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)

2018 INTERIM REPORT

*For identification purposes only

CONTENTS

CORPORATE INFORMATION

NAME OF THE COMPANY

招金礦業股份有限公司

ENGLISH NAME OF THE COMPANY

Zhaojin Mining Industry Company Limited*

LEGAL REPRESENTATIVE

Mr. Weng Zhanbin

EXECUTIVE DIRECTORS

Mr. Weng Zhanbin *(Chairman)*
Mr. Dong Xin *(Executive President)*
Mr. Wang Ligang

NON-EXECUTIVE DIRECTORS

Mr. Xu Xiaoliang *(Vice Chairman)*
Mr. Liu Yongsheng
Mr. Yao Ziping
Mr. Gao Min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao
Mr. Shen Shifu

SUPERVISORY COMMITTEE MEMBERS

Mr. Li Xiuchen *(Chairman of Supervisory Committee)*
Mr. Xie Xueming *(Resigned on 24 August 2018)*
Ms. Zou Chao *(Appointed on 24 August 2018)*
Ms. Zhao Hua

SECRETARY TO THE BOARD

Mr. Wang Ligang

COMPANY SECRETARY

Ms. Mok Ming Wai *(Resigned on 24 August 2018)*
Ms. Ng Ka Man *(Appointed on 24 August 2018)*

QUALIFIED ACCOUNTANT

Mr. Ma Ving Lung Nelson

AUTHORIZED REPRESENTATIVES

Mr. Weng Zhanbin *(Chairman)*
Mr. Dong Xin *(Executive President)*

BOARD COMMITTEES

Audit Committee Members

Ms. Chen Jinrong *(Chairman of Audit Committee)*
Mr. Choy Sze Chung Jojo
Mr. Gao Min

Strategic Committee Members

Mr. Weng Zhanbin *(Chairman of Strategic Committee)*
Mr. Xu Xiaoliang
Mr. Liu Yongsheng

Nomination and Remuneration Committee Members

Mr. Choy Sze Chung Jojo *(Chairman of Nomination and Remuneration Committee)*
Mr. Yao Ziping
Mr. Wang Ligang
Ms. Chen Jinrong
Mr. Wei Junhao

Geological and Resources Management Committee Members

Mr. Wei Junhao *(Chairman of Geological and Resources Management Committee)*
Mr. Liu Yongsheng
Mr. Shen Shifu

* *For identification purpose only*

Safety and Environmental Protection Committee Members

Mr. Dong Xin *(Chairman of Safety and Environmental Protection Committee)*
Mr. Wang Ligang
Mr. Shen Shifu

AUDITORS

International Auditor

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

PRC Auditor

Ernst & Young Hua Ming LLP *(Special General Partnership)*
16th Floor, Ernst & Young Building
Dongfang Square
No. 1 East Changan Road
Dongcheng District
Beijing
PRC

LEGAL ADVISERS

PRC Legal Adviser

King & Wood PRC Lawyers
17th Floor, One ICC
Shanghai International Commercial Center
999 Middle Huai Hai Road
Shanghai
PRC
Postal code: 200031

Hong Kong Legal Adviser

Eversheds Sutherland
21/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
78 Fuqian Road
Zhaoyuan City
Shandong Province
PRC

Agricultural Bank of China
298 Wenquan Road
Zhaoyuan City
Shandong Province
PRC

CORPORATE WEBSITE

www.zhaojin.com.cn

STOCK CODE

1818

I. PRINCIPAL ACTIVITIES

For the six months ended 30 June 2018 (the "Period"), Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the exploration, mining, ore processing, smelting and sale of gold products and other metallic products in the People's Republic of China (the "PRC"). The principal products include "Au9999" and "Au9995" standard gold bullions and other gold products under the brand name of "Zhaojin".

II. INTERIM RESULTS

Revenue

During the Period, the Group generated revenue of approximately RMB2,868,567,000 in total (corresponding period of 2017: approximately RMB3,037,528,000), representing a decrease of approximately 5.56% as compared to the corresponding period of last year.

Net profit

During the Period, the net profit of the Group was approximately RMB386,882,000 (corresponding period of 2017: approximately RMB408,934,000), representing a decrease of approximately 5.39% as compared to the corresponding period of last year.

Product production

During the Period, the Group attained an aggregate gold production of approximately 16,611.72 kg (approximately 534,078.90 ozs), representing an increase of approximately 1.82% as compared to the corresponding period of last year. In particular, the gold output from the Group's mines amounted to 10,098.73 kg (approximately 324,681.48 ozs), representing an increase of approximately 2.92% as compared to the corresponding period of last year and gold output from the smelting and tolling arrangement amounted to approximately 6,512.99 kg (approximately 209,397.42 ozs), representing an increase of approximately 0.16% as compared to the corresponding period of last year. During the Period, the Group attained an aggregate copper production of approximately 12,179 tons (of which copper output from mines amounted to 8,041 tons, and copper output from smelting amounted to 4,138 tons), representing an increase of approximately 8.30% 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 RMB301,638,000 (corresponding period of 2017: approximately RMB396,641,000), representing a decrease of approximately 23.95% 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 RMB0.09 (corresponding period of 2017: approximately RMB0.13), representing a decrease of approximately 30.77% as compared to the corresponding period of last year.

Net assets per share

As at 30 June 2018, the consolidated net assets per share was approximately RMB5.23 (30 June 2017: approximately RMB4.95), and the yield to net assets during the Period was approximately 2.30% (corresponding period of 2017: approximately 2.57%).

III. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (corresponding period of 2017: Nil).

IV. BUSINESS REVIEW

In the first half of 2018, international trade protectionism intensified and trade disputes between the United States and other countries continued to escalate. Intricate international factors such as the Fed's interest rate hike policy, the Syrian situation, and the Iranian nuclear agreement increased the uncertainty in gold prices. At the same time, following the solid advancement of national ecological civilization construction, China's gold mining industry faces opportunities and challenges for transformation and upgrading. The Company actively grasps the development trend of the industry, persists in internal efforts, strengthens risk management and control, consolidates the foundation of development and achieves steady development in response to various challenges.

Focus on construction of the main business of gold and implement plans for stable production and increase in income of key enterprises

In the first half of the year, confronted with complicated and ever-changing business situation, the Company insisted on laying the foundation, achieving long-term benefits, focusing on allocation of advantageous resources, continuously expanding and strengthening key enterprises of gold and further enhancing the driving effect of key enterprises. In the first half of the year, the total output of mineral gold was 10,098.73 kg (approximately 324,681.48 ozs, increased by 2.92% over the same period of the previous year) and the output of self-produced gold was 9,115.98 kg (approximately 293,085.37 ozs, which was the same as that of the same period of the previous year), achieving the objectives of more than double of both time and task. The Company strengthened support of mines outside the province and the proportion of mine production capacity outside the province increased steadily, forming a powerful potential for expanding and increasing production. At the same time, the Company strengthened risk management and control, increased the synergistic integration of production and sales, strengthened research on market operations and the use of risk control tools, so that the selling price of our gold outperformed that of the market. In addition, the Company focused on the enhancement of sustainable development capacity and increased the intensity of geological prospecting work. In the first half of the year, geological prospecting investment amounted to RMB40.73 million was carried out. The amount of gold metal increased by 25,331.87 kg, and the amount of copper metal increased by 3,410.83 tons. In respect of production prospecting, RMB19.41 million was invested to upgrade gold metal amounted to 13.3 tons and copper metal amounted to 9,136 tons. Geological prospecting and production prospecting have exceeded the half-year plan.

Grasping the opportunity of high-quality development and implementing the "Two Key Priorities" of key projects

In the first half of the year, in order to better facilitate annual production and operation, the Company insisted on highlighting the essential, grasping the core, formulating and implementing the "Two Key Priorities" of projects and fully facilitating the "Top Ten Key Tasks" and "Top Ten Key Projects". The accumulated investment in infrastructure technology reform was RMB268 million and the deep exploration projects included Xiadian Gold Mine, Dayingezhuang Gold Mine and Zaozigou Gold Mine Project, and the top ten construction projects such as Yuantong Mining System Optimization have been progressing smoothly. The Company adhered to innovation drive, actively promoted the combination of production, studies and research, and the transformation of technological achievements, and completed research investment of RMB54.75 million, including 47 new patent applications, 13 new invention patents and utility model patents and 368 items of minor reforms. The Company strengthened key technologies and basic technology research. The main indicators such as head grade, beneficiation recovery rate and cyanidation recovery rate have different growth rates as compared with the same period of the previous year. 5 subsidiaries have successfully been recognized as high-tech enterprises and 5 subsidiaries are applying for the recognition. The Company adheres to the combination of innovation, industry and finance, and increases our efforts in national technology, fiscal, taxation, and financing policies. In the first half of the year, a total of RMB28.9 million of unrequited funds for scientific research, RMB140 million tax concession, RMB7.9 billion financing and RMB600 million cross-border financing were obtained, so that more than RMB20 million of capital costs was saved.

Strengthening management, improving quality and efficiency and implementing the "five-excellent competition" labor competing activities

In the first half of the year, the Company conducted major activities in the field of management innovation to hold the five-excellent competition of the Company by adhering to "excellent performance, superior management, innovative advantages, team optimization and beautiful environment" as the general focus and encouraged competition among officers. The Company strengthened enhancement of basic management and carried out all-round savings and consumption reduction activities, so that all the key production cost indicators such as mineral processing consumption, mining consumption, comprehensive power consumption and comprehensive energy consumption achieved a downward trend and comprehensive cost was controlled within a reasonable range. The Company actively introduced scientific management tools, deeply implemented the management system of operational excellence ("POMS"), learned using POMS management cogitation, comprehensively optimized internal management systems and further optimized job responsibilities and operation standards to improve operation efficiency and achieve institutionalized processes, formalization of systems, and standardization of operation and continuous strengthening of basic management.

Adhering to the green development of environmental harmony and implementing the "four modernization" in mining business transformation

In the first half of the year, based on changes in the trend of mining industry, the Company, in order to take the initiative in transformation and upgrading, formulated and implemented the "four modernization" (i.e. "mechanization, automation, digitization and intelligence") for strategic planning in mining. The Company held a meeting for commencement of the "four modernization" and took Tonghui Mining and other mining companies as pilots to carry out intelligent mine construction experiments to build unmanned workshops, unmanned ore selection plants and inartificial processing sections, and continuously enhance labor productivity and reforms of management and innovation. At the same time, the Company strictly implemented national safety and environmental protection laws, regulations and policies and firmly adhered to the bottom line of safety and environmental protection in development. The Company took "maintenance of responsibility, safety and effective operation in the dual prevention system" as the overall tone and vigorously facilitated construction of ecological environment. In the first half of the year, the Company achieved safety and environmental protection investment of RMB100 million. Newly increased green area was approximately 120,000 square meters. The development of safety production and green ecological protection work remained stable.

V. FINANCIAL AND RESULTS ANALYSIS

Revenue

During the Period, the Group's revenue amounted to approximately RMB2,868,567,000 (corresponding period of 2017: approximately RMB3,037,528,000), representing a decrease of approximately 5.56% as compared to the corresponding period of last year. During the Period, the decrease in revenue was primarily due to the decrease in sales price and volume of gold during the Period.

Net profit

During the Period, net profit of the Group amounted to approximately RMB386,882,000 (corresponding period of 2017: approximately RMB408,934,000), representing a decrease of approximately 5.39% as compared to the corresponding period of last year. The decrease in net profit was due to the decrease of sales price while the overall cost of gold increased during the Period.

Integrated cost of gold per gram

During the Period, the Group's integrated cost of gold was approximately RMB146.38 per gram (corresponding period of 2017: approximately RMB134.32 per gram), representing an increase of approximately 8.98% as compared to the corresponding period of last year. The increase in integrated cost of gold was due to the increase in mining costs and depreciation and capital investment in safety and environmental protection during the Period.

Cost of sales

During the Period, the Group's cost of sales amounted to approximately RMB1,677,583,000 (corresponding period of 2017: approximately RMB1,696,620,000), representing a decrease of approximately 1.12% 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 RMB1,190,984,000, representing a decrease of approximately 11.18% as compared to RMB1,340,908,000 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 decrease from approximately 44.14% in the corresponding period of last year to approximately 41.52% for the Period. The decrease in gross profit was mainly due to the decrease in selling price as well as the increase of related cost of sales.

Other income and gains

During the Period, the Group's other income and gains were approximately RMB166,970,000 (corresponding period of 2017: approximately RMB162,104,000), representing an increase of approximately 3.00% as compared to the corresponding period of last year. The increase was mainly due to the increase of interest income and disposal income of commodity derivative contracts during the Period compared to the corresponding period of last year.

Selling and distribution costs

During the Period, the Group's selling and distribution costs were approximately RMB23,748,000 (corresponding period of 2017: approximately RMB20,273,000), representing an increase of approximately 17.14% as compared to the corresponding period of last year. The increase was mainly due to the increase in sales of copper products during the Period and the increase in gold leasing business.

Administrative and other operating expenses

During the Period, the Group's administrative and other operating expenses were approximately RMB611,615,000 (corresponding period of 2017: approximately RMB805,976,000), representing a decrease of approximately 24.11% as compared to the corresponding period of last year. Such decrease was mainly due to reduction of administrative expenses of the Company and decrease in impairment of long-term assets and goodwill during the Period.

Finance costs

During the Period, the Group's finance costs amounted to approximately RMB250,487,000 (corresponding period of 2017: approximately RMB214,584,000), representing an increase of approximately 16.73% as compared to the corresponding period of last year. Such increase was mainly attributable to the restructuring of the Company's debt structure and the decrease in leverage of the PRC, leading to an increase in market capital costs during the Period.

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 2018, the Group had cash and cash equivalents of approximately RMB2,062,236,000, representing an increase of approximately 11.64% as compared to approximately RMB1,847,169,000 as at 31 December 2017. The increase was mainly due to the new issuance of corporate bonds, resulting in the increase of net cash inflow during the Period.

As at 30 June 2018, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB108,476,000 (31 December 2017: RMB851,629,000), those denominated in United States dollars amounted to RMB164,695,000 (31 December 2017: RMB87,741,000), those denominated in Australian dollars amounted to RMB8,992,000 (31 December 2017: RMB22,217,000). Those denominated in Kazakhstani Tenge amounted to approximately RMB8,000 (31 December 2017: RMB8,000); those denominated in Canadian dollars amounted to RMB17,105,000 (31 December 2017: RMB1,092,000) and those denominated in British Pounds amounted to Nil (31 December 2017: 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 2018, 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 RMB10,910,077,000 (31 December 2017: RMB11,399,261,000), of which RMB10,236,233,000 (31 December 2017: RMB10,779,923,000) was repayable within one year, RMB673,844,000 (31 December 2017: RMB619,338,000) was repayable within two to five years and RMB Nil (31 December 2017: RMB Nil) was repayable after 5 years. As at 30 June 2018, the Group had outstanding corporate bond of approximately RMB443,008,000 (31 December 2017: RMB Nil), which shall be repaid within one year and approximately RMB3,099,966,000 (31 December 2017: RMB1,794,964,000), which shall be repaid within two to five years.

As at 30 June 2018, except for secured and guaranteed bank loans of RMB Nil and RMB Nil (31 December 2017: RMB647,830,000 and RMB588,000) denominated in Hong Kong dollars and United States dollars respectively, all borrowings are denominated in Renminbi. As at 30 June 2018, 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 20.29% (corresponding period of 2017: approximately 15.88%).

Total assets

As at 30 June 2018, the total assets of the Group were approximately RMB35,769,946,000, representing an increase of approximately 5.79% as compared to approximately RMB33,812,886,000 as at 31 December 2017. Among which, total non-current assets amounted to approximately RMB26,845,329,000, accounting for approximately 75.05% of the total assets, and representing an increase of approximately 4.15% as compared to approximately RMB25,775,192,000 as at 31 December 2017. As at 30 June 2018, total current assets were approximately RMB8,924,617,000, accounting for approximately 24.95% of the total assets, and representing an increase of approximately 11.03% as compared to approximately RMB8,037,694,000 as at 31 December 2017.

Net assets

As at 30 June 2018, the net assets of the Group were approximately RMB16,856,401,000, representing an increase of approximately 0.55% as compared to approximately RMB16,763,908,000 as at 31 December 2017.

Total liabilities

As at 30 June 2018, the total liabilities of the Group were approximately RMB18,913,545,000, representing an increase of approximately 10.94% as compared to approximately RMB17,048,978,000 as at 31 December 2017. As at 30 June 2018, 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 42.37% (31 December 2017: 40.37%).

Contingent liabilities

As at 30 June 2018, the contingent liabilities of the Group did not have any change as compared to 31 December 2017.

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 holding 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

The 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 foreign exchange 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 2018, except for the following assets pledged or charged 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 RMB Nil (31 December 2017: RMB Nil); (2) pledged deposits of RMB Nil (31 December 2017: RMB17,710,000); and (3) treasury bonds of RMB99,800,000 (31 December 2017: RMB Nil).

VI. BUSINESS PROSPECTS

In the second half of 2018, the Company will profoundly grasp macro policy changes, follow the general requirements of high-quality development and promote the "five-excellent competition" activities to comprehensively strengthen internal control management, accelerate promotion of key tasks and enhance development quality and efficiency to ensure achievement of annual production and operation objectives.

Adhering to in-depth potential exploitation and carrying out project management enhancing activities thoroughly

In the second half of the year, the Company will comprehensively carry out project management enhancing activities in six major areas, including cost control, risk management and control, compliance construction, project construction, human resources optimization and allocation, and quality control. The Company will adhere to the lifeline of steady development and strictly control major risk management factors such as investment risk, financial risk and legal risk. At the same time, the Company will endeavor to increase revenue and reduce expenditure, strengthen cost management, further reduce non-productive expenses, strive for project bidding and management of design efficiency, optimize production processing system, and enhance production quality and efficiency. The Company will launch the "Advancement of Excellence in Performance Management" activities to integrate and upgrade management resources, launch national quality awards competitions and create a brand and model for management of Zhaojin.

Cultivating the developmental advantages of mining and developing and strengthening core businesses

In the second half of the year, the Company will focus on enhancing capacity expansion and increasing efficiency, adhere to key project-driven strategies and focus on construction of infrastructure technology reform projects that involve capacity improvement, process optimization and efficiency improvement. In the second half of the year, the Company plans to invest RMB300 million, focusing on the construction of the mining and ore processing project at Ruihai Mining and Wucailong, the project of deep exploration at Dayingezhuang Gold Mine and Xiadian Gold Mine, tailings of Fengning Gold Mine and Zaozigou Gold Mine. In addition, in the second half of the year, the Company will focus on enhancing its resources protection capacity and plan to invest RMB35 million in geological exploration to ensure newly increment of 15 tons gold resources reserves. At the same time, the Company will innovate methods of external development, strengthen the development of mining industry, and exploit sizable and prosperous mines within the mining circle. The Company will target at the "double H" strategy both domestically and internationally, focusing on accelerating resources acquisition in the "One Belt, One Road", Latin America and other key overseas metalorganic areas, and enhancing the successful rate of mining rights operation.

Accelerating kinetic energy conversion and efficiency improvement and creating an innovative engine

In the second half of the year, the Company will continue to actively carry out the "innovative advantage" competition and plan to invest RMB62 million to facilitate key scientific research projects and accelerate the cracking of the annual "Top Ten Key Projects" to accelerate enhancement of scientific and technological traction. In the selection of cyanide and smelting, the Company will focus on promoting the research of non-(low) cyanide gold extraction technology and comprehensive development and the utilization of "three tails" resources, providing scientific support for the Company's green development, technology optimization and new business development. The Company will also construct science and technology innovation platform, encourage first-line staff to innovate in science and technology, apply for national science and technology innovation projects to benefit from science and technology's development. The Company will also facilitate application of "four new technologies" and promote the "four modernization" (i.e. "mechanization, automation, digitization and intelligence") activities to improve labor productivity.

Commencement of construction of "beautiful environment" to facilitate green and harmonious development

In the second half of the year, the Company will actively launch the "Beautiful Environment" competition, strengthen environmental management, highlight key prevention and control, actively connect with national policies, carry out green mine construction, strengthen civilized and healthy governance, display a new image of the Company, deepen harmonious and stable infrastructure, optimize internal environment, promote effective protection of the mine's ecological environment to create a new trend of a beautiful, safe and stable environment and harmonious and win-win development of mines.

I. CHANGES IN SHAREHOLDING OF SHAREHOLDERS AND SHARE CAPITAL STRUCTURE

1. Number of shareholders

The details of the number of shareholders of the Company (the "Shareholders") recorded in the register of members as at 30 June 2018 are as follows:

Class	Number of Shareholders
Domestic share	7
Overseas-listed foreign share – H share	1,610
Total number of Shareholders	1,617

2. Substantial shareholders

To the best knowledge of the directors, supervisors and chief executives of the Company, as at 30 June 2018, the interests and short positions of substantial shareholders in the issued share capital of the Company which were required, pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which were required to be notified to the Company were as follows:

	Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending Pool
1	Shandong Zhaojin Group Company Limited	Domestic shares	Beneficial owner	1,086,514,000 *(Note 1)*	33.74	50.04	–	Long position
		Domestic shares	Interest of controlled corporation	50,967,195 *(Note 3)*	1.58	2.35	–	Long position
		H shares	Interest of controlled corporation	43,890,000 *(Note 1)*	1.36	–	4.18	Long position

	Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending Pool
2	Shanghai Yuyuan Tourist Mart Co., Ltd.	Domestic shares	Beneficial owner	742,000,000	23.04	34.17	–	Long position
		Domestic shares	Interest of controlled corporation	21,200,000 *(Notes 1 and 2)*	0.66	0.98	–	Long position
3	The Bank of New York Mellon Corporation	H shares	Interest of controlled corporation	115,633,645 *(Note 4)*	3.59	–	11.02	Long position
		H shares		114,215,685	3.55	–	10.89	Lending pool
4	VanEck Vectors ETF – VanEck Vectors Gold Miners ETF	H shares	Beneficial owner	52,545,500 *(Note 5)*	1.63	–	5.01	Long position
5	Van Eck Associates Corporation	H shares	Investment manager	52,545,500 *(Note 5)*	1.63	–	5.01	Long position
6	Schroders Plc	H shares	Investment manager	179,283,440 *(Note 6)*	5.57	–	17.09	Long position
7	Deutsche Bank Aktiengesellschaft	H shares	Beneficial owner	47,804,200	1.48	–	4.56	Long position
		H shares	Beneficial owner	60,470,400	1.88	–	5.76	Short position
8	BlackRock, Inc.	H shares	Interest of controlled corporation	71,764,971 *(Note 7)*	2.23	–	6.84	Long position
		H shares	Interest of controlled corporation	209,500 *(Note 7)*	0.01	–	0.02	Short position

Notes:

(1) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") unless certain criteria are fulfilled, therefore substantial shareholders' latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

(2) Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") holds 100% equity interests in Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold"), therefore the 21,200,000 domestic shares held by Laomiao Gold in the Company is shown as long position of Shanghai Yuyuan.

(3) Shandong Zhaojin Group Company Limited ("Zhaojin Group") holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous"), therefore the 50,967,195 domestic shares held by Zhaojin Non-Ferrous in the Company is shown as long position of Shandong Zhaojin.

(4) The Bank of New York Mellon Corporation directly holds 100% equity interest of The Bank of New York Mellon, and is therefore deemed to have an interest in the 115,633,645 shares held by The Bank of New York Mellon.

(5) Van Eck Associates Corporation is the investment manager of the VanEck Vectors ETF – VanEck Vectors Gold Miners ETF.

(6) Schroders Plc is interested in the shares of the Company through its directly or indirectly controlled companies.

(7) BlackRock, Inc. is interested in the shares of the Company through its directly or indirectly controlled companies.

As at 30 June 2018, apart from the above disclosure and to the best knowledge of the directors, supervisors and chief executives of the Company, no person had any interests and short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or held 5% or above in the issued share capital of the Company which was required to be notified to the Company.

II. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests or short position of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

	Name and Position	Class of Shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Long position/ Short position
1	Weng Zhanbin (Chairman and Executive Director)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	1,200,000	0.04%	0.06%	Long position
2	Dong Xin (Executive Director)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	300,000	0.01%	0.01%	Long position
3	Wang Ligang (Executive Director)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	1,000,000	0.03%	0.05%	Long position
4	Li Xiuchen (Supervisor)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	1,000,000	0.03%	0.05%	Long position
5	Zhao Hua (Supervisor)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	200,000	0.01%	0.01%	Long position

Notes:

1. The interests set out above relate to the employee shares subscription plan portions ("ESSP Portions") under the ESSP subscribed by the directors, supervisors and chief executive. One ESSP Portion corresponds to one domestic share.

Save as disclosed above, as at 30 June 2018, and to the knowledge of the directors, supervisors and chief executives of the Company, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

III. RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND SUPERVISORS

Save as disclosed in this report, none of the directors and supervisors had any interests in the share capital or debt securities of the Company or any of its associated corporations (as defined in the SFO). None of the directors, supervisors and their spouses and children below eighteen years old was granted rights to subscribe for the interests in the share capital or debt securities of the Company or any of its associated corporations and there was no exercise of any of such rights by any of such person.

At no time during the Period had the Company or any of its subsidiaries, holding companies or any fellow subsidiaries entered into any arrangements which enable the directors and supervisors to have the rights to acquire benefits by means of acquisition of shares or debentures in the Company or any other legal entities.

IV. 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 report, sufficient public float of the shares of the Company was maintained.

V. 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.

VI. 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 report, the Group has no share option scheme.

VII. EMPLOYEES

As of 30 June 2018, the Company had a total of 6,419 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 provident 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.

VIII. IMPORTANT EVENTS

1. On 8 June 2018, the 2017 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 2017 to distribute a cash dividend of RMB0.06 (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 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;

(4) appointment of executive directors and non-executive directors; and

(5) appointment of Shareholder representative supervisors.

Relevant details were set out in the circular and notice of the Company both dated 24 April 2018 and announcement of the Company dated 8 June 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. On 8 June 2018, 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 were set out in the circular and notices of the Company all dated 24 April 2018 and announcement of the Company dated 8 June 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Termination of the acquisition by the Joint Venture Company

On 15 January 2018, Shanghai Pingju Investment Management Co., Ltd. (the "Joint Venture Company") and Polyus Gold International Limited entered into a deed of release and agreed to terminate the sale and purchase agreement (the "SPA") immediately, due to the non-satisfaction of certain condition precedent under the SPA. Each party irrevocably and unconditionally released and discharged the other party absolutely from all claims, liabilities and demands under or in connection with the SPA.

Relevant details were set out in the announcements of the Company dated 31 May 2017, 9 June 2017 and 15 January 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Changes in Composition of the Board

The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of an executive director, the chairman of Safety and Environmental Protection Committee, the president and the authorized representative of the Company, Mr. Cong Jianmao resigned from the position of an executive director, a member of Nomination and Remuneration Committee and Safety and Environment Protection Committee, and Mr. Li Shousheng resigned from the position of a non-executive director, a member of Strategic Committee and Geological and Resources Management Committee due to re-allocation of their work arrangement; Mr. Liang Xinjun resigned from being the vice chairman of the fifth session of the Board, a non-executive director and a member of Nomination and Remuneration Committee due to health reason. Their resignations are all with effect from 6 March 2018. Mr. Li Xiuchen, Mr. Cong Jianmao, Mr. Liang Xinjun and Mr. Li Shousheng confirmed that they had no disagreement with the Board and there was no matter relating to their resignation that needs to be brought to the attention of the Shareholders. In accordance with the article of association of the Company, the Board agreed to appoint Mr. Xu Xiaoliang as the vice chairman of the fifth session of the Board of the Company, Mr. Dong Xin as an executive director, the chairman of the Safety and Environment Protection Committee, an executive president and the authorized representative of the Company, Mr. Wang Ligang as an executive director, a member of Nomination and Remuneration Committee and Safety and Environment Protection Committee of the Company, Mr. Liu Yongsheng as a non-executive director, a member of Strategic Committee and Geological and Resources Management Committee of the Company, Mr. Yao Ziping as a non-executive director and a member of Nomination and Remuneration Committee of the Company. Their appointments are all with effect from 6 March 2018.

The details of changes in directors of the Board were set out in the announcement of the Company dated 6 March 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Change of Company Secretary

The Company held the eighteenth meeting of the fifth session of the Board on 24 August 2018. The Board approved the resignation of Ms. Mok Ming Wai ("Ms. Mok") as company secretary and authorized representative of the Company as required pursuant to Companies Ordinance of the Laws of Hong Kong (Cap 622) ("Companies Ordinance") with effect from 24 August 2018. Ms. Mok has confirmed that she has no disagreement with the Board and that there are no other matters that need to be brought to the attention of the Stock Exchange and the Shareholders. The Board approved the appointment of Ms. Ng Ka Man as company secretary and authorized representative of the Company as required pursuant to Companies Ordinance with effect from 24 August 2018.

Relevant details were set out in the announcement of the Company dated 24 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Change of Supervisors

Due to the re-allocation of work arrangement, Mr. Wang Xiaojie resigned from his position as a Shareholder representative supervisor and the chairman of the fifth session of the Supervisory Committee of the Company and Ms. Jin Ting resigned from her position as a Shareholder representative supervisor of the Company on 6 March 2018 respectively. Their resignations were both effective from 6 March 2018. On 6 March 2018, Mr. Li Xiuchen was appointed as a Shareholder representative supervisor of the Company and the chairman of the fifth session of the Supervisory Committee. Mr. Xie Xueming was appointed as a Shareholder representative supervisor of the Company. Their appointments were both effective from 6 March 2018.

Due to the re-allocation of work arrangement, Mr. Xie Xueming resigned from his position as a Shareholder representative supervisor of the Company on 24 August 2018. His resignation would take effect from 24 August 2018. Mr. Zou Chao was appointed as a Shareholder representative supervisor of the Company with effect from 24 August 2018.

Relevant details of changes in members of the Board of Supervisors were set out in the announcement of the Company dated 6 March 2018 and 24 August 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. **Change in Senior Management**

The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of the president of the Company with effect from 6 March 2018. The Board agreed to appoint Mr. Dong Xin as the executive president of the Company.

The details of changes in senior management were set out in the announcement of the Company dated 6 March 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

The Company held the sixteenth meeting of the fifth session of the Board on 16 March 2018, at which, as nominated by the executive president, the Board has appointed Ms. Wang Wanhong, Mr. Tang Zhanxin and Mr. Wang Chunguang as the Company's vice presidents, for a term commencing from 16 March 2018 to the end of the term for the current session of the Board.

8. **Issue of Corporate Bonds**

On 14 March 2018, the Company issued the first tranche of Corporate Bonds for 2018 with a par value of RMB1.75 billion for a term of 3 years and bearing interest rate of 5.45% per annum. The proceeds are to repay interest-bearing loans and replenish liquidity funds of the Company.

Relevant details were set out in the announcements of the Company dated 12 March 2018, 14 March 2018 and 16 March 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. **Entering into the Supplemental Digital Mine Construction Technology Services Agreement**

On 24 August 2018, the Company entered into the Supplemental Digital Mine Construction Technology Services Agreement with Shandong Goldsoft Technology Company Limited ("Goldsoft Technology", a 67.37% owned subsidiary of Shandong Zhaojin Group Company Limited ("Zhaojin Group")). Pursuant to the Supplemental Digital Mine Construction Technology Services Agreement, the revised annual caps for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 are approximately RMB90 million, RMB95 million and RMB95 million, respectively.

Zhaojin Group is the controlling Shareholder of the Company. Goldsoft Technology is a subsidiary of Zhaojin Group, and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Supplemental Digital Mine Construction Technology Services Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company. As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the annual caps in respect of the transactions contemplated under the Supplemental Digital Mine Construction Technology Services Agreement is more than 0.1% but less than 5%, the Supplemental Digital Mine Construction Technology Services Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 24 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

10. Partial redemption of corporate bonds

The Company issued a total board lot size of 950,000 corporate bonds to the public on the Shanghai Stock Exchange on 29 July 2015 for a term of five years with an annual interest rate of 3.8%. The Company redeemed 443,008 board lot on 30 July 2018 and the annual interest rate was raised from 3.8% to 4.8%.

Relevant details of the partial redemption of corporate bonds were set out in the announcements of the Company dated 3 July 2018 and 11 July 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

IX. 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 2018 to 30 June 2018. 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.

X. 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.

XI. AUDIT COMMITTEE

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 risk management and internal control affairs and reviewed the Company's unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2018, 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 2018 have been prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

XII. CHANGE OF INFORMATION OF DIRECTORS

Ms. Chen Jinrong, independent non-executive director of the Company, was appointed as an independent director of BOCO Intel-Telecom Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600289)) with effect from 19 April 2018.

Mr. Choy Sze Chung Jojo, independent non-executive director of the Company, resigned as an independent director of Chengdu PUTIAN Telecommunications Cable Company Limited (a company listed on the Stock Exchange (stock code: 01202)) with effect from 31 January 2018.

XIII. INVESTOR RELATIONS

Investor relations is an important bridge between the Company and the capital market. The Company insists on putting investor relations management in an important position, eliminating investors to doubts by adhering to the respectful and frank attitude. In the first half of 2018, the Company received more than 10 phone enquiries from investors, analysts and fund managers. In addition to maintaining good investor relations, the Company also maintained good relations with various mass media such as Wen Wei Po, Hong Kong Commercial Daily and Ta Kung Pao which have always reported the Company proactively and positively, so as to build a healthy, sound and positive image to investors. We will make great efforts to change Zhaojin Mining Industry into an enterprise with universal value and social responsibility to become China's Zhaojin and the world's Zhaojin.

In the first half of 2018, the Company conscientiously fulfilled its obligation of information disclosure set out in the "Administrative Measures on Information Disclosure of Listed Companies" to ensure truthfulness, accuracy, completeness, timeliness and fairness of information disclosure. It has published 46 announcements and the notices on the website of the Stock Exchange and disclosed such information on the website of the Company simultaneously.

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

Zhaoyuan, the PRC, 24 August 2018

To the board of directors of **Zhaojin Mining Industry Company Limited**
(A joint stock limited company established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 26 to 56 which comprises the condensed consolidated statement of financial position of Zhaojin Mining Industry Company Limited and its subsidiaries (the "Group") as of 30 June 2018 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKFRS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKFRS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with HKFRS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

24 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
		For the six months ended 30 June	
REVENUE	*5*	**2,868,567**	3,037,528
Cost of sales		**(1,677,583)**	(1,696,620)
Gross profit		**1,190,984**	1,340,908
Other income and gains	*5*	**166,970**	162,104
Selling and distribution costs		**(23,748)**	(20,273)
Administrative expenses		**(442,141)**	(512,188)
Other expenses	*6*	**(169,474)**	(293,788)
Finance costs	*7*	**(236,119)**	(198,113)
Share of profits and losses of:			
– Associates		**1,680**	2,211
– Joint ventures		**(2,818)**	5,296
PROFIT BEFORE TAX		**485,334**	486,157
Income tax expense	*8*	**(98,452)**	(77,223)
PROFIT FOR THE PERIOD		**386,882**	408,934
Attributable to:			
Owners of the parent		**301,638**	396,641
Non-controlling interests		**85,244**	12,293
		386,882	408,934
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
Earnings per share for the period *(RMB)*	*10*	**0.09**	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**386,882**	408,934
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**66**	6,065
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**66**	6,065
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net of tax	**(2,000)**	3,613
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(1,934)**	9,678
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**384,948**	418,612
Attributable to:		
Owners of the parent	**299,189**	406,319
Non-controlling interests	**85,759**	12,293
	384,948	418,612

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**13,899,350**	13,630,237
Prepaid land lease payments		**680,174**	705,819
Goodwill		**779,931**	779,931
Other intangible assets	11	**9,738,723**	9,315,819
Investments in joint ventures		**116,830**	119,979
Investments in associates		**626,200**	282,872
Deferred tax assets		**176,001**	170,055
Long-term deposits		**86,342**	82,706
Available-for-sale investments	18	**–**	38,350
Equity investments at fair value through other comprehensive income	18	**28,761**	–
Debt instruments at amortised cost	18	**120,409**	–
Other long-term assets	12	**592,608**	649,424
Total non-current assets		**26,845,329**	25,775,192
CURRENT ASSETS			
Inventories		**3,993,529**	3,564,584
Trade and notes receivables	13	**287,911**	236,307
Prepayments, deposits and other receivables		**759,787**	708,939
Derivative financial instruments	18	**518**	–
Equity investments at fair value through profit or loss	18	**52,113**	279,078
Pledged deposits		**246,074**	277,822
Loans receivable		**1,522,449**	1,123,795
Cash and cash equivalents		**2,062,236**	1,847,169
Total current assets		**8,924,617**	8,037,694
CURRENT LIABILITIES			
Trade and notes payables	14	**482,383**	445,583
Other payables and accruals		**1,623,743**	1,949,251
Interest-bearing bank and other borrowings	15	**10,236,233**	10,779,923
Corporate bond		**443,008**	–
Tax payable		**49,360**	68,312
Provisions		**7,362**	16,636
Deposits from customers		**1,077,185**	517,832
Total current liabilities		**13,919,274**	13,777,537

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NET CURRENT LIABILITIES		**(4,994,657)**	(5,739,843)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,850,672**	20,035,349
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**673,844**	619,338
Corporate bonds		**3,099,966**	1,794,964
Deferred tax liabilities		**383,676**	390,718
Deferred income		**335,743**	364,523
Provisions		**74,744**	76,980
Other long-term liabilities		**426,298**	24,918
Total non-current liabilities		**4,994,271**	3,271,441
NET ASSETS		**16,856,401**	16,763,908
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,220,696**	3,220,696
Perpetual capital instruments		**2,704,450**	2,664,600
Reserves		**7,336,368**	7,314,638
		13,261,514	13,199,934
Non-controlling interests		**3,594,887**	3,563,974
TOTAL EQUITY		**16,856,401**	16,763,908

Director *Director*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 2018 (Audited)	3,220,696	2,664,600	2,305,029	28,139	983,263	(8,425)	4,006,632	13,199,934	3,563,974	16,763,908
Profit for the period	-	-	-	-	-	-	301,638	301,638	85,244	386,882
Changes in equity investments at fair value through other comprehensive income	-	-	(2,000)	-	-	-	-	(2,000)	-	(2,000)
Exchange differences on translation of foreign operations	-	-	-	-	-	(449)	-	(449)	515	66
Total comprehensive income for the period	-	-	(2,000)	-	-	(449)	301,638	299,189	85,759	384,948
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(37,146)	(37,146)
Capital contribution or reduction from non-controlling shareholders	-	-	(14,867)	-	-	-	-	(14,867)	(17,700)	(32,567)
Transfer to reserves	-	-	-	(1,063)	-	-	1,063	-	-	-
Accrued distribution of perpetual capital instruments	-	69,350	-	-	-	-	(69,350)	-	-	-
Distribution of perpetual capital instruments	-	(29,500)	-	-	-	-	-	(29,500)	-	(29,500)
2017 final dividend declared	-	-	-	-	-	-	(193,242)	(193,242)	-	(193,242)
At 30 June 2018 (Unaudited)	3,220,696	2,704,450	2,288,162*	27,076*	983,263*	(8,874)*	4,046,741*	13,261,514	3,594,887	16,856,401

* These reserve accounts comprise the consolidated reserves of RMB7,336,368,000 (31 December 2017: RMB7,314,638,000) in the consolidated statement of financial position.

	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
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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH GENERATED FROM OPERATIONS	**895,996**	939,245
Income taxes paid	**(130,393)**	(149,752)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**765,603**	789,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**10,378**	3,576
Purchases of items of property, plant and equipment	**(942,755)**	(664,157)
Increase in other intangible assets	**(97,548)**	(28,873)
Advance payment for acquisition of subsidiaries	**–**	(8,170)
Net cash received from disposal of property, plant and equipment	**5,237**	–
Net cash received from disposal of prepaid land lease payments	**17,790**	–
Purchase of investments in joint ventures	**(33,669)**	–
Purchase of investments in associates	**(351,628)**	–
Purchase of non-controlling interests	**(46,568)**	–
Net proceeds from settlement of commodity derivative contracts	**28,237**	40,405
Deposits paid for commodity derivative contracts	**(28,070)**	(15,702)
Recovery of financial products	**–**	280,000
Net proceeds from acquisition of equity investments at fair value through profit or loss	**233,369**	45,387
Purchase of debt instruments at amortised cost	**(120,409)**	–
Decrease in loans receivable	**10,000**	8,000
Increase in loans receivable	**(81,000)**	(5,000)
Other cash inflows from investing activities	**6,196**	4,007
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,390,440)**	(340,527)

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	**6,347,049**	3,017,516
Repayment of bank and other borrowings	**(6,841,813)**	(4,745,344)
Capital contribution from non-controlling shareholders of subsidiaries	**14,000**	35,770
Repayments of gold leasing business	**–**	(52,854)
Dividends paid	**(188,924)**	(152,300)
Decrease/(increase) in pledged deposits for short-term bank loans	**17,710**	(23,602)
Capital investment from placing shareholders, net of issuance expense	**–**	1,064,380
Issuance of perpetual capital instruments, net of issuance expense	**–**	498,500
Increase in corporate bonds	**1,750,000**	–
Interest paid	**(265,242)**	(164,948)
Cash paid relating to other financing activities	**(518)**	–
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	**832,262**	(522,882)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**207,425**	(73,916)
Cash and cash equivalents at beginning of period	**1,847,169**	1,437,951
Effects of foreign exchange rate changes, net	**7,642**	19,780
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,062,236**	1,383,815
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,555,619**	1,383,815
Non-pledged time deposits with original maturity of less than three months when acquired	**506,617**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**2,062,236**	1,383,815

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 2018, the major shareholders of the Company were Shandong Zhaojin Group Company Limited ("Zhaojin Group") and Shanghai Yuyuan Tourist Mart Co., Ltd., held 36.68% 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 2018 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 six months ended 30 June 2018, have been prepared in accordance with HKFRS 34 "Interim Financial Reporting" issued by the Hong Kong 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 2017.

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

2.1 Basis of presentation (continued)

As at 30 June 2018, the Group had net current liabilities of RMB4,994,657,000 (31 December 2017: RMB5,739,843,000). In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2018, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these financial statements have been prepared on a going concern basis.

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 2017, except for the adoption of amendments effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

The nature and the effect of these changes are disclosed below. Although these amendments were applied for the first time in 2018, they did not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment are described below:

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKFRS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. HKFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information is reported under HKAS 39 and is not comparable to the information presented for the six months ended 30 June 2018.

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The Group has assessed that its financial assets currently measured at amortised cost and FVPL continue with their respective classification and measurements as of 1 January 2018.

The new classification and measurement of the Group's debt financial assets are as follows:

Debt instruments that are measured at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and loans included under other non-current financial assets.

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

Other financial assets are classified and subsequently measured as follows:

Equity instruments that are designated as at FVOCI, with no recycling of gains or losses to profit or loss on recognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKFRS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The accounting for the Group's financial liabilities remains largely the same as it was under HKFRS 39. Similar to the requirements of HKFRS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKFRS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKFRS 11 *Construction Contracts*, HKFRS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. As allowed by HKFRS 15, the Group applied the new requirement only to contracts that are not completed before 1 January 2018.

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 resource 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.

4. OPERATING SEGMENT INFORMATION (continued)

The Group's operating segment is as follows:

For the six months ended 30 June 2018 (Unaudited)

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenues from external customers	2,540,395	307,477	20,695	2,868,567
Segment results	643,121	48,106	(19,790)	671,437
Reconciliation:				
Interest income				50,016
Finance costs				(236,119)
Profit before tax				485,334
Segment assets	29,473,049	2,543,005	1,269,063	33,285,117
Reconciliation:				
Corporate and other unallocated assets				2,484,829
Total assets				35,769,946
Segment liabilities	2,602,333	336,226	1,138,260	4,076,819
Reconciliation:				
Corporate and other unallocated liabilities				14,836,726
Total liabilities				18,913,545
Other segment information				
Capital expenditure*	1,191,378	51,182	11,661	1,254,221
Investments in associates	626,200	–	–	626,200
Investments in joint ventures	–	83,161	33,669	116,830
Impairment losses recognised in the statement of profit or loss	99,155	–	3,258	102,413
Share of profits and losses of:				
– Associates	1,680	–	–	1,680
– Joint ventures	–	(2,818)	–	(2,818)
Depreciation and amortisation	452,900	52,130	8,908	513,938
Gain on commodity derivative contracts	20,921	4,461	1,671	27,053
Fair value gain/(loss) on equity investments at fair value through profit or loss	10,980	–	(7,763)	3,217

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

4. OPERATING SEGMENT INFORMATION (continued)

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	746,573	(40,735)	(45,000)	660,838
Reconciliation:				
Interest income				23,432
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.

4. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2018, revenue of approximately RMB2,068,454,000 (for the six months ended 30 June 2017: RMB2,385,668,000) was derived from sales by the gold operations segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and net of various types of government surcharges where applicable, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue		
Sale of goods	**2,842,365**	2,990,086
Rendering of services	**98,188**	81,062
	2,940,553	3,071,148
Less: Government surcharges	**(71,986)**	(33,620)
	2,868,567	3,037,528
Goods transferred at point in time	**2,842,365**	2,990,086
Services transferred over time	**98,188**	81,062
	2,940,553	3,071,148
Less: Government surcharges	**(71,986)**	(33,620)
	2,868,567	3,037,528
Other income and gains		
Interest income	**50,016**	23,432
Government grants	**30,530**	32,068
Sales of auxiliary materials	**29,856**	34,209
Settlement of commodity derivative contracts	**27,053**	–
Others	**29,515**	72,395
	166,970	162,104

6. OTHER EXPENSES

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Loss on commodity derivative contracts	**–**	178
Cost of sales of auxiliary materials	**52,855**	43,967
Fair value losses on equity investments at fair value through profit or loss	**3,217**	21,501
Impairment loss on other intangible assets	**4,247**	29,180
Impairment loss on prepaid land lease payments	**208**	–
Impairment loss on receivables	**836**	29,836
Provision for impairment of inventories	**68,901**	21,529
Impairment loss on loans receivable	**3,186**	(1,752)
Impairment loss on fixed assets and construction in progress	**25,035**	51,517
Loss on disposal on property, plant and equipment	**7,170**	10,571
Impairment loss on goodwill	**–**	82,605
Others	**3,819**	4,656
	169,474	293,788

7. FINANCE COSTS

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on bank and other borrowings	**64,485**	48,978
Interest on short-term bonds	**7,548**	21,007
Interest on corporate bonds	**68,506**	53,064
Interest on gold leasing business	**109,948**	91,535
Subtotal	**250,487**	214,584
Less: Interest capitalised	**(19,561)**	(16,729)
Incremental interest on provisions	**195**	258
Discounted contract operation	**727**	–
Discounting of payment by instalments	**4,271**	–
Total	**236,119**	198,113

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 as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current – Mainland China		
– Charge for the period	**111,440**	58,843
Deferred tax	**(12,988)**	18,380
Total tax charge for the period	**98,452**	77,223

9. DIVIDENDS

The proposed 2017 final dividend of RMB0.06 per share (tax included) in aggregate of RMB193,242,000 was approved by the shareholders on 9 June 2018. As at 30 June 2018, the final dividend of 2017 amounting to RMB62,040,000 has not been paid. No interim dividend was proposed for the period (2017: 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 RMB301,638,000 (for the six months ended 30 June 2017: RMB396,641,000) by the number of ordinary shares in issue during the period of 3,220,696,000 (for the six months ended 30 June 2017: 3,089,577,000).

Diluted earnings per share amounts were equal to the basic earnings per share amounts for the period and the six months ended 30 June 2017, 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 RMB740,607,000 (for the six months ended 30 June 2017: RMB539,281,000) and other intangible assets with a cost of RMB493,930,000 (for the six months ended 30 June 2017: RMB28,873,000).

During the period, depreciation for property, plant and equipment was RMB437,481,000 (for the six months ended 30 June 2017: RMB431,635,000) and amortisation for other intangible assets was RMB59,175,000 (for the six months ended 30 June 2017: RMB34,141,000).

During the period, the Group recorded impairment losses on property, plant and equipment amounting to RMB25,035,000 (for the six months ended 30 June 2017: RMB51,517,000), and impairment losses on other intangible assets amounting to RMB4,247,000 (for the six months ended 30 June 2017: RMB29,180,000), which were stated in other expenses in the statement of profit or loss.

During the period, no property, plant and equipment (for the six months ended 30 June 2017: Nil) were written off by the Group, resulting in no net loss (for the six months ended 30 June 2017: Nil). No other intangible assets (for the six months ended 30 June 2017: Nil) 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 2017: Nil).

During the period, property, plant and equipment with a net book value of RMB12,407,000 (for the six months ended 30 June 2017: RMB11,097,000) were disposed of by the Group, resulting in a net loss on disposal of RMB7,170,000 (for the six months ended 30 June 2017: RMB10,571,000).

In addition, there was no transfer from property, plant and equipment (for the six months ended 30 June 2017: RMB11,505,000) to other intangible assets, and there was a transfer from property, plant and equipment to others with a net book value of RMB4,175,000 (for the six months ended 30 June 2017: Nil) to others; and there was a transfer from other intangible assets with a net book value of RMB7,604,000 (for the six months ended 30 June 2017: RMB71,136,000) to property, plant and equipment.

12. OTHER LONG-TERM ASSETS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Advances and deposits paid for acquisitions of subsidiaries and exploration rights	**449,170**	462,239
Advance payments for purchases of property, plant and equipment	**110,216**	151,361
Long-term prepaid expenses	**33,222**	35,824
	592,608	649,424

The outstanding commitments in relation to the above acquisitions are disclosed in Note 16.

13. TRADE AND NOTES RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**266,943**	45,770
Notes receivable	**20,968**	190,537
	287,911	236,307

13. TRADE AND NOTES RECEIVABLES (continued)

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Outstanding balances due within one year	**266,395**	33,305
Outstanding balances due over one year but within two years	**1,584**	527
Outstanding balances due over two years but within three years	**61**	7,161
Outstanding balances due over three years	**1,671**	14,352
	269,711	55,345
Less: provision for impairment of trade receivables	**(2,768)**	(9,575)
	266,943	45,770

Trade and notes receivables are non-interest-bearing. As 72% (for the six months ended 30 June 2017: 79%) of the sales of the Group for the period ended 30 June 2018 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	**390,744**	426,637
Notes payable	**91,639**	18,946
	482,383	445,583

At 30 June 2018, 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 days' 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Outstanding balances are due as follows:		
Within one year	**436,344**	407,673
Over one year but within two years	**20,080**	28,270
Over two years but within three years	**16,850**	1,858
Over three years	**9,109**	7,782
	482,383	445,583

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Unsecured:		
– Bank loans	**3,946,728**	4,667,464
– Other borrowings	**487,233**	436,557
– Short-term bonds	**–**	999,384
– Gold leasing business	**5,548,984**	3,880,694
	9,982,945	9,984,099
Secured:		
– Bank loans *(a)*	**99,800**	–
Guaranteed:		
– Bank loans *(b)*	**380,000**	967,830
– Gold leasing business	**447,332**	447,332
	827,332	1,415,162
Total	**10,910,077**	11,399,261
Portion classified as:		
– Current	**10,236,233**	10,779,923
– Non-current	**673,844**	619,338

As at 30 June 2018, all borrowings were denominated in RMB. The bank loans bear interest at effective interest rates of 2.59% to 4.57% (31 December 2017: 2.59% to 7.82%) per annum. The other borrowings bear interest at effective interest rates of 2.55% to 5.46% (31 December 2017: 2.25 % to 5.46%) per annum.

(a) Certain of the Group's bank loans are secured by pledges over the Group's treasury bonds, which had aggregate carrying values at the end of the reporting period of approximately RMB99,800,000 (31 December 2017: Nil).

(b) As at 30 June 2018, bank loans of the subsidiaries of the Company with carrying amounts of RMB777,332,000 (31 December 2017: RMB1,365,162,000) were guaranteed by the Company, and RMB50,000,000 (31 December 2017: RMB50,000,000) were jointly guaranteed by the Company and a non-controlling shareholder of a subsidiary.

16. COMMITMENTS

Capital commitments

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	**370,606**	799,092
– Prepayment for potential acquisitions	**1,703,900**	1,691,954
	2,074,506	2,491,046

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**13,721**	7,987
In the second to fifth years, inclusive	**36,540**	20,129
Beyond five years	**30,359**	40,555
	80,620	68,671

17. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Brokerage service fees	**3,717**	3,792
Others:		
– Increase/(decrease) in deposits from customers, net	**466,293**	(132,442)
– Interest expense in deposits from customers	**1,297**	1,459
(ii) Subsidiaries of Zhaojin Group		
Expenses:		
– Fees for refining services	**3,459**	2,814
– Brokerage service fees	**14**	48
Capital transactions:		
– Purchase of materials	**66,476**	57,493
– Purchase of exploration services	**14,590**	17,651
– Purchase of digital mine construction technology services	**26,484**	6,322
– Purchase of water treatment engineering services	**116**	–
– Purchase of relevant necessary super filter membrane and equipment	**2,156**	657
Others:		
– Loans	**219,701**	1,034,872
– Interest income from loans	**6,390**	2,870
– Decrease in deposits from customers, net	**295,181**	398,159
– Interest expense in deposits from customers	**4,478**	3,264

17. RELATED PARTY TRANSACTIONS (continued)

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
(iii) Associate – Aletai Zhengyuan International Mining Company Limited		
– Purchase of gold concentrates	**6,532**	16,313
(iv) Subsidiary of an associate – Shandong Wucailong Investment Company Limited		
– Entrusted loans	**10,000**	5,000
– Interest income	**1,501**	746
(v) Joint venture – Ruoqiang Changyun Sanfengshan Mining Company Limited		
– Interest income	**–**	1,128

(vi) As at 30 June 2018, the corporate bonds issued by the Company amounting to RMB950,000,000 (31 December 2017: RMB946,378,104) were guaranteed by Zhaojin Group.

18. 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 2018 (Unaudited)			
	Financial asset at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial asset at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	52,113	–	–	52,113
Financial assets at fair value through other comprehensive income	–	28,761	–	28,761
Debt instruments at amortised cost	–	–	120,409	120,409
Trade and notes receivables	–	–	287,911	287,911
Financial assets included in other receivables	–	–	369,712	369,712
Derivative financial instruments	518	–	–	518
Loans receivable	–	–	1,522,449	1,522,449
Pledged deposits	–	–	246,074	246,074
Cash and cash equivalents	–	–	2,062,236	2,062,236
Total	52,631	28,761	4,608,791	4,690,183

Financial liabilities at amortised cost

	30 June 2018 RMB'000 (Unaudited)
Trade and notes payables	482,383
Financial liabilities included in other payables and accruals	1,356,267
Interest-bearing bank and other borrowings	10,910,077
Corporate bonds	3,542,974
Deposits from customers	1,077,185
Other long-term liabilities (including current portion)	426,298
Total	17,795,184

18. FINANCIAL INSTRUMENTS (continued)

Financial assets

	31 December 2017 (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	–	236,307	–	236,307
Financial assets included in other receivables	–	226,183	–	226,183
Available-for-sale investments	–	–	38,350	38,350
Equity investments at fair value through profit or loss	279,078	–	–	279,078
Loans receivable	–	1,123,795	–	1,123,795
Pledged deposits	–	277,822	–	277,822
Cash and cash equivalents	–	1,847,169	–	1,847,169
Total	279,078	3,711,276	38,350	4,028,704

Financial liabilities

	31 December 2017 (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	–	–	445,583	445,583
Financial liabilities included in other payables and accruals	–	–	1,547,051	1,547,051
Interest-bearing bank and other borrowings	–	–	11,399,261	11,399,261
Corporate bonds	–	–	1,794,964	1,794,964
Deposits from customers	–	–	517,832	517,832
Other long-term liabilities (including current portion)	–	–	24,918	24,918
Total	–	–	15,729,609	15,729,609

18. FINANCIAL INSTRUMENTS (continued)

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 the 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 2018

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investments at fair value through profit or loss	**52,113**	**–**	**28,761**	**80,874**
Derivative financial instruments	**518**	**–**	**–**	**518**
Total	**52,631**	**–**	**28,761**	**81,392**

As at 31 December 2017

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments at fair value through profit or loss	279,078	–	279,078
Total	279,078	–	279,078

18. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value

As at 30 June 2018, there were no financial liabilities measured at fair value (for the year ended 31 December 2017: Nil).

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and unquoted equity investments were transferred into Level 3 (for the year ended 31 December 2017: Nil).

Liabilities for which fair values are disclosed

As at 30 June 2018

	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	–	673,782	673,782
Corporate bonds	3,587,025	–	3,587,025
Other long-term liabilities, non-current portion	–	426,298	426,298
Total	3,587,025	1,100,080	4,687,105

As at 31 December 2017

	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	–	619,237	619,237
Corporate bonds	1,779,875	–	1,779,875
Other long-term liabilities, non-current portion	–	24,918	24,918
Total	1,779,875	644,155	2,424,030

19. 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 24 August 2018.