



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)



ZHAOJIN
MINING

2014 INTERIM REPORT

*For identification purposes only



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CORPORATE INFORMATION

Name of 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. Li Xiuchen (*President*)

Mr. Lu Dongshang

Non-executive Directors

Mr. Liang Xinjun (*Vice Chairman*)

Mr. Cong Jianmao

Mr. Xu Xiaoliang

Mr. Kong Fanhe

Independent Non-Executive Directors

Ms. Chen Jinrong

Mr. Choy Sze Chung Jojo

Mr. Xie Jiyuan

Mr. Nie Fengjun

Supervisory Committee Members

Mr. Wang Xiaojie

(*Chairman of Supervisory Committee*)

Ms. Jin Ting

Mr. Chu Yushan

Secretary to the Board

Mr. Wang Ligang

Company Secretary

Ms. Mok Ming Wai

Qualified Accountant

Mr. Ma Ving Lung Nelson

Authorized Representatives

Mr. Weng Zhanbin

Mr. Li Xiuchen

Board Committees

Audit Committee Members

Ms. Chen Jinrong (*Chairman of Audit Committee*)

Mr. Xu Xiaoliang

Mr. Choy Sze Chung Jojo

Strategic Committee Members

Mr. Lu Dongshang (*Chairman of Strategic Committee*)

Mr. Liang Xinjun

Mr. Weng Zhanbin

Nomination and Remuneration Committee Members

Mr. Choy Sze Chung Jojo (*Chairman of Nomination and Remuneration Committee*)

Mr. Liang Xinjun

Mr. Cong Jianmao

Mr. Nie Fengjun

Ms. Chen Jinrong

Geological and Resources Management Committee Members

Mr. Nie Fengjun (*Chairman of Geological and Resources Management Committee*)

Mr. Weng Zhanbin

Mr. Xie Jiyuan

* For identification purpose only



Safety and Environmental Protection Committee Members

Mr. Li Xiuchen (*Chairman of Safety and Environmental Protection Committee*)
Mr. Cong Jianmao
Mr. Xie Jiyuan

Auditors

International Auditors

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

PRC Auditors

Shulun Pan Certified Public Accountants
4/F, New Whampoa Finance Building
No. 61 Nanjing Road East
Shanghai
PRC

Legal advisers

PRC Legal Adviser

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

Hong Kong Law Adviser

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Central
Hong Kong

Registered office

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province, PRC

Principal Place of Business in Hong Kong

8th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Central
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

MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL ACTIVITIES

For the six months ended 30 June 2014 (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 RMB2,845,195,000 (corresponding period of 2013: approximately RMB2,371,095,000), representing an increase of approximately 20% as compared to the corresponding period of last year.

Net profit

During the Period, the net profit of the Group was approximately RMB310,183,000 (corresponding period of 2013: approximately RMB321,481,000), representing a decrease of approximately 4% as compared to the corresponding period of last year.

Gold production

During the Period, the Group had attained an aggregate gold production of approximately 14,967.44 kg (approximately 481,213.93 ozs), representing an increase of approximately 21.18% as compared to the corresponding period of last year. Of which, gold output from the Group’s mines amounted to 9,687.5 kg (approximately 311,460.13 ozs), representing an increase of approximately 12.33% as compared to the corresponding period of last year and gold output from smelting and tolling arrangement amounted to approximately 5,279.94 kg (approximately 169,753.81 ozs), representing an increase of approximately 41.65% 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 RMB324,101,000 (corresponding period of 2013: approximately RMB299,663,000), representing an increase of approximately 8% 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 RMB0.11 (corresponding period of 2013: approximately RMB0.10), representing an increase of approximately 10% as compared to the corresponding period of last year.

Net assets per share

As at 30 June 2014, the consolidated net assets per share was approximately RMB3.22 (30 June 2013: approximately RMB2.98), and the yield to net assets during the Period was approximately 3.25% (corresponding period of 2013: approximately 3.64%).



III. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2014 (corresponding period of 2013: Nil).

IV. BUSINESS REVIEW

Having bottomed out from the biggest decline for the past 30 years in 2013, international gold price fell after a surge and generally maintained a choppy rise in the first half of 2014. From an overall perspective of the first half of 2014, gold price in the first quarter went up to some extent due to various factors including increased demand for gold during the Chinese New Year holidays and the escalated tension between Russia and Ukraine. During the second quarter, however, gold price declined as adversely affected by the higher-than-expected industrial output in the United States in February, the eased tension between Russia and Ukraine and the expected interest rate increase mentioned at a meeting of the Federal Reserve of the United States designated to discuss interest rates. After mid-June, gold price was driven by hedging demand arising from the tense situation in Iraq to see a new round of slight rally.

In the first half of 2014, international spot gold price hiked from US\$1,199.78 per ounce at the beginning of the year to a high of US\$1,382.92 per ounce, and finally closed at US\$1,327.33 per ounce.

Output indicators steadily improved due to focusing on capacity expansion

In the first half of 2014, the Group focused on capacity expansion and accomplished its pre-determined production targets. The Group's total output of gold amounted to 14,967.44 kg (481,213.93 oz.), representing a year-on-year increase of 21.18%, of which mined gold amounted to 9,687.5 kg (311,460.13 oz.), representing a year-on-year increase of 12.33%. The Group's total output of smelted and processed copper was 9,039 tons, representing a year-on-year decrease of 3.41%, while copper produced from its self-owned mines amounted to 9,790 tons, representing a year-on-year increase of 18.48%.

The Group continuously deepened the rationale of quality and efficiency by effectively reducing costs and improving efficiency

In the first half of 2014, the Group aggressively advocated the rationale of "priority in quality and efficiency", and introduced a series of measures aiming at reducing costs and improving efficiency in numerous aspects such as accountability assessment, staffing, streamlined administration and decentralization, logistics and energy management, project management and reduction in non-productive expenditures. In the first half of 2014, the Group's integrated cost of gold was RMB133.81 per gram, representing a year-on-year decrease of 0.61%. In particular, the integrated cost of gold of enterprises located outside Zhaoyuan was RMB164.25 per gram, representing a year-on-year decrease of 10.46% from RMB183.43 per gram for the corresponding period last year.

With infrastructure technological renovation proceeding in an orderly manner, construction of relevant projects achieved new progress

In the first half of this year, the Group invested a total of RMB419 million in infrastructure technological renovation projects, and completed an aggregated digging volume of 214,300 m³ and construction area of 8,477 m². The Group implemented more than ten key projects such as model infrastructure development for integrated utilization of gold resources, construction of Xiadian Gold Mine phase 4, renovation of Xinjiang Smelting project, Xingta's gold extraction from cyanide residue, and expansion of Zaozigou processing plant and construction of the main shaft of Zhaojin Beijiang. The ore body economic evaluation system for underground mines has been recognized by experts of the Ministry of Land and Resources of the PRC and infrastructure technological renovation proceeded in an orderly manner. All these have laid a solid foundation for capacity expansion of the Company.

Commitment to innovative drive leads to new achievements in research and technological innovation

The Company plans to implement 37 key scientific and technological innovation projects and complete total investment of RMB51.65 million for the whole year. Total investment completed in the first half of the year was RMB24.0166 million. We applied for a total of 26 patents and obtained nine patent licensing, and were granted two Science and Technology Advancement Grade I Awards and four Science and Technology Advancement Grade II Awards by the China Gold Association. The planned "Top ten innovative projects" and "Top ten key projects" proceeded smoothly. Other projects have also entered into different stages of planning and design, verification, trial test or other relevant stages. In particular, new achievements were made in the research of new mining technologies in respect of dry stack tailings and gentle-inclined thin ore body. The recovery rate in processing of Zaozigou Gold Mine was improved by 10 percentage points. Scientific and technological innovation has become a significant driving force for production efficiency.

