greater in absolute amount.
c. The segment's assets are 10% or more of the total assets of all segments.

If total external revenue attributable to reportable segments identified using the principles outlined above is less than 75% of the total consolidated or entry' revenue, additional segments should be identified as reportable segments according to the following standards until at least 75% of total consolidated or entity revenue is included in reportable segments.

a. The management believes that the information disclosure of the business segment is useful to users of the accounting information
b. One or more other business segments with similar economic features and meeting consolidation conditions for business segments

The accounting policies for ZRC's business segments are the same as those described in Note 4 "Accounting Policies and Accounting Estimates Followed" by ZRC.

The accounting policies of the Company's operating segments are the same as those described in Note 3, and the accounting policies and accounting estimates used by the Company are the same. The company according to the product and geographical differences to determine the three reports Division: Zibo Zhongrun engaged in real estate development, VGML Plc engaged in gold mining abroad, Sichuan Pingwu in the territory of gold mining.

2. Report the financial information of the segment

2016 annual items	Zibo Real Estate	VGM Plc	Other	Interdepartmental offset	Total
Operating income	41,661.88	39,550.30	1.12		81,213.30
Operating cost	22,967.99	27,759.33	6.86		50,734.18
The total profit	12,612.94	2,452.92	-10,996.35	7066	4,140.17
Income tax expense	3,151.66				3,151.66
Net profit / net loss	9,461.28	2,452.92	-10,996.35	7066	988.51
Total assets	120,670.73	73,647.94	372,346.56	-243,774.35	322,890.88
Total liabilities	68,481.84	42,605.59	187,601.79	-133,531.27	165,157.25

2015 annual items	Zibo Real Estate	VGM Plc	Other	Interdepartmental offset	Total
Operating income	107,106.26	31,618.09	58.50		138,782.85
Operating cost	78,293.61	25,558.79	47.54		103,899.94
The total profit	14,961.85	-967.65	-7,166.61	-2,492.26	4,335.33
Income tax expense	3,754.54				3,754.54
Net profit / net loss	11,207.31	-967.65	-7,166.61	-2,492.26	580.79
Total assets	130,845.75	59,064.15	434,464.72	-300,339.98	324,034.64
Total liabilities	88,118.14	34,164.25	241,192.69	-193,586.45	169,888.63

3. Other

(I) In July 2014, ZRC entered into an agreement with Shandong Jianbang Real Estate Co., Ltd and Shandong Ansheng Asset Management Group Co., Ltd. Because Shandong Ansheng Asset Management Group Co., Ltd acquired 100% equity of Shandong Anbang Taihe industry Co., Ltd, a subsidiary of Shandong Jianbang Real Estate Co. Ltd.

Pursuant to the Agreement, Ansheng Asset shall pay no less than RMB100 million to the Company from 1 January 2015 to 30 June 2015 and pay the entire amount by 30 November 2015. On November 20, 2015, the Company, Ansheng Asset and Shandong Bangcheng Industrial Co., Ltd. signed the "Agreement" to pay a total of 425.3 million of the remaining equity and debt transfer matters, agreed by the Ansheng Asset assets in December 2015 31 to pay RMB 20 million yuan, before September 30 will be paid off all the money, Shandong Bangcheng Industrial Co., Ltd. bear the unconditional guarantee of this debt. 2016 in April received Ansheng Asset to pay 30 million yuan, as of December 31, 2016, the remaining 369.3 million yuan. On April 18, 2017, the Company passed the resolution of the Board of Directors of the Company and signed the "Cooperation Framework Agreement" with Huaxin Shengge. Agreement agreed: the company intends to hold the assets of the assets of the transfer of the letter to the letter. As of the date of this report, the formal agreement has not yet been signed, and the consideration for the assignment of the assets of Ansheng is not determined.

On April 21, 2015, the Company and the purchaser Qilu Property, the guarantor Shandong Pengcheng Assets Management Co., Ltd. (hereinafter refered to as "Shandong Pengcheng"), Kunlun Jiangyuan Industry & Trade Co., Ltd. (hereinafter referred to as "Kunlun Jiangyuan), Shandong Shengji Investment Co., Ltd. (hereinafter referred to as "Shandong Shengji") signed a supplementary agreement, the parties confirmed that as of the date of signing the agreement, Qilu property owed the principal amount of RMB 22,932.23 yuan, since the agreement During the period from the date of entry into force, the Company will pay RMB 15 million for cash and RMB 30 million for cash before September 20, 2015, and will pay off all debts before December 10, 2015.

The guarantor to provide unconditional joint and several liability guarantee, while pledging Kunlun Jiangyuan held by Shandong Shengji 100% stake in Shandong Shengji voluntarily with all its assets for the parties to the full repayment obligations of Party B to provide joint and several liability guarantee. Kunlun River source has been held in Shandong Shengji equity for the relevant pledge procedures. As of December 31, 2016, the amount of the remaining 229,322,300 yuan.

(II) On April 18, 2017, the Company passed the resolution of the Board of Directors of the Company and signed the "Cooperation Framework Agreement" with Huaxin Shengge, the Agreement shows: the company intends to hold the right to the transfer of the claims to the letter to the letter. As of the date of this report, the formal agreement has not yet signed, not to determine the transfer of Qilu Real estate.

(III) According to the *Proposal on the company's non-public offering(NPO) plan* passed in the 12th meeting of the eighth board of directors, ZRC intends to issue non-public offering of shares to Shenzhen Nanwu Bei'an Wealth Management Co., Ltd (hereinafter referred to as Nanwu Bei'an Wealth), Changsha Hengjian Equity Investment Partnership (Limited Partnership) (hereinafter referred to as Changsha Hengjian), Zhuhai Hengqin Hongtuo Equity Investment Partnership (Limited Partnership) (hereinafter referred to as Hengqin Hongtuo), Tianshi (Shenzhen) Merges and Acquisitions investment Funds (Limited Partnership) (hereinafter referred to as Tianshi (Shenzhen) Funds), Zhongying Yili Asset management Ltd.- Jingsheng Asset Management Plan (hereinafter referred to as Zhongying Yili – Jingsheng Asset Management Plan), Wenzhou Herui Equity investment partnership (Limited Partnership), Hua'an Weilai Asse Management (Shanghai) Limited company Shenghang No.1 Special Asset Management Plan (hereinafter referred to as Hua'an Asset Shenghang No.1 Special Asset Management Plan), Guojin Dingxing Capital management Ltd – Zhongrun Private Placement Investment Funds (hereinafter referred to as Guojin Dingxing Capital – Zhongrun Private Placement Investment Funds), Ningbo Shanshan Zhengsheng Garment Co., Ltd. (hereinafter referred to as Shanshan Zhengsheng), Berleg Company Limited (hereinafter referred to as Bole Ltd in Chinese) and so on. All issuing objects would purchase the shares of non-public offering in cash.

According to the NPO subscription conditional contract signed between ZRC and purchase parties, calculated as the issuing price of 5.9 Chinese yuan/share, the subscriptions of all issuing objects are shown as below:

Number	Issuing objects	Number of Subscription Shares (shares)	Amount of subscription shares (Chinese yuan)
1	Nanwu Bei'an Wealth	610,169,492	3,600,000,002.80
2	Changsha Hengjian	508,474,576	2,999,999,998.40
3	Hengqing Hongtuo	508,474,576	2,999,999,998.40
4	Tianshi (Shenzhen) Capital	508,474,576	2,999,999,998.40
5	Zhongying Yili – Jingsheng Asset Management Plan	508,474,576	2,999,999,998.40
6	Whenzhou Herui	474,576,271	2,799,999,998.90
7	Hua'an Asset Shenghang No.1 Special Asset Management Plan	392,881,356	2,318,000,000.40
8	Guojin Dingxing Capital – Zhongrun Private Placement Investment Funds	369,830,508	2,181,999,997.20
9	Shanshan Zhengsheng	338,983,051	2,000,000,000.90
10	Berleg Company Limited	587,819,793	3,468,136,780.00
	Total	4,808,158,775	28,368,136,773.80

This NPO would generate capital totally less than 28,368,136,773.80 Chinese yuan. After deducting the issuance fee, all remaining capital will be used to acquire 100% shares of Tiekuang International (Mongolia) Limited company (hereinafter referred to as Tiekuang International), Mingsheng Limited company (hereinafter referred to as Mingsheng Company), and Mongolia Xinlale Gaote Iron Ore limited company (hereinafter referred to as Xinlale Gaote) (the three companies hereinafter referred to as "target companies"), to pay off target companies' liabilities, expand mining beneficiation projects and supplement working capital, etc.

Among them, the assets profiles of target companies are below:

Number	Name of target assets	Estimated valuation(Chinese Yuan)	Acquiring price (USD)
1	100% of equity of Ore Mine International	12,958,309,700.00	1,935,000,000.00
2	100% of equity of Mingsheng Company	506,383,900.00	
3	100% of equity of Xinlale High Rail	427,414,700.00	62,000,000.00
	Total	13,892,108,300.00	1,997,000,000.00

After this transaction, Ore Mine International, Mingsheng Company, Xinlale High Rail will be wholly owned subsidiaries of ZRC.

As a trading arrangement, the Company paid to the iron ore international, Minsheng Company, the new Lalga special controller Li Xiaoming paid $ 80 million. The agreement shows: If the parties have not been able to reach a formal transaction agreement on this cooperation before December 31, 2015, or if the transaction plan related to this cooperation has not been approved by the relevant authority, or Li, Xiaoming violated the contract, Li, Xiaoming Within 3 working days after the Company has issued a formal written notice, the Company shall return the Company in good faith to the Company in full. As of December 31, 2016, sincerity gold equivalent to RMB 554,960,000 yuan. Sheng Jie (Beijing) Investment Co., Ltd. Li, Xiaoming for the implementation of this contract to provide joint and several liability guarantee.

As of the date of approval of the financial report, the non-public offering of shares has not yet been approved by the China Securities Regulatory Commission, but this non-public offering of shares of the General Assembly on the board of directors of the authorization and related materials have been invalid.

XIV. Notes to important items of the parent company's financial statements

The following notes, unless otherwise specified, the beginning/opening of period refer to January 1, 2016, and the end of the period is December 31, 2016; the period refers to 2016, the previous/last period means 2015. The currency is in RMB.

Note 1: Other receivables

1. Disclosure of other receivables by category

Category	31 December 2016				
	Book Balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables in significant amounts with separate provisions for bad debts					
Other receivables with provisions for bad debts made by group	1,658,970,177.82	99.99	289,687,821.39	17.46	
Other receivables in insignificant amounts with separate provisions for bad debts					
Provision for bad debts	122,954.10	0.01			
Total	1,659,093,131.92	100.00	289,687,821.39	17.46	See BS

Category	31 December 2014				
	Book Balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables in significant amounts with separate provisions for bad debts	759,516,602.89	52.09			
Other receivables with provisions for bad debts made by group	698,485,419.40	47.91	202,613,344.05	29.01	
Other receivables in insignificant amounts with separate provisions for bad debts					
Provision for bad debts					
Total	1,458,002,022.29	100.00	202,613,344.05	13.90	See BS

[Note] Description of the type of accounts receivable

(1) Accounts receivable in significant amounts with separate provisions for bad debts: Accounts receivable with amount of more than RMB 5 million (including) and provision for bad debts individually.

(2) Accounts receivable with provision for bad debts made by group: In addition to the scope (1), according to similar credit risk characteristics are divided into several combinations, according to the combination of bad debt provision for accounts receivable.

(3) Accounts receivable in insignificant amounts with separate provisions for bad debts: In addition to the scope (1), there is conclusive evidence that there is a significant difference in recoverability and receivables with provision for bad debts individually.

2. Provision for bad debts

(1) Other receivables with provision for bad debts at the end of the period

a. Aging combination

Ageing	Closing balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within 1 year (including 1 year)	680,682,461.64	34,034,123.08	5.00
1-2 years(including 2 years)			
2-3 years (including 3 years)			
3-4 years (including 4 years)	369,350,999.95	110,805,299.98	30.00
4-5 years(including 5 years)	229,322,348.69	91,728,939.48	40.00
Above 5 years	53,119,458.85	53,119,458.85	100.00
Total	1,332,475,269.13	289,687,821.39	21.74

b. Other combinations

Combination	Book balance	Provision for bad debts	Proportion (%)
Related party combination	326,494,908.69		
Subtotal	326,494,908.69		

(3) Other receivables with no single amount at the end of the period but with separate provision for bad debts

Company name	Book balance	Provision for bad debts	Proportion (%)	Reason
Social Security fee	21,427.11			There is no risk of impairment
Housing fund	101,526.99			There is no risk of impairment
Subtotal	122,954.10			

3. Top 5 companies owing other receivables as of 31 December 2016

Customer name	Amount	Ageing	Percentage of the total Other receivables (%)
Li Xiaoming	554,960,000.00	Within 1 year	33.45
Shandong Ansheng Assets Management Group Ltd	369,300,000.00	3-4 years	22.26
Zhongrun Mining Development Co., Ltd	326,494,908.69	1 year or less, 1-2 years	19.68
Qilu Property Co., Ltd	229,322,348.69	4-5 years	13.82
Perth International Electronics (Beijing) Co., Ltd	124,963,854.01	Within 1 year	7.53
Total	1,605,041,111.39		96.74

4. Accounts receivable from related parties

Company name	Relationship with the Company	Percentage of other receivables (%)	Percentage of other receivables (%)
Zhongrun Mining Development Co., Ltd	Subsidiary	326,494,908.69	19.68
Subtotal		326,494,908.69	19.68

5. Other receivables are presented in accordance with the nature of the payment

Nature of payment	The end of the period	The beginning of the year
Disposal of subsidiaries	598,622,348.69	628,622,348.69
Travels	732,967,823.21	69,543,969.20
Deposit and deposit	591,878.00	
Employee Sponsorship Loan	293,219.23	229,857.66
Social security and provident fund	122,954.10	89,243.85
Related business contacts	326,494,908.69	759,516,602.89
Total	1,659,093,131.92	1,458,002,022.29

Note 2: Long-term equity investments

(1) Breakdown

Item	31 December 2015			31 December 2014		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Investment in subsidiaries	613,623,797.01		613,623,797.01	613,623,797.01		613,623,797.01
Investments in joint venture or associates						
Total	613,623,797.01		613,623,797.01	613,623,797.01		613,623,797.01

(2) Investments in subsidiaries

Investee	31 December 2014	Increase in the	Decrease in the	31 December 2015	Provision for impairment	Closing balance of

		current period	current period		in the current period	provision for impairment
Shandong Zhongrun Group, Zibo Real Estate Co. Ltd.	113,623,797.01			113,623,797.01		
Zhongrun Mineral Development Co., Ltd	500,000,000.00			500,000,000.00		
Total	613,623,797.01			613,623,797.01		

XIV. Supplementary information for parent company

(I) Breakdown of cash flow

Project	Number of current periods	The number of previous years
1.Adjust the net profit to cash flow from operating activities:		
Net profit	-107,315,149.60	-75,728,608.63
Plus: provision for impairment of assets	87,074,477.34	48,657,128.74
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	929,414.96	972,236.08
Amortization of intangible assets	68,216.49	84,800.04
Amortization of long-term deferred expenses		
Disposal of fixed assets, intangible assets and other long-term assets (gains are listed with "-")	615.50	329.32
Loss on disposal of fixed assets (income is listed with "-")		
Loss of fair value changes (gains are listed with "-")		
Financial expenses (earnings are listed with "-")	33,561,821.21	95,601.93
Investment losses (gains are listed with "-")		
Deferred tax assets are reduced (increased by "-")		
Deferred income tax liabilities increase (decrease by "-")		
Reduced inventory (added with "-")		
Decrease in operating receivables (increase in "-")	-126,247,255.62	-68,222,704.90
Increase in operating payables (decrease in "-")	-397,544,962.84	453,267,617.43
Other		4,650,000.00
Net cash flow from operating activities	-509,472,822.56	363,776,600.01

(II) Significant investment and financing activities that do not involve cash receipts and payments

Conversion of debt into capital		
Convertible corporate bonds due within one year		
Financing lease of fixed assets		

(III) Net changes in cash and cash equivalents

Cash at the end of the balance	17,122,355.88	12,393,265.11

Less: the opening balance of the cash	12,393,265.11	2,668,817.03
Plus: the ending balance of the cash equivalents		
Less: the balance of the cash equivalents		
Net increase in cash and cash equivalents	4,729,090.77	9,724,448.08

XIV. Supplementary information

(A) Unusual gains and losses

1. Current unusual profit and loss schedule

According to the provisions of the Explanatory Announcement No. 1 - No performable Profit and Loss (2008) of the Company's Public Security Issuance of Securities, the details of the non-recurring gains and losses of the Company are as follows (income is +, loss is -):

Project	2016
Loss on disposal of non - current assets	3,657.00
Overdue approval or no formal approval of the documents of the tax return, relief	
Accounting for the current profits and losses of non-financial enterprises to collect the capital occupation fee, but approved by the relevant state departments have established financia institutions to non-financial enterprises to collect funds occupied by the expense	
Overdue approval or no formal approval of the documents of the tax return, relief	
In addition to government subsidies that are closely related to the company's business and are subject to national standards,	
In addition to government subsidies that are closely related to the company's business and are subject to national standards,	
Accounting for the current profits and losses of non-financial enterprises to collect the capital occupation fee, but approved by the relevant state departments have established financial institutions to non-financial enterprises to collect funds occupied by the expense	
The merger cost of the business combination is less than the fair value of the identifiable net assets of the merged entity. The profit or loss of the non-monetary assets is entrusted.	
Due to force majeure factors, such as suffering from natural disasters, the provision for impairment of assets	
Debt restructuring gains and losses	
Enterprise restructuring costs, such as placement of staff expenses, integration costs	
The transaction price is not fair and the transaction proceeds more than the fair value part of the profit or loss	
Net profit or loss for the current period from the beginning of the merger to the date of the merger under the same control	
Gains and losses arising from the estimated liabilities unrelated to the Company's principal business	
In addition to the effective hedging business related to the normal operation of the Company, the fair value of financial assets at fair value through profit or loss is recognized at fair value through financial assets at fair value through profit or loss. Changes in profit or loss, and disposal of financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets	7,905,855.28
Impairment provision for impairment of receivables is carried out separately	
Profit and loss from foreign entrusted loans	
Gains and losses arising from changes in the fair value of investment properties that are subsequently measured using the fair value model	
According to the tax, accounting and other laws and regulations on the current profits and losses on a one-time adjustment of the impact of current profits and losses	
Entrusted business to obtain the trust fee income	
In addition to the above, other net operating income and expenses	460,740.38
Other profit and loss items that meet the definition of non-recurring gains and losses	

Subtotal	8,370,252.66
Less: income tax impact (income tax expense reduced by "-")	108,669.45
Non - recurring net profit and loss	8,261,583.21
Of which: non-recurring gains and losses attributable to shareholders of the parent company	8,251,272.38
Non - recurring gains and losses attributable to minority shareholders	10,310.83

2. Summary of significant unusual gains and losses

The capital occupation fee charged to non-financial enterprises included in the current profits and losses is the interest charged by Pace International Trading (Beijing) Co., Ltd. for the Company.

(B) Return on net assets and earnings per share

1) Breakdown

According to the provisions of China Securities Regulatory Commission, "the issuance of securities issued by the Securities Regulatory Commission No. 9 - net assets yield and earnings per share calculation and disclosure" (2010 revision), the Company's weighted average return on net assets and Basic earnings per share and diluted earnings per share are as follows:

		Earnings per share (yuan / share)	
Profit for the reporting period	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	0.60%	0.0095	0.0095
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring gains and losses	0.04%	0.0006	0.0006

2) Calculation process

a. the calculation process of weighted average return on net assets

Items	No.	Number of current periods
Net profit attributable to the Company's ordinary shareholders	1	8,789,257.54
Non - recurring gains and losses	2	8,251,272.38
Net profit attributable to the Company's ordinary shareholders after deducting non-operating gains and losses	3=1-2	537,985.16
The net assets attributable to the Company's ordinary shareholders	4	1,435,241,532.86
Net assets attributable to the Company's ordinary shareholders in the reporting period, such as new shares or debt-to-equity swap	5	
The cumulative number of new net assets from the next month to the end of the reporting period	6	
Repayment of the reporting period or cash dividends, etc., attributable to the company's ordinary shareholders of the net assets	7	
Reduce the cumulative number of months from the next month to the end of the reporting period	8	
Changes in net assets arising from other transactions or events	9[Note 1]	32,630,389.19
Changes in other net assets from the next month to the end of the reporting period	10	0/6/9
Number of Months in the Reporting Period	11	12.00
Weighted average net assets	12[Note 2]	1,460,956,469.62
Weighted average return on net assets	13=1/12	0.60%
Weighted average return on net assets after deducting non - recurring gains and losses	14=3/12	0.04%

[Note 1] As of March 31, 2016, the capital reserve increased by RMB 20,101,746.67 due to the acquisition of VGM Plc minority shareholders, and the acquisition of VGM Plc minority shareholders from April to December of 2016 resulted in an increase in capital reserve of RMB 40,646.55. June 2016 due to the subsidiary Sichuan Pingwu capital increase lead to the owner to invest and reduce capital - other reduction of 21,332,812.92 yuan.

2016 annual preparation to reduce the amount of 126,849.71 yuan, the other comprehensive income increased by 33,947,658.60 yuan.

[Note 2] 12 = 4 + 1 * 0.5 + 5 * 6 / 11-7 * 8/11 ± 9 * 10/11

b. Basic earnings per share calculation process

Project	No.	2016
Net profit attributable to the Company's ordinary shareholders	1	8,789,257.54
Non - recurring gains and losses	2	8,251,272.38
Net profit attributable to the Company's ordinary shareholders after deducting non-operating gains and losses	3=1-2	537,985.16
The total number of shares at the beginning of the period	4	929,017,761.00
In the report period, the number of shares increased due to the capitalization of capital reserve or dividend distribution	5	
In the report period, the number of shares increased due to the issuance of new shares or debt-to-equity swap	6	
Increase the cumulative number of months from the next month to the end of the reporting period	7	
In the report period, the number of shares decreased due to repurchase	8	
Reduce the cumulative number of months from the next month to the end of the reporting period	9	
Number of shares in the reporting period	10	
Number of Months in the Reporting Period	11	12.00
Weighted average number of common shares issued outside	12	929,017,761.00
Basic earnings per share	13=1/12	0.0095
Deducting basic earnings per share	14=3/12	0.0006

[Note]12=4+5+6×7/11-8×9/11-10

c. dilute the calculation of earnings per share

Diluted earnings per share is calculated in the same way as the basic earnings per share.

(C) The abnormal situation and the reasons for the major financial statements of the Company

1. Consolidated balance sheet item

Report item	The number of the end of the period compared with the beginning of the range	Reason for change
Balance of accounts receivable	Reduced by 74.32%	Mainly due to the decrease of the receivables of company's subsidiary VGML, and unsettled gold sales of The Perth Mint
Stock	Reduced by 18.42%	Mainly due to the reduced inventory of company's subsidiary Zibo Real Estate this period to develop product sales carried forward or for personal use
Available for sale financial assets	An increase of 119.62%	Which is mainly due to the changes in the fair value of the Canadian Zinc Company held by the Company
Investment real estate	Increase by 66.00%	Mainly due to the company's subsidiary Zibo Real Estate to develop products for personal use
short-term loan	An increase of 20578.37%	Mainly due to the company's new Yantai Bank Muping branch of 300 million yuan due to short-term loans

Interest payable	Increase 17616.04%	Mainly due to Cui Wei and the increase of other interest payable
Other payables	Reduced by 26.31%	Mainly due to the current payment of 500 million yuan of security loans and the addition of Cui Wei and other 300 million yuan new borrowing

2. Consolidated income statement item

Report item	The number of changes in the number of the previous year	Reason for change
Operating income	A decrease of 41.48%	Mainly due to the decrease of income of company's subsidiary Zibo home sales this year, the sales of commercial housing went down
Operating cost	Reduced by 51.17%	Mainly due to the decrease of income of company's subsidiary Zibo home sales this year, the sales of commercial housing went down
Taxes and surcharges	Reduced by 57.40%	Mainly due to the decrease of income of company's subsidiary Zibo home sales this year, the sales of commercial housing went down
sales expense	An increase of 57.37%	Mainly due to the increase in the cost of Zibo Real Estate in the current period
Financial expenses	Increase by 130.99%	Mainly due to the increase in foreign financing loans

Section 12 List of Supporting Documents Available for Reference

1 the financial statements with the signatures and seals of the company's legal representative and the person in charge of accounting department of ZRC
2 The original copy of the audit report with the seal of the CPA firm and with the signatures and seals of the certified public accounts
3 The original copies of all the documents and announcements of ZRC publicly disclosed in the newspapers designated by China Securities Regulatory Commission during the reporting period

Zhongrun Resources Investment Corporation (ZRC)
Legal Representative: Li, Mingji
27 April 2017