ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code: 1818)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- During the Period, the revenue amounted to approximately RMB3,037,528,000, representing a decrease of approximately 6% as compared to the corresponding period of last year.
- During the Period, the net profit was approximately RMB408,934,000, representing an increase of approximately 49% as compared to the corresponding period of last year.
- During the Period, the profit attributable to owners of the parent amounted to approximately RMB396,641,000, representing an increase of approximately 56% as compared to the corresponding period of last year.
- During the Period, the basic and diluted earnings per share attributable to ordinary equity holders of the parent was approximately RMB0.13, representing an increase of approximately 44% as compared to the corresponding period of last year.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017.

The board (the "Board") of directors (the "Directors") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 (the "Period") prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", which have been reviewed by the Board's audit committee (the "Audit Committee") and the Company's auditors, Ernst & Young. Interim condensed consolidated financial information together with comparative figures for the corresponding period in 2016 are set out as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*4*	**3,037,528**	3,234,800
Cost of sales		**(1,696,620)**	(1,826,188)
Gross profit		**1,340,908**	1,408,612
Other income and gains	*5*	**162,104**	185,678
Selling and distribution costs		**(20,273)**	(44,526)
Administrative expenses		**(512,188)**	(432,720)
Other expenses	*6*	**(293,788)**	(472,149)
Finance costs	*7*	**(198,113)**	(193,741)
Share of profits and losses of:			
– Associates		**2,211**	4,100
– Joint ventures		**5,296**	(8,169)
PROFIT BEFORE TAX		**486,157**	447,085
Income tax expense	*8*	**(77,223)**	(172,533)
PROFIT FOR THE PERIOD		**408,934**	274,552
Attributable to:			
Owners of the parent		**396,641**	254,557
Non-controlling interests		**12,293**	19,995
		408,934	274,552
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted Earning per share for the Period *(RMB)*	*10*	**0.13**	0.09

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**408,934**	274,552
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**6,065**	(3,075)
Available-for-sale investments:		
Change in fair value	**–**	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**6,065**	(3,075)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**3,613**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**9,678**	(3,075)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**418,612**	271,477
Attributable to:		
Owners of the parent	**406,319**	251,482
Non-controlling interests	**12,293**	19,995
	418,612	271,477

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**13,136,843**	12,974,461
Prepaid land lease payments		**708,879**	708,807
Goodwill		**793,292**	875,897
Other intangible assets	*11*	**9,315,396**	9,421,587
Investments in joint ventures		**127,716**	120,229
Investments in associates		**290,012**	289,638
Available-for-sale investments		**25,746**	25,746
Deferred tax assets		**158,918**	189,379
Long-term deposits		**87,283**	77,383
Other long-term assets	*12*	**659,533**	670,156
Total non-current assets		**25,303,618**	25,353,283
CURRENT ASSETS			
Inventories		**3,548,613**	3,630,598
Trade and notes receivables	*13*	**285,424**	281,215
Prepayments, deposits and other receivables		**735,551**	513,736
Equity investments at fair value through profit or loss		**371,995**	414,069
Derivative financial instruments		**796**	658
Available-for-sale investments		**–**	280,000
Pledged deposits		**184,148**	320,351
Loans receivable		**497,832**	649,124
Cash and cash equivalents		**1,383,815**	1,437,951
		7,008,174	7,527,702
Assets of a disposal group classified as held for sale		**–**	82,674
Total current assets		**7,008,174**	7,610,376
CURRENT LIABILITIES			
Trade and notes payables	*14*	**431,543**	389,861
Other payables and accruals		**2,091,486**	2,150,217
Financial liabilities at fair value through profit or loss		**–**	52,854
Interest-bearing bank and other borrowings	*15*	**10,197,108**	10,884,200
Tax payable		**88,167**	179,076
Provisions		**19,757**	22,556
Corporate bonds		**1,199,333**	1,198,071
Deposits from customers		**385,781**	985,736
		14,413,175	15,862,571
Liabilities directly associated with the assets classified as held for sale		**–**	13,558
Total current liabilities		**14,413,175**	15,876,129

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NET CURRENT LIABILITIES		**(7,405,001)**	(8,265,753)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,898,617**	17,087,530
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**146,482**	1,087,706
Corporate bonds		**945,734**	945,101
Deferred tax liabilities		**386,040**	396,914
Deferred income		**392,217**	420,635
Provisions		**67,960**	78,339
Other long-term liabilities		**24,506**	23,618
Total non-current liabilities		**1,962,939**	2,952,313
NET ASSETS		**15,935,678**	14,135,217
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,220,696**	2,965,827
Perpetual capital instruments		**2,677,300**	2,147,132
Reserves		**7,134,748**	6,108,910
		13,032,744	11,221,869
Non-controlling interests		**2,902,934**	2,913,348
TOTAL EQUITY		**15,935,678**	14,135,217

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent									
	Issued capital *RMB'000*	Perpetual capital instruments *RMB'000*	Capital reserve *RMB'000*	Special reserve *RMB'000*	Statutory and distributable reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017 (Audited)	2,965,827	2,147,132	1,488,261	18,217	903,518	(13,930)	3,712,844	11,221,869	2,913,348	14,135,217
Profit for the period	–	–	–	–	–	–	396,641	396,641	12,293	408,934
Other comprehensive income for the period:										
Remeasurements of post-employment benefit obligations, net of tax	–	–	3,613	–	–	–	–	3,613	–	3,613
Exchange differences on translation of foreign operations	–	–	–	–	–	6,065	–	6,065	–	6,065
Total comprehensive income for the period	–	–	3,613	–	–	6,065	396,641	406,319	12,293	418,612
Capital issued	254,869	–	809,511	–	–	–	–	1,064,380	–	1,064,380
Perpetual capital instruments issued	–	498,500	–	–	–	–	–	498,500	–	498,500
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(73,971)	(73,971)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	52,732	52,732
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,468)	(1,468)
Accrued distribution of perpetual capital instruments	–	61,168	–	–	–	–	(61,168)	–	–	–
Distribution of perpetual capital instruments	–	(29,500)	–	–	–	–	–	(29,500)	–	(29,500)
2016 Final dividend declared and paid	–	–	–	–	–	–	(128,824)	(128,824)	–	(128,824)
At 30 June 2017 (Unaudited)	3,220,696	2,677,300	2,301,385*	18,217*	903,518*	(7,865)*	3,919,493*	13,032,744	2,902,934	15,935,678

* These reserve accounts comprise the consolidated reserves of RMB7,134,748,000 (31 December 2016: RMB6,108,910,000) in the consolidated statement of financial position.

For the six months ended 30 June 2016

	Attributable to owners of the parent									
	Issued capital	Perpetual capital instruments	Capital reserve	Special reserve	Statutory and distributable reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016 (Audited)	2,965,827	2,146,823	1,135,208	18,217	818,038	(19,731)	3,676,644	10,741,026	2,900,088	13,641,114
Profit for the period	–	–	–	–	–	–	254,557	254,557	19,995	274,552
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(3,075)	–	(3,075)	–	(3,075)
Total comprehensive income for the period	–	–	–	–	–	(3,075)	254,557	251,482	19,995	271,477
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(45,677)	(45,677)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	71,087	71,087
Disposal of partial interest in a subsidiary without loss of control	–	–	323	–	–	–	–	323	6,486	6,809
Transfer to reserves	–	–	–	2,426	–	–	(2,426)	–	–	–
Accrued distribution of perpetual capital instruments	–	56,196	–	–	–	–	(56,196)	–	–	–
2015 Final dividend declared and paid	–	–	–	–	–	–	(118,633)	(118,633)	–	(118,633)
At 30 June 2016 (Unaudited)	2,965,827	2,203,019	1,135,531*	20,643*	818,038*	(22,806)*	3,753,946*	10,874,198	2,951,979	13,826,177

* These reserve accounts comprise the consolidated reserves of RMB5,705,352,000 (31 December 2015: RMB5,628,376,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH GENERATED FROM OPERATIONS	**939,236**	1,444,804
Income taxes paid	**(149,752)**	(120,159)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**789,484**	1,324,645
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**3,576**	86,724
Purchases of items of property, plant and equipment	**(664,157)**	(610,941)
Increase in other intangible assets	**(28,873)**	(328,475)
Advance payment for acquisition of subsidiaries	**(8,170)**	(65,976)
Net proceeds from settlement of commodity derivative contracts	**40,405**	(272,539)
Deposits paid for commodity derivative contracts	**(15,702)**	(173,851)
Recovery of financial products	**280,000**	–
Net proceeds from acquisition of equity investments at fair value through profit or loss	**45,387**	(210,230)
Decrease in loans receivable	**8,000**	130,000
Increase in loans receivable	**(5,000)**	(163,000)
Other cash inflows from investing activities	**4,007**	15,348
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(340,527)**	(1,592,940)

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	**3,017,516**	2,654,896
Repayment of bank and other borrowings	**(4,745,344)**	(3,346,543)
Capital contribution from non-controlling shareholders of subsidiaries	**35,770**	71,087
Receipts from gold leasing business	**–**	972,829
Repayments of gold leasing business	**(52,854)**	(440,530)
Dividends paid	**(152,300)**	(67,644)
Payment for commitment of profit distribution to non-controlling shareholders	**–**	(90,000)
Increase in pledged deposits for short-term bank loans	**(23,602)**	(33,000)
Capital investment from placing shareholders net of issuance expense	**1,064,380**	–
Issuance of perpetual capital instruments net of issuance expense	**498,500**	–
Interest paid	**(164,948)**	(183,086)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(522,882)**	(461,991)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(73,925)**	(730,286)
Cash and cash equivalents at beginning of period	**1,437,950**	2,033,203
Effects of foreign exchange rate changes, net	**19,780**	(2,977)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,383,815**	1,299,940
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,383,815**	1,268,891
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	31,049
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,383,815**	1,299,940

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017

1. CORPORATE INFORMATION

Zhaojin Mining Industry Company Limited (the "Company") was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 16 April 2004. The registered office of the Company is located at 299 Jinhui Road, Zhaoyuan, Shandong, China.

The Company and its subsidiaries (the "Group") were principally engaged in the exploration, mining, processing, smelting of gold, the sale of gold products and the mining, processing of copper and sale of copper products in Mainland China. In addition, the Group processed and sold silver in Mainland China.

As of 30 June 2017, the major shareholders of the Company were Shandong Zhaojin Group Company Limited ("Zhaojin Group") and Shanghai Yuyuan Tourist Mart Co., Ltd., who held 36.79% and 23.70% of the issued share capital of the Company, respectively, with their subsidiaries.

The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 December 2006.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the Period, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hongkong Institute of Certified Public Accountants (the "HKICPA").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

The nature and the impact of each amendment is described below:

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments to HKAS 12 retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle 2014-2016

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10 to B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact to the Group.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The gold operations segment consists of gold mining and smelting operations;

(b) The copper operations segment consists of copper mining and smelting operations; and

(c) The "others" segment comprises, principally, the Group's other investment activities, finance company operation, operation of a hotel and catering.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, deferred tax assets, derivative financial instruments for gold forward contracts, pledged deposits and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, corporate bonds, financial liabilities at fair value through profit or loss, such as gold leasing business and gold forward contracts, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's operation by business segment is as follows:

For the six months ended 30 June 2017 (Unaudited)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenues from external customers	**2,820,242**	**199,734**	**17,552**	**3,037,528**
Segment results	**753,836**	**(40,735)**	**(45,000)**	**668,101**
Reconciliation:				
Interest income				**16,169**
Finance costs				**(198,113)**
Profit before tax				**486,157**
Segment assets	**27,534,985**	**2,421,615**	**627,515**	**30,584,115**
Reconciliation:				
Corporate and other unallocated assets				**1,727,677**
Total assets				**32,311,792**
Segment liabilities	**1,926,600**	**1,170,427**	**404,390**	**3,501,417**
Reconciliation:				
Corporate and other unallocated liabilities				**12,874,697**
Total liabilities				**16,376,114**
Other segment information				
Capital expenditure*	**542,680**	**31,633**	**13,897**	**588,210**
Investments in associates	**290,012**	**–**	**–**	**290,012**
Investments in a joint venture	**–**	**127,716**	**–**	**127,716**
Impairment losses recognised in the statement of profit or loss	**128,508**	**106**	**1,696**	**130,310**
Share of profits of:				
– Associates	**2,211**	**–**	**–**	**2,211**
– A joint venture	**–**	**5,296**	**–**	**5,296**
Depreciation and amortisation	**433,753**	**40,343**	**4,708**	**478,804**
(Gain)/loss on commodity derivative contracts	**(1,980)**	**3,008**	**(850)**	**178**
Fair value loss on equity investments at fair value through profit or loss	**6,756**	**–**	**14,745**	**21,501**
Impairment loss on goodwill	**27,476**	**55,129**	**–**	**82,605**

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

For the six months ended 30 June 2016 (Unaudited)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenues from external customers	2,886,238	322,597	25,965	3,234,800
Segment results	582,339	(19,067)	(24,330)	538,942
Reconciliation:				
Interest income				101,884
Finance costs				(193,741)
Profit before tax				447,085
Segment assets	27,621,431	2,290,671	850,488	30,762,590
Reconciliation:				
Corporate and other unallocated assets				1,793,423
Total assets				32,556,013
Segment liabilities	3,849,776	188,593	771,138	4,809,507
Reconciliation:				
Corporate and other unallocated liabilities				13,920,329
Total liabilities				18,729,836
Other segment information				
Capital expenditure*	1,268,267	52,294	1,973	1,322,534
Investments in associates	268,113	–	–	268,113
Investments in a joint venture	–	113,688	–	113,688
Impairment losses recognised in the statement of profit or loss	39,864	(10)	4,462	44,316
Share of profits/(loss) of:				
– Associates	4,100	–	–	4,100
– A joint venture	–	(8,169)	–	(8,169)
Depreciation and amortisation	378,003	24,286	4,613	406,902
Loss/(gain) on commodity derivative contracts	272,655	(116)	–	272,539
Fair value (gain)/loss on equity investments at fair value through profit or loss	(712)	–	8,147	7,435
Write-off of other long-term assets	50,000	–	–	50,000
Write-off of property, plant and equipment	42,492	–	–	42,492
Write-off of prepaid land lease payments	2,749	–	–	2,749

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

Geographical information

As over 96% of the assets of the Group are located in Mainland China and over 99% of the sales are made to customers in Mainland China, no further geographical segment information has been presented.

Information about a major customer

During the Period, revenue of approximately RMB2,385,668,000 (for the six months ended 30 June 2016: RMB2,407,132,000) was derived from sales by the gold operations segment to a single customer.

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest income	**23,432**	101,884
Government grants	**32,068**	49,223
Sales of auxiliary materials	**34,209**	27,144
Others	**72,395**	7,427
	162,104	185,678

6. OTHER EXPENSES

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss on commodity derivative contracts	**178**	272,539
Cost of sales of auxiliary materials	**43,967**	25,056
Fair value losses on equity investments at fair value through profit or loss	**21,501**	7,435
Impairment loss of other intangible assets	**29,180**	18,800
Impairment loss of receivables	**29,836**	13,199
Provision for impairment of inventories	**21,529**	7,855
Impairment loss of loans receivable	**(1,752)**	4,462
Impairment loss of fixed assets and construction in process	**51,517**	–
Write-off of other long-term assets	**–**	50,000
Write-off of property, plant and equipment	**–**	42,492
Write-off of prepaid land lease payments	**–**	2,749
Loss on disposal of property, plant and equipment	**10,571**	14,050
Impairment loss of goodwill	**82,605**	–
Others	**4,656**	13,512
	293,788	472,149

7. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**48,978**	96,797
Interest on short-term bonds	**21,007**	35,474
Interest on corporate bonds	**53,064**	87,117
Interest on gold leasing business	**91,535**	57,063
Subtotal	**214,584**	276,451
Less: Interest capitalised	**(16,729)**	(83,104)
Incremental interest on provisions	**258**	394
Total	**198,113**	193,741

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax expense in the interim condensed statement of profit or loss are:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong	**–**	–
Current – Mainland China		
– Charge for the Period	**58,843**	184,169
Deferred tax	**18,380**	(11,636)
Total tax charge for the Period	**77,223**	172,533

9. DIVIDENDS

The proposed 2016 final dividend of RMB0.04 per share (tax included) in aggregate of RMB128,824,000, was approved by the shareholders on 9 June 2017. As at 30 June 2017, RMB55,965,000 among the 2016 final dividend has not been paid. No interim dividend is proposed for the Period (2016: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is computed by dividing the profit attributable to ordinary equity holders of the parent for the Period of RMB396,641,000 (for the six months ended 30 June 2016: RMB254,557,000) by the number of ordinary shares in issue during the Period of 3,089,577,000 (for the six months ended 30 June 2016: 2,965,827,000).

Diluted earnings per share amounts were equal to basic earnings per share amounts for the Period and the six months ended 30 June 2016, as no diluting events existed during these periods.

11. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

During the Period, the Group acquired property, plant and equipment with a cost of RMB539,281,000 (for the six months ended 30 June 2016: RMB589,613,000) and other intangible assets with a cost of RMB28,873,000 (for the six months ended 30 June 2016: RMB712,055,000).

During the Period, depreciation for property, plant and equipment was RMB431,635,000 (for the six months ended 30 June 2016: RMB361,832,000) and amortisation for other intangible assets were RMB34,141,000 (for the six months ended 30 June 2016: RMB35,839,000).

During the Period, the Group recorded impairment losses of other intangible assets amounting to RMB29,180,000 which were stated in other expenses in the statement of profit or loss. (for the six months ended 30 June 2016: RMB18,800,000).

During the Period, no property, plant and equipment (for the six months ended 30 June 2016: property, plant and equipment with a net book value of RMB42,492,000) were written off by the Group, resulting in no net loss (for the six months ended 30 June 2016: resulting in a net loss of RMB42,492,000), no other intangible assets (for the six months ended 30 June 2016: with a net book value of RMB552,000) were written off by the Group and there was no impact on the statement of profit or loss (for the six months ended 30 June 2016: nil).

During the Period, property, plant and equipment with a net book value of RMB11,097,000 (for the six months ended 30 June 2016: RMB15,043,000) were disposed of by the Group resulting in a net loss on disposal of RMB10,571,000 (for the six months ended 30 June 2016: RMB14,050,000).

In addition, there was a transfer from property, plant and equipment with a net book value of RMB11,505,000 (for the six months ended 30 June 2016: nil), to other intangible assets and there was a transfer from other intangible assets with a net book value of RMB71,136,000 (for the six months ended 30 June 2016: nil) to property, plant and equipment.

12. OTHER LONG TERM ASSETS

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Advances and deposits paid for acquisitions of subsidiaries and exploration rights	**498,963**	514,792
Advance payments for purchases of property, plant and equipment	**141,147**	115,102
Long-term prepaid expenses	**19,423**	40,262
	659,533	670,156

The outstanding commitments in relation to the above acquisitions are disclosed in Note 17.

13. TRADE AND NOTES RECEIVABLES

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade receivables	**265,152**	270,167
Notes receivable	**20,272**	11,048
	285,424	281,215

An ageing analysis of the trade receivables, based on the invoice date, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances due within 1 year	**248,349**	252,355
Outstanding balances due over 1 and within 2 years	**7,222**	7,296
Outstanding balances due over 2 and within 3 years	**13,673**	13,842
Outstanding balances due over 3 years	**944**	755
	270,188	274,248
Less: Provision for impairment of trade receivables	**(5,036)**	(4,081)
	265,152	270,167

Trade and notes receivables are non-interest-bearing. As 79% (for the six months ended 30 June 2016: 74%) of the sales of the Group for the period ended 30 June 2017 were made through the Shanghai Gold Exchange without specific credit terms, there were no significant receivables that were overdue or impaired.

14. TRADE AND NOTES PAYABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**426,298**	376,311
Notes payable	**5,245**	13,550
	431,543	389,861

At 30 June 2017, the balance of trade and notes payables mainly represented the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60-day terms.

An ageing analysis of the trade and notes payables, as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances due dates of the following		
Within one year	**407,560**	355,253
Over one year but within two years	**15,859**	19,449
Over two years but within three years	**2,464**	9,322
Over three years	**5,660**	5,837
	431,543	389,861

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unsecured:		
– Bank loans	**4,279,799**	4,569,274
– Other borrowings	**136,140**	143,326
– Short-term bonds	**–**	1,996,650
– Gold leasing business	**5,501,913**	3,738,674
	9,917,852	10,447,924
Secured:		
– Bank loans (a)	**74,000**	316,063
– Other loans (b)	**–**	–
	74,000	316,063
Guaranteed:		
– Bank loans (b)	**110,000**	813,238
– Gold leasing business	**241,738**	394,681
	351,738	1,207,919
Total	**10,343,590**	11,971,906
Portion classified as:		
– Current	**10,197,108**	10,884,200
– Non-current	**146,482**	1,087,706

As at 30 June 2017, except for secured bank loans of RMB672,638,000 (31 December 2016: RMB715,511,000) denominated in Hong Kong dollars, respectively, all borrowings were denominated in RMB. The bank loans bear interest at effective interest rates of 2.59% to 4.57% (31 December 2016: 1.76% to 10.00%) per annum. The other borrowings bear interest at effective interest rates of 2.55% to 5.46% (31 December 2016: 2.55% to 5.46%) per annum.

(a) Certain of the Group's bank loans are secured by mortgages over the Group's plant and machinery, prepaid land lease payments, pledged deposits and notes receivable, which had aggregate carrying values at the end of the reporting period of approximately RMB15,809,909 (31 December 2016: RMB16,815,000), zero (2016: RMB26,424,000), RMB76,512,185 (31 December 2016: RMB76,589,000) and RMB100,000,000 (31 December 2016: Nil) respectively.

(b) As at 30 June 2017, bank loans of the subsidiaries of the Company with carrying amounts of RMB1,184,375,560 (31 December 2016: RMB1,207,919,000) were guaranteed by the Company, and RMB50,000,000 (31 December 2016: Nil) were guaranteed by the Company and a non-controlling shareholder of a subsidiary together.

16. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

(a) Guarantees

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Guarantees provided to banks for loan facilities granted to subsidiaries:		
– Sparky International Trade Co., Ltd.	**672,638**	688,045
– Gansu Zhaojin Precious Metal Smelting Co. Ltd	**220,000**	–
– Tuoli Zhaojin Beijiang Mining Co., Ltd.	**50,000**	50,000
– Zhaojin Baiyun Mining Co., Ltd.	**33,000**	38,500
	975,638	776,545

(b) Indemnities from Zhaojin Group

The Group and the Company have respectively received indemnities totalling RMB45.6 million and RMB33.4 million from Zhaojin Group in respect of certain State levies for the period from 24 December 1999 to 8 December 2006 (listing date) and certain government funding arrangements amounting to RMB49.3 million, which on the date before the Company's establishment on 16 April 2004. The directors are of the opinion that the Group and the Company do not have any financial liability in respect of these arrangements.

17. COMMITMENTS

Capital commitments

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	**370,701**	383,033
– Prepayment for potential acquisitions	**1,838,963**	1,844,963
	2,209,664	2,227,996

Operating lease commitments

The Group leases certain of its land and offices under operating lease arrangements, which are negotiated for terms ranging between one and thirty-six years.

Future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**8,264**	12,288
In the second to fifth years, inclusive	**16,953**	17,487
Beyond five years	**41,425**	45,108
	66,642	74,883

18. RELATED PARTY TRANSACTIONS

During the Period, the Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Brokerage service fees	**3,792**	1,276
Others:		
– (Decrease)/increase in deposits from customers, net	**(132,442)**	183,548
– Interest expense in deposits from customers	**1,459**	1,094
(ii) Subsidiaries of Zhaojin Group		
Expenses:		
– Fees for refining services	**2,814**	3,684
– Brokerage service fees	**48**	196
Capital transactions:		
– Purchase of materials	**57,493**	38,481
– Purchase of exploration services	**17,651**	19,617
– Purchase of digital mine construction technology services	**6,322**	6,131
– Purchase of water treatment engineering services and relevant necessary super filter membrane and equipment	**657**	743
Others:		
– Loans	**1,034,872**	1,239,800
– Interest income from loans	**2,870**	973
– Decrease in deposits from customers, net	**398,159**	95,753
– Interest expense in deposits from customers	**3,264**	1,742
(iii) Associate – Aletai Zhengyuan International Mining Company Limited		
– Purchase of gold concentrates	**16,313**	49,345
(iv) Subsidiary of an associate – Shandong Wucailong Investment Company Limited		
– Entrusted loans	**5,000**	8,000
– Interest income	**746**	377
(v) Joint venture – Ruoqiang Changyun Sanfengshan Mining Company Limited		
– Purchase of copper concentrates	**–**	35,329
– Entrusted loans	**–**	–
– Interest income	**1,128**	1,946

(vi) As at 30 June 2017, the corporate bonds issued by the Company amounting to RMB2,145,067,000 (31 December 2016: RM2,143,172,000) were guaranteed by Zhaojin Group.

(vii) Certain guarantees for securing the Group's indemnity in relation to certain government levies and funding arrangements before the Listing of the Company were provided free of charge by Zhaojin Group.

19. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	30 June 2017 (Unaudited)			
	Financial assets at fair value through profit or loss			
	Held for trading	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes receivables	–	285,424	–	285,424
Financial assets included in other receivables	–	468,826	–	468,826
Equity investments at fair value through profit or loss	371,995	–	–	371,995
Available-for-sale investments	–	–	25,746	25,746
Derivative financial instruments	796	–	–	796
Loans receivable	–	497,832	–	497,832
Pledged deposits	–	184,148	–	184,148
Cash and cash equivalents	–	1,383,815	–	1,383,815
Total	372,791	2,820,045	25,746	3,218,582

Financial liabilities

	30 June 2017 (Unaudited)			
	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition	Held for trading	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes payables	–	–	431,543	431,543
Financial liabilities included in other payables and accruals	–	–	1,588,100	1,588,100
Interest-bearing bank and other borrowings	–	–	10,343,590	10,343,590
Corporate bonds	–	–	2,145,067	2,145,067
Deposits from customers	–	–	385,781	385,781
Other long-term liabilities (including current portion)	–	–	24,506	24,506
Total	–	–	14,918,587	14,918,587

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

Financial assets

	31 December 2016 (Audited)			
	Financial assets at fair value through profit or loss			
	Held for trading *RMB'000*	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Trade and notes receivables	–	281,215	–	281,215
Financial assets included in other receivables	–	275,799	–	275,799
Available-for-sale investments	–	–	305,746	305,746
Equity investments at fair value through profit or loss	414,069	–	–	414,069
Derivative financial instruments	658	–	–	658
Loans receivable	–	649,124	–	649,124
Pledged deposits	–	320,351	–	320,351
Cash and cash equivalents	–	1,437,951	–	1,437,951
Total	414,727	2,964,440	305,746	3,684,913

Financial liabilities

	31 December 2016 (Audited)			
	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition *RMB'000*	Held for trading *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and notes payables	–	–	389,861	389,861
Financial liabilities included in other payables and accruals	–	–	1,649,276	1,649,276
Interest-bearing bank and other borrowings	–	–	11,971,906	11,971,906
Financial liabilities at fair value through profit or loss	52,854	–	–	52,854
Corporate bonds	–	–	2,143,172	2,143,172
Deposits from customers	–	–	985,736	985,736
Other long-term liabilities (including current portion)	–	–	23,618	23,618
Total	52,854	–	17,163,569	17,216,423

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
Equity investments at fair value through profit or loss	**371,995**	414,069	**371,995**	414,069
Derivative financial instruments	**796**	658	**796**	658
Total	**372,791**	414,727	**372,791**	414,727
Financial liabilities				
Financial liabilities at fair value through profit or loss	**–**	52,854	**–**	52,854
Interest-bearing bank and other borrowings, non-current portion	**146,482**	1,087,706	**147,069**	1,088,232
Corporate bonds	**2,145,067**	2,143,172	**2,169,300**	2,171,700
Other long-term liabilities, non-current portion	**24,506**	23,618	**24,506**	23,618
Total	**2,316,055**	3,307,350	**2,340,875**	3,336,404

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, deposits from customers, the current portion of loans receivable, the current portion of interest-bearing bank and other borrowings and the current portion of other long-term liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant.

The fair values of listed equity investments without a lock-up period, derivative financial instruments and corporate bonds are based on quoted market prices. The fair values of listed investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 30 June 2017, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments which were unlisted investments in China held by the Group is RMB25,746,000 (31 December 2016: RMB305,746,000).

Fair value hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly in open market

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2017

	Level 1	**Level 2**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Equity investments at fair value through profit or loss	**363,320**	**8,675**	**371,995**
Derivative financial instruments	**796**	**–**	**796**
Total	**364,116**	**8,675**	**372,791**

As at 31 December 2016

	Level 1	Level 2	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Equity investments at fair value through profit or loss	383,237	30,832	414,069
Derivative financial instruments	658	–	658
Total	383,895	30,832	414,727

Liabilities measured at fair value:

As at 30 June 2017, there were no financial liabilities measured at fair value.

As at 31 December 2016

	Quoted prices in active markets (level 1) *RMB'000*
Financial liabilities at fair value through profit or loss	52,854

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2016: Nil).

Liabilities for which fair values are disclosed:

As at 30 June 2017

	Quoted prices in active markets (Level 1) ***RMB'000*** **(Unaudited)**	**Significant observable inputs (Level 2)** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Interest-bearing bank and other borrowings, non-current portion	**–**	**147,069**	**147,069**
Corporate bonds	**2,169,300**	**–**	**2,169,300**
Other long-term liabilities non-current portion	**–**	**24,506**	**24,506**
Total	**2,169,300**	**171,575**	**2,340,875**

As at 31 December 2016

	Quoted prices in active markets (Level 1) *RMB'000* (Audited)	Significant observable inputs (Level 2) *RMB'000* (Audited)	Total *RMB'000* (Audited)
Interest-bearing bank and other borrowings, non-current portion	–	1,088,232	1,088,232
Corporate bonds	2,171,700	–	2,171,700
Other long-term liabilities, non-current portion	–	23,618	23,618
Total	2,171,700	1,111,850	3,283,550

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 18 August 2017.

I. INTERIM RESULTS

Revenue

During the Period, the Group generated revenue of approximately RMB3,037,528,000 in total (corresponding period of 2016: approximately RMB3,234,800,000), representing a decrease of approximately 6% as compared to the corresponding period of last year.

Net profit

During the Period, the net profit of the Group was approximately RMB408,934,000 (corresponding period of 2016: approximately RMB274,552,000), representing an increase of approximately 49% as compared to the corresponding period of last year.

Product production

During the Period, the Group attained an aggregate gold production of approximately 16,315.08 kg (approximately 524,541.55 ozs), representing a decrease of approximately 11.77% as compared to the corresponding period of last year. In particular, gold output from the Group's mines amounted to 9,812.65 kg (approximately 315,483.71 ozs), representing a decrease of approximately 5.85% as compared to the corresponding period of last year and gold output from smelting and tolling arrangement amounted to approximately 6,502.43 kg (approximately 209,057.84 ozs), representing a decrease of approximately 19.41% as compared to the corresponding period of last year. During the Period, the Group attained an aggregate copper production of approximately 11,246 tons (of which, copper output from mines amounted to 7,789 tons, and copper output from smelting amounted to 3,457 tons), representing a decrease of approximately 18.88% as compared to the corresponding period of last year.

Profit attributable to owners of the parent

During the Period, the profit attributable to owners of the parent was approximately RMB396,641,000 (corresponding period of 2016: approximately RMB254,557,000), representing an increase of approximately 56% as compared to the corresponding period of last year.

Earnings per share

During the Period, the basic and diluted earnings per share attributable to the ordinary equity holders of the parent amounted to approximately RMB0.13 (corresponding period of 2016: approximately RMB0.09), representing an increase of approximately 44% as compared to the corresponding period of last year.

Net assets per share

As at 30 June 2017, the consolidated net assets per share was approximately RMB4.95 (30 June 2016: approximately RMB4.77), and the yield to net assets during the Period was approximately 2.57% (corresponding period of 2016: approximately 1.99%).

II. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (corresponding period of 2016: Nil).

III. BUSINESS REVIEW

In the first half of 2017, the hedging demand triggered by political uncertainty became the main driver of the periodical increase in gold price. However, suffering from various factors such as the rate hike by the Federal Reserve and a tightening monetary policy since June, the gold price began to drop and even plunged to around US$1,200. The overall trend of gold price started high and ended low obviously, experiencing volatile fluctuations. The international gold spot price kept rising from US$1,150.40/oz at the beginning to US$1,241.33/oz at the end of the period with its highest and lowest at US$1,296.06/oz and US$1,145.20/oz, respectively, representing an average price of US$1,239/oz, increased by 1.46% as compared with US$1,221.15/oz during the same period of last year.

Focus on the core mining industry with production and operation steadily improving

During the first half of the year, the Company focused on the hot and complex issues in respect of the sustainable development of the mining industry and developed and carried out the "50 Key Tasks" in the five key areas, i.e. "production and operation, project construction, scientific research and innovation, corporate governance and the heart-winning projects". Led by such key tasks and powered by its backbone mines, the Company focused on building up the development momentum for its mining business while constantly optimizing its production process and internal management, resulting in its production and operation steadily enhanced. Meanwhile, the Company strived to maintain the positive growth and carried out the "stabilizing and increasing production while enhancing efficiency" initiatives for its mining bases in the provinces other than Shandong, such as Xinjiang, Gansu and Inner Mongolia, aiming to consolidate the advantages in terms of resources for the development of the Company. Facing the complex and volatile market situation, the Company adhered to coordination of production and marketing and made scientific analysis and judgment on the market opportunities while strengthening risk control, with its gold prices outperforming the market. During the first half of the year, the Company completed a total output of approximately 9,286.69 kg (approximately 298,573.87 ounces) of self-produced gold and realized a net profit of RMB409 million, representing an increase of 1.84% and 49% respectively, as compared to the same period of last year.

Strengthen basic management of the Company and spark innovation to drive development

During the first half of the year, the Company launched a campaign known as "The Year of Basic Management Enhancement" with the aim of fixing the shortcomings and loopholes in such fields as site management, basic management, professional management and cost management in a full-scale endeavor for target-hitting and upgrade of its basic management, resulting in its production, operation and management significantly improved. Focusing on innovation-driven management and concentrating its advantageous resources in technological innovation, the Company completed a total investment of RMB31.8 million in research and development, resulting in smooth progress in its ten key innovation projects, 20 new licensed patents and utility model patents, 45 patent applications, and successful launch of 443 minor reforms. The Company successfully obtained official recognition as a national high-tech enterprise with its academician station successfully launched and new breakthroughs in a number of key scientific research projects such as innovation in mining processes, ore processing recovery rate and comprehensive utilization of cyanide tailings.

Roll out "Double H" development strategy with steady implementation of mining investment "going-out" initiative

During the first half of the year, the Company clarified and optimized its development strategies and introduced the "Double H" development plan on the allocation of production capacity, i.e. "Half for Shandong, half for outside Shandong; half for China, half for outside China". In the area of overseas business, the company actively captured good investment opportunities. For the operation of the domestic mines, the Company using project construction as a motivation completed an investment of RMB208 million in project development, resulting in smooth progress in its 10 major infrastructure and technological transformation projects, with Ruihai Mining's shaft construction advancing steadily and the deep exploration of Xiadian Gold Mine, Dayingezhuang Gold Mine, Canzhuang Gold Mine and Zaozigou Gold Mine progressing according to schedule. Meanwhile, the Company increased its efforts in geological prospecting and completed an investment of RMB48,681,800, resulting in an additional output of 26,038.43 kg of gold metal and 1,729.74 tons of copper metal, further expanding its resource reserves.

Optimize the investment and financing value chain, with major breakthroughs in capital operation

During the first half of the year, the Company strengthened the coupling of industry and capital, with its key financing activities successfully carried out. For equity financing, the Company completed the issuance of 174,869,000 H shares and raised a total amount of HK$1,211.8 million, actualizing its initial equity financing effort since the listing of its H shares. Meanwhile, it implemented the first phase of Zhaojin Mining's Employees Equity Subscription Plan through the non-public offering of domestic shares, with a successful subscription of 80 million domestic shares by its employees. The Employees Equity Subscription Plan helped align the interests of the Company and its employees and shareholders, and enhance the cohesive force of the Company, laying a solid foundation for the Company's future development.

Strengthen construction of a positive corporate culture and adding new energy for harmonious and stable development

During the first half of the year, the Company focused on the hot and complex issues in which its employees were interested, and increased its investment in such aspects as salary growth, accountability reinforcement, training of 100 masters and 100 pupils, training of young employees and the "4411" basic guarantees, resulting in further improvement of the living conditions and cultural needs of its employees further improved and satisfied, which helped the Company win the hearts of its employees. Meanwhile, the Company strictly complied with the red lines of "safety, ecology and environmental protection" while strengthening its efforts in safe production promoted by science and technology and standardized operation and vigorously promoting the "Green hills and clean water" project, sparkling tree planting activities across the factories and mining fields of its subsidiaries, resulting in an additional 100,000 square meters of green area. In addition, the Company's party building activities focused on consolidating the political foundation and clearing souls, resulting in rapid advancing of its normalized study and education system of "Learn Party Disciplines and Rules, Learn Series of Speeches, and Be a Qualified Party Member", and steady level-by-level implementation of the "Two Responsibilities" in the party's anti-corruption campaign, providing a solid foundation for the promotion of its production and management.

IV. FINANCIAL AND RESULTS ANALYSIS

Revenue

During the Period, the Group's revenue amounted to approximately RMB3,037,528,000 (corresponding period of 2016: approximately RMB3,234,800,000), representing a decrease of approximately 6% as compared to the corresponding period of last year. During the Period, the decrease in revenue was primarily due to the decrease in sales volume of gold and by-product during the Period.

Net profit

During the Period, net profit of the Group amounted to approximately RMB408,934,000 (corresponding period of 2016: approximately RMB274,552,000), representing an increase of approximately 49% as compared to the corresponding period of last year. The increase in net profit was primarily due to significant increase in the gold selling price during the Period compared to the same period last year, and a reduction in income tax rate for obtaining qualification of national high and new technology enterprise by the parent company.

Integrated cost of gold per gram

During the Period, the Group's integrated cost of gold was approximately RMB134.32 per gram (corresponding period of 2016: approximately RMB129.89 per gram), representing an increase of approximately 3.41% as compared to the corresponding period of last year. The increase in integrated cost of gold was due to a decrease of gold production during the Period as well as an increase in depreciation resulting from completion of mining construction projects for their intended use.

Cost of Sales

During the Period, the Group's cost of sales amounted to approximately RMB1,696,620,000 (corresponding period of 2016: approximately RMB1,826,188,000), representing a decrease of approximately 7% as compared to the corresponding period of last year. The decrease was primarily attributable to the decrease of sales volume of gold and by-product.

Gross profit and gross profit margin

During the Period, the Group's gross profit was approximately RMB1,340,908,000, representing a decrease of approximately 5% as compared to RMB1,408,612,000 of the corresponding period of last year. The decrease in gross profit was mainly due to the decrease in sales revenue. The Group's gross profit margin increased from approximately 43.55% in the corresponding period of last year to approximately 44.14% for the Period. The increase in gross profit margin was mainly due to the fact that the extent of increment in selling price was higher than that of the cost of sales.

Other income and gains

During the Period, the Group's other income and gains were approximately RMB162,104,000 (corresponding period of 2016: approximately RMB185,678,000), representing a decrease of approximately 13% as compared to the corresponding period of last year. The decrease was mainly due to the decrease in interest income for the Period as compared to the corresponding period of last year.

Selling and distribution costs

During the Period, the Group's selling and distribution costs were approximately RMB20,273,000 (corresponding period of 2016: approximately RMB44,526,000), representing a decrease of approximately 54% as compared to the corresponding period of last year. The decrease was mainly due to the change in sales settlement model of copper concentrates and copper and a decrease in the transportation cost of by-product as a result of the decrease in the radius of sales area.

Administrative and other operating expenses

During the Period, the Group's administrative and other operating expenses were approximately RMB805,976,000 (corresponding period of 2016: approximately RMB904,869,000), representing a decrease of approximately 10.9% as compared to the corresponding period of last year. Such decrease was mainly due to the reduction of losses on commodity derivative contracts and written off of certain assets.

Finance costs

During the Period, the Group's finance costs amounted to approximately RMB214,584,000 (corresponding period of 2016: approximately RMB276,451,000), representing a decrease of approximately 22% as compared to the corresponding period of last year. Such decrease was mainly attributable to the fact that the Group has substantially adjusted its debt structure, increased the percentage of gold leasing financing, replaced high-cost loans with low-cost bank loans, and the use of equity financing instrument.

Liquidity and capital resources

The working capital and funding required by the Group were mainly generated from its cash flows from operations and borrowings, while the Group's capital was primarily used to fund its capital expenditures, operating activities and repayment of borrowings.

As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB1,383,815,000, representing a decrease of approximately 4% as compared to approximately RMB1,437,951,000 as at 31 December 2016. The decrease was mainly due to the intentional reduction of precipitation funds through the fund collection platform of financial company on the Group level.

As at 30 June 2017, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB935,512,000 (31 December 2016: RMB160,992,000), those denominated in United States dollars amounted to RMB55,232,000 (31 December 2016: RMB91,958,000), those denominated in Australian dollars amounted to RMB nil (31 December 2016: RMB23,416,000). Those denominated in Kazakhstani Tenge amounted to approximately RMB4,000 (31 December 2016: RMB4,000); those denominated in Canadian dollars amounted to nil (31 December 2016: RMB171,000) and those denominated in British Pounds amounted to nil (31 December 2016: RMB4,000). All other cash and cash equivalents held by the Group are denominated in Renminbi.

The Renminbi is not freely convertible into other currencies, however, pursuant to the Regulation of the People's Republic of China on Foreign Exchange Administration and the Administration Regulations on Foreign Exchange Settlement, Sales and Payment, the Group is permitted to exchange Renminbi for other currencies through those banks which are authorized to conduct foreign exchange business.

Borrowings

As at 30 June 2017, the Group had outstanding bank borrowings, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through Shanghai Gold Exchange ("SGE")) of RMB10,343,590,000 (31 December 2016: RMB11,971,906,000), of which RMB10,197,108,000 (31 December 2016: RMB10,884,200,000) was repayable within one year, RMB146,482,000 (31 December 2016: RMB1,087,706,000) was repayable within two to five years and RMB nil (31 December 2016: RMB nil) was repayable after 5 years. As at 30 June 2017, the Group had outstanding corporate bonds of approximately RMB1,199,333,000 (31 December 2016: RMB1,198,071,000), which will be repaid within one year and approximately RMB945,734,000 (31 December 2016: RMB945,101,000), which shall be repaid within two to five years.

As at 30 June 2017, except for secured and guaranteed bank loans of RMB672,638,000 and RMB nil (31 December 2016: RMB715,511,000 and RMB76,307,000) denominated in Hong Kong dollars and United States dollars respectively, all borrowings are denominated in Renminbi. As at 30 June 2017, 73% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

Income tax

The effective income tax rate (i.e., the total income tax divided by profit before tax) of the Group during the Period was approximately 15.88% (corresponding period of 2016: approximately 38.59%).

Total assets

As at 30 June 2017, the total assets of the Group were approximately RMB32,311,792,000, representing a decrease of approximately 2.0% as compared to approximately RMB32,963,659,000 as at 31 December 2016. Among which, total non-current assets amounted to approximately RMB25,303,618,000, accounting for approximately 78% of the total assets, and representing a decrease of approximately 0.19% as compared to approximately RMB25,353,283,000 as at 31 December 2016. As at 30 June 2017, total current assets were approximately RMB7,008,174,000, accounting for approximately 22% of the total assets, and representing a decrease of approximately 7.91% as compared to approximately RMB7,610,376,000 as at 31 December 2016.

Net assets

As at 30 June 2017, the net assets of the Group were approximately RMB15,935,678,000, representing an increase of approximately 12.74% as compared to approximately RMB14,135,217,000 as at 31 December 2016.

Total liabilities

As at 30 June 2017, the total liabilities of the Group were approximately RMB16,376,114,000, representing a decrease of approximately 13% as compared to approximately RMB18,828,442,000 as at 31 December 2016. As at 30 June 2017, the gearing ratio (i.e., the net debt divided by the total equity plus net debt. Net debt includes interest bearing bank and other borrowings, corporate bonds less the balance of cash and cash equivalents) was approximately 41% (31 December 2016: 45%).

Contingent liabilities

As at 30 June 2017, the contingent liabilities of the Group increased by approximately RMB199,093,000 as compared to 31 December 2016.

Market risks

The Group is exposed to various types of market risks, including fluctuations in gold price and other commodities prices, changes in interest rates and foreign exchange rates.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's cash and bank deposits, interest-bearing bank and other borrowings and corporate bonds. The Group controls its interest rate risk from the holdings of certain cash, bank deposits, interest-bearing bank and other borrowings and corporate bonds mainly through placing short term deposits at fixed or floating rates and at the same time having bank borrowings at fixed or floating rates.

During the Period, the Group had not used any interest rate swaps to hedge its exposure to interest rate risk.

Foreign exchange risk

Majority of the Group's transactions are carried out in Renminbi. The fluctuations in the RMB/USD exchange rate may affect the international and local gold price, which may therefore affect the Group's operating results. Fluctuation of foreign exchange rate may have an adverse effect on net assets, earnings and any dividend declared by the Group, which shall be converted or translated into Hong Kong dollars.

During the Period, the Group had not entered into any interest rate swaps to hedge against foreign exchange risks.

Gold price and other commodities price risks

The Group's exposure to price risk relates principally to the fluctuations in the market price of gold and copper, which may affect the Group's operation results. Under certain circumstances, the Group entered into AU (T+D) arrangements, which are substantially forward commodity contracts, in SGE during the Period to hedge against potential price fluctuations of gold. Under those contractual framework, the Group can forward buy or sell gold at the current day's price by depositing 10% of the total transaction amount as guarantee. Subsequently, it can close the deal by either physically delivering or entering into an offsetting arrangement. There are no special restrictions imposed on the settlement period by the contract. During the Period, the Group had not entered into any long-term AU (T+D) framework.

The Group also entered into copper cathode and gold forward contracts in Shanghai Futures Exchange to hedge the price fluctuation caused by the sale of copper and gold.

The transaction price range of the forward commodity contracts is closely monitored by the management of the Group. Accordingly, a reasonable possible fluctuation of 10% in commodity prices would have no significant impact on the Group's profit and equity for the Period.

Pledge

As at 30 June 2017, except for the following assets pledged for environmental improvement, forward commodity contracts AU (T+D) deposit arrangements, the bank borrowings and notes payable, the Group had not pledged or charged any other assets: (1) property, plant and equipment, prepaid land lease payments and mining rights with net carrying amount of approximately RMB15,809,000 (31 December 2016: RMB43,239,000); (2) pledged deposits of RMB76,512,185 (31 December 2016: 76,589,000); and (3) notes of RMB100,000,000 (31 December 2016: RMB nil).

V. BUSINESS PROSPECTS

The second half of the year is the key time for the Company to accelerate conquest and start business and strive for excellence, there are a number of promising opportunities and also significant challenges from various risks. For the obligations of annual objectives and major conquest tasks, the Company will conduct "Six Competitions", and promptly raise the boom of heralding and championing in the Company.

Conduct "cost-effective" competition and focus on exploring profound potential

In the second half of the year, the Company will strictly implement the concept of frugally operating, in the eight areas of basic management, project management, energy consumption management, material management, financial expense management, production process management, non-productive expenditure management and human resource management, conduct basic management upgrade and standardize work, make greater efforts to save expenditure and reduce energy consumption and prohibit all kinds of waste. The Company will fully mobilize the motivation and initiative of each department to maintain efficient production, reduce cost, improve quality and increase effectiveness, lead every enterprise to establish a comprehensive and full-cost assessment and control system, and achieve a new breakthrough on operation results compared with the corresponding of last year and annual budget.

Carry out "on-site management" competition and focus on regulation, standardization and innovation

In the second half of the year, the Company will organize various competition activities in the fields of production organization optimization, site civilization hygiene, operation regulation and standardization, employee quality promotion and so on. Take "three systems" construction and TOPS management as the essential, narrow focus on the treatment of hardware and software for on-site management, and promotion of great breakthrough and quality improvement on the quality and level of on-site management. In the second half of the year, the Company will strengthen geological exploration management and intend to invest exploration fee of RMB67.52 million, 5,800 meters of tunneling work and 120,210 meters of drilling work, which is expected to lead the production of 19 tons of pre-obtained gold metals and 770 tons of copper metals, and ensure to realize 649,400 ounces of mine-produced gold, 45 additional tons of new gold metals and 2,500 tons of new copper metals.

Carry out "basic management" competition and focus on implementation and management level

In the second half of the year, the Company will thoroughly implement the requirements of "Basic Management Promotion Year", consolidate the foundation, strengthen internal approaches, and strive to create a typical leading enterprise management model in the Company and industry. At the same time, lead enterprises to establish a scientific, rational, standardized and equitable management system, and constantly optimize the economic responsibility system, reward and punishment assessment, risk control and other systems, effectively increase the initiative and creativity of the staff, and put the requirements of utilizing systems to govern staff and issues and handling businesses with procedures in place.

Carry out "overcoming difficulties" competition and focus on progress and outcome

In the second half of the year, the Company will continue to focus on the progress and quality of tackling tough work and overcoming difficulties. Continue to carry forward the spirit of tackling tough and overcoming the difficulties and firmly establish the time is an essence consciousness. Concentrate our forces to work on tough projects, sweep barriers and overcome difficulties. In addition, we must make all our efforts to break major bottlenecks restricting production, to ensure that "three tails" are comprehensively developed and utilized, break through crisis mines exploration, achieve new progress and breakthrough in Laizhou Ruihai Project and other project under construction or new construction projects; continue to promote "10 major infrastructure and technological transformation projects", focus on Ruihai Mining and colorful Long Jing Xiang construction projects, promote the projects such as "Internet +" intelligent processing plants for Tonghui Mining and vertical well construction projects of Yuantong Mining and build good basis for capacity enhancement and production continuation. At the same time, the Company will continue to adhere to the strict, prudent and scientific investment principles, accelerate mining rights projects in Inner Mongolia, Gansu, Hebei, Xinjiang and other key areas.

Carry out "safe, environmental and ecological" competition and focus on treatment and stability

Development is the absolute principle and stability is the challenging work. In the second half of the year, the Company will continue to attach great importance to the safety and environmental protection work in key sensitive periods and ensure that there will be no failure of safety and environmental protection work. Make sure to keep the bottom lines of community construction and petition stability, put more intelligence and efforts to the works such as community stability and security and jointly maintain the stable environment for corporate development.

Carry out "hand-in-hand service enterprise and serve the grassroots" competition and focus on efficiency and services

In the second half of the year, the Company will continue to strengthen the management and control functions of the headquarters, carry out the research work at the grassroots level from the headquarters, which is mainly to find out and help, assist enterprises identify and solve problems. At the same time, each hand-in-hand enterprise will continue to increase their interaction, in the areas of personnel training, experience exchange, technology promotion, on-site management, responsibility optimization, etc., implement the inside help the outside, the leader help the general, the upward help backward and the advanced help start-up, so as to expand the hand-in-hand influence and blossom.

OTHER INFORMATION

I. CHANGES IN SHAREHOLDING OF SHAREHOLDERS AND SHARE CAPITAL STRUCTURE

1. Number of shareholders

The details of the number of shareholders of the Company recorded in the register of members as at 30 June 2017 are as follows:

Class	Number of shareholders
Domestic share	7
Overseas-listed foreign share – H share	1,705
Total number of shareholders	1, 712

II. SUFFICIENT PUBLIC FLOAT

Based on the information available to the Company and so far as the Directors were aware, the Company confirmed that during the Period and up to the date of this announcement, sufficient public float of the shares of the Company was maintained.

III. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

IV. CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the Period, the Company did not issue any convertible securities, share options, warrants or similar rights. During the Period and up to the date of this announcement, the Group has no share option scheme.

V. EMPLOYEES

As of 30 June 2017, the Company had a total of 6,557 employees. The Group remunerates its employees according to their performance, experience and prevailing industry practices and provide other benefits to employees (including retirement benefit plans, medical benefit plans and housing fund plans). The Group also provides opportunities for further education and training to its employees. The Group offers competitive remuneration packages to its employees and reviews employee remuneration annually with reference to the prevailing labor market and human resources market trends and laws.

VI. IMPORTANT EVENTS

1. On 9 June 2017, the 2016 annual general meeting considered and passed, among other things, the following resolutions:

(1) the Company's profit distribution proposal for the year ended 31 December 2016 to distribute a cash dividend of RMB0.04 (before taxation) per share to all shareholders;

(2) authorizing the Board to allot, issue or deal with shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares and existing domestic shares of the Company as at the date of passing such resolution;

(3) authorizing the Board to repurchase shares of up to a maximum of 10% of the aggregate nominal value of the issued H share capital of the Company as at the date of passing such resolution;

(4) amendment to the Articles 2.2, 3.5 and 3.8 of the Articles of Association of the Company; and

(5) the proposed issue of corporate bonds in the PRC and the grant of authority to the Board to deal with such matters relating to the issue of the corporate bonds.

Relevant details are set out in the circulars and notices of the Company dated 21 April 2017 and 24 May 2017 and announcement of the Company dated 9 June 2017 respectively on the website of the Stock Exchange of Hong Kong Limited ("Stock Exchange") at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. On 9 June 2017, the domestic shares class meeting and H shares class meeting respectively considered the following proposal:

The Board was granted a general mandate to repurchase H shares of up to a maximum of 10% of the aggregate nominal value of the issued H share capital of the Company as at the date of passing such resolution.

The proposal was approved at the domestic shares class meeting and H shares class meeting.

Relevant details are set out in the circular, notices and announcement of the Company dated 21 April 2017 and 9 June 2017 respectively on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Exploration Services Framework Agreement

On 18 January 2017, the Company and Shandong Zhaojin Geological Prospecting Co., Ltd* ("Shandong Zhaojin Geological") entered into the Exploration Services Framework Agreement in relation to Shandong Zhaojin Geological's provision of exploration services to the Company from 1 January 2017 to 31 December 2019. The annual caps in respect of the transactions contemplated under the Exploration Services Framework Agreement for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB100,000,000, RMB100,000,000 and RMB100,000,000.

Zhaojin Group is a controlling shareholder of the Company. Shandong Zhaojin Geological is a wholly-owned subsidiary of Zhaojin Group and is a connected person of the Company. Therefore, according to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Exploration Services Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

Relevant details were set out in the announcement of the Company dated 18 January 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Material Procurement Framework Agreement

On 18 January 2017, the Company and Zhaoyuan Gold Materials Supply Center Co., Ltd* ("Materials Supply Center") entered into the Material Procurement Framework Agreement in relation to the provision of material procurement services by Materials Supply Center to the Company in the PRC from 1 January 2017 to 31 December 2019. The annual caps in respect of the transactions contemplated under the Material Procurement Framework Agreement for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB85,000,000, RMB90,000,000 and RMB98,000,000.

Zhaojin Group is a controlling shareholder of the Company. Materials Supply Center is a wholly-owned subsidiary of Zhaojin Group and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Material Procurement Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

Relevant details were set out in the announcement of the Company dated 18 January 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Proposed quotation of shares on National Equities Exchange Quotations System ("NEEQ")

On 30 September 2016, Beijing Dongfang Yanjing Mining Engineering Design Company Limited* ("Dongfang Yanjing"), a non-wholly owned subsidiary of the Company, filed an application for the proposed quotation ("Proposed Quotation") of the shares of Dongfang Yanjing on NEEQ. Although the Proposed Quotation does not constitute spin-off under PRC laws, it is subject to the approval of the Stock Exchange as it constitutes spin-off under Practice Note 15 of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 27 February 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Completion of non-public issuance of domestic shares under specific mandate to implement the employee shares subscriptions plan ("ESSP") and connected subscriptions

On 31 March 2017, the Company has completed the share registration procedures with China Securities Depository And Clearing Corporation Limited in connection with the issuance of 80 million new domestic shares under specific mandate for the asset management plan. Such 80 million new domestic shares correspond to the 80 million ESSP portions ("ESSP Portions") subscribed by the eligible participants of the ESSP. Among the 80 million ESSP Portions subscribed, 10,815,000 ESSP Portions have been subscribed by connected participants. Accordingly, 10,815,000 of such 80 million new domestic shares issued were for the purposes for the connected subscriptions.

Relevant details are set out in the announcement of the Company dated 31 March 2017 on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Placing of new H Shares under general mandate

On 29 March 2017, the Company entered into the placing agreement (the "Placing Agreement") with UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited and CMB International Capital Limited (the "Joint Placing Agents"), pursuant to which the Company has agreed to issue a total of up to 174,869,000 new H Shares of RMB1.00 each (the "Placing Shares") under general mandate, and the Joint Placing Agents have agreed, on a several basis, as the placing agents of the Company, to procure in an aggregate of not less than six and not more than ten professional, institutional and other investor(s) who are independent third parties, or failing which themselves as principal, to subscribe the Placing Shares at the price of HK$6.93 per Placing Share on the terms and subject to the conditions of the Placing Agreement (the "Placing").

Completion of the Placing took place on 6 April 2017. The aggregate gross proceeds from the Placing is approximately HK$1,211.8 million and the aggregate net proceeds from the Placing, after deducting the placing commission and other related expenses, is approximately HK$1,205 million. The net proceeds from the Placing are intended to be used for supplementing the working capital of the Company.

Relevant details are set out in the announcements of the Company dated 29 March 2017 and 6 April 2017 respectively on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

8. Issuance of the First Tranche of Renewable Bonds in 2017

On 20 April 2017, the Company issued the first tranche of renewable bonds in 2017 with a par value of RMB500 million. The term of the renewable bonds shall be 5 interest accruing years. At the end of each term, the issuer is entitled to renew the Renewable Bonds for an additional term, or repay and redeem the Renewable Bonds in full as they fall due at the end of the term. The interest for this tranche of super short-term bonds was 5.43%.

Relevant details are set out in the announcements of the Company dated 18 April 2017 and 20 April 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. Connected transaction in relation to the formation of joint venture

On 9 June 2017, the Company, Shanghai Fosun High Technology (Group) Co., Ltd. ("Shanghai Fosun") and Hainan Mining Co., Ltd. ("Hainan Mining") entered into the Investment Co-operation Agreement to establish the co-operation arrangement with respect to the joint venture company ("Joint Venture Company") for the purpose of acquiring (the "Acquisition") 12,561,868 shares ("Sale Shares") of Public Joint Stock Company Polyus (the "Target Company"). As at the date of this announcement, the Joint Venture Company is held as to 49.90%, 37.37% and 12.73% by Hainan Mining, Shanghai Fosun and the Company, respectively. The Joint Venture Company had entered into the Sale and purchase agreement (the "SPA") in connection with the Acquisition on 31 May 2017. Pursuant to the terms of the SPA, the Joint Venture Company agreed to purchase (or through its affiliates purchase) and the vendor agreed to sell the Sale Shares owned by the vendor, representing 10% of the share capital excluding treasury shares of the Target Company, at US$70.6025 per share for a maximum consideration of approximately US$887 million in cash, on the terms and subject to the conditions set out in the SPA. Subject to completion, the Joint Venture Company (or its affiliates) shall have an option to purchase from the vendor, and to require the vendor to sell, all or some of the call option shares under the SPA, representing up to 5% of share capital of the Target Company. The option to purchase the call option shares can be exercised not later than one year from 31 May 2017.

Hainan Mining and Shanghai Fosun are members of the Fosun group since they are the subsidiaries of Fosun International Limited ("Fosun International"). Fosun International, through certain of its wholly-owned subsidiaries, holds approximately 3.29% interest in the issued share capital of the Company. The Company deems the Fosun group to be its connected persons under the Listing Rules given that Fosun International is regarded by Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") to be its controlling shareholder and actual controller. By virtue of the Company deeming the Fosun group to be its connected persons, any transaction entered into between the Company and the Fosun group constitutes a connected transaction of the Company under the Listing Rules.

The Company first acquired 12.73% equity interest in the Joint Venture Company on 18 April 2017 at nil consideration. Such acquisition constitutes a connected transaction of the Company that is exempt from the reporting, announcement and independent shareholders' approval requirement under the Listing Rules. The establishing of the joint venture with Hainan Mining and Shanghai Fosun constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Relevant details are set out in the announcements of the Company dated 31 May 2017 and 9 June 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

VII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with all the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the period from 1 January 2017 to 30 June 2017. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions in the Code by the Company during any time of the Period.

VIII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' and supervisors' securities dealings.

After making specific enquiries with the Directors and supervisors, all Directors and supervisors of the Company have fully complied with the standards required according to the Model Code during the Period.

IX. AUDIT COMMITTEE

The fifth session of the Audit Committee includes one non-executive Director and two independent non-executive Directors, namely Mr. Gao Min, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo, and its chairman is Ms. Chen Jinrong.

The Audit Committee has adopted a written terms of reference which is in compliance with the Code. It is mainly responsible for matters concerning the internal control and financial reporting, reviewing with the management of the accounting principles, accounting standards and methods adopted by the Company. The Audit Committee has discussed internal control affairs and reviewed the Company's unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2017, and the Audit Committee is of the view that the unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2017 are prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

By order of the Board
Zhaojin Mining Industry Company Limited*
Weng Zhanbin
Chairman

Zhaoyuan, the PRC, 18 August 2017

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao as executive Directors; Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min as non-executive Directors; and Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as independent non-executive Directors.

* *For identification purpose only*