Implement resource ownership to increase resource reserves steadily

In the first half of 2014, the Group completed investment of RMB82.26 million in prospecting, and completed tunneling of 19,600 meters, drilling of 147,300 meters, which brought additional gold resources of 25.79 tons and copper resources of 12,611 tons. Focusing on Zhaoping and Lingbei fault zones within Zhaoyuan and Xiqinlingcheng Mine, Minxian Tianhao and Liangdang Zhaojin outside Zhaoyuan, we made breakthroughs in mine prospecting, and initiated comprehensive studies and research on the principles of mineralization, target prediction and locating blind area under the existing mines. We implemented 11 geological research projects including the "Shandong Zhaoyuan Zhaoping fault zone- research of methods for locating gold deposits and deep exploration for Xiadian section". For external development, the Group adhered to the strategy of "prudent observation before proactive action". In China, we increased coordination with the Ministry of Land and Resources and geological exploration entities, followed up on more than ten relevant mining projects and short-listed a number of potential projects.



Making good progress in production safety and environmental protection and maintaining harmonious and stable environment for development

As to production safety and environmental protection, the Group invested a total of RMB50 million on production safety and environmental protection in the first half year. The Group initiated five special campaigns for the purpose of promoting safety, including “Month of Implementation of Safety Responsibility”, “Standardization of Teambuilding”, “Safety Production Month”, “Prevention of Typhoon and Heavy Rain, Floods, Thunders and High Heat in Summer” and “Safety Check Card”. The Group completed its major safety checks on subsidiaries outside Zhaoyuan, devoted more efforts in strengthening emergency rescue system building, safety training and environmental protection and accomplished safety and environmental friendly production without occurrence of accidents. Meanwhile, the Group also carried out activities in relation to staff caring, community building and further promotion of corporate culture to ensure a harmonious and stable environment for the development of the enterprise.

V. FINANCIAL AND RESULTS ANALYSIS

Revenue

During the Period, the Group’s revenue amounted to approximately RMB2,845,195,000 (corresponding period of 2013: approximately RMB2,371,095,000), representing an increase of approximately 20% as compared to the corresponding period of last year. During the Period, the increase in revenue was primarily due to the significant increase in gold sales quantity during the Period over the corresponding period of last year.

Net profit

During the Period, net profit of the Group amounted to approximately RMB310,183,000 (corresponding period of 2013: approximately RMB321,481,000), representing a decrease of approximately 4% as compared to the corresponding period of last year. The decrease in net profit was primarily due to the significant increase in finance costs corresponding with the increase in interest-bearing bank and other borrowings and gold leasing business.

Integrated cost of gold per gram

During the Period, the Group’s integrated cost of gold per gram was approximately RMB133.81 per gram (corresponding period of 2013: approximately RMB134.63 per gram), representing a decrease of approximately 0.61% as compared to the corresponding period of last year. The decrease in integrated cost of gold per gram was due to strengthening the internal management and the decrease in labor costs.

Cost of Sales

During the Period, the Group’s cost of sales amounted to approximately RMB1,815,277,000 (corresponding period of 2013: approximately RMB1,329,292,000), representing an increase of approximately 37% as compared to the corresponding period of last year. The increase was primarily attributable to the increase in the sales quantity of gold.

Gross profit and gross profit margin

During the Period, the Group's gross profit was approximately RMB1,029,918,000, representing a decrease of approximately 1% as compared to RMB1,041,803,000 of the corresponding period of last year. The decrease in gross profit was mainly due to the increase in the Group's cost of sales for the Period. The Group's gross profit margin decreased from approximately 43.94% in the corresponding period of last year to approximately 36.20% for the Period. The decrease in gross profit margin was mainly due to increase in mining cost and the decrease in gold price during the Period as compared to the corresponding period of last year.

Other income and gains

During the Period, the Group's other income and gains were approximately RMB109,834,000 (corresponding period of 2013: approximately RMB82,291,000), representing an increase of approximately 33% as compared to the corresponding period of last year. The increase was mainly due to the reversal of inventory provision and increased income from sale of auxiliary materials as compared to the corresponding period of last year.

Selling and distribution costs

During the Period, the Group's selling and distribution costs were approximately RMB50,694,000 (corresponding period of 2013: approximately RMB41,338,000), representing an increase of approximately 23% as compared to the corresponding period of last year. The increase was mainly due to the increase in the transportation cost as a result of the increase in the sales quantity of copper and gold concentrate.

Administrative and other operating expenses

During the Period, the Group's administrative and other operating expenses were approximately RMB449,657,000 (corresponding period of 2013: approximately RMB520,992,000), representing a decrease of approximately 14% as compared to the corresponding period of last year. Such decrease was mainly due to the controlling of management cost during the Period.

Finance costs

During the Period, the Group's finance costs amounted to approximately RMB255,503,000 (corresponding period of 2013: approximately RMB162,415,000), representing an increase of approximately 57% as compared to the corresponding period of last year. Such increase was mainly attributable to the increase in the Group's borrowings and expansion of gold-leasing business 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, operations and repayment of borrowings.

As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB1,072,928,000, representing an increase of approximately 4% as compared to approximately RMB1,035,825,000 as at 31 December 2013. The increase was mainly due to cash inflow from the financing activities and operating activities of the Group during the Period.

As at 30 June 2014, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB14,478,000 (31 December 2013: RMB19,043,000) and those denominated in United States dollars amounted to RMB24,273,000 (31 December 2013: RMB7,945,000). All other cash and cash equivalents held by the Group are denominated in Renminbi.

The RMB is not freely convertible into other currencies, however, pursuant to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulation, the Group is permitted to exchange RMB for other currencies through those banks which were authorized to conduct foreign exchange business.

Borrowings

As at 30 June 2014, the Group had outstanding bank borrowings and other borrowings of RMB6,325,901,000 (31 December 2013: RMB6,447,070,000), of which RMB4,291,249,000 (31 December 2013: RMB5,330,507,000) was repayable within 1 year, RMB1,824,853,000 (31 December 2013: RMB1,047,203,000) was repayable within 2 to 5 years and RMB209,799,000 (31 December 2013: RMB69,360,000) was repayable after 5 years. As at 30 June 2014, the Group had outstanding corporate bonds of approximately RMB2,688,494,000 (31 December 2013: RMB2,686,046,000). "09 Zhaojin Bond" and "12 Zhaojin Bond" would be repaid within 2 to 5 years. However, according to the offering memorandum of the 09 Zhaojin Bond, the bond holders are entitled to redeem the bonds at a redemption price equal to the principal amount on the interest payment date of the fifth years since issuance, i.e., 23 December 2014. As at 30 June 2014, the carrying amount of the 09 Zhaojin Bond of RMB1,495,272,000 was classified as current liabilities in the condensed consolidated financial statements of the Group because the Company did not have an unconditional right to defer settlement of the liability for at least twelve months after 30 June 2014. The Group's balance of borrowings during the Period remained stable.

In addition, the Group financed through leases of gold from banks and subsequently sold through Shanghai Gold Exchange (SGE). As at 30 June 2014, the Group had outstanding gold from gold leasing business of RMB3,042,569,000 (31 December 2013: RMB1,439,425,000), which should be repayable within 1 year.

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 24% (corresponding period of 2013: approximately 21%).

Total assets

As at 30 June 2014, the total assets of the Group were approximately RMB24,781,688,000, representing an increase of approximately 6% as compared to approximately RMB23,372,457,000 as at 31 December 2013. Among which, total non-current assets amounted to approximately RMB19,408,899,000, accounting for approximately 78% of the total assets, and representing an increase of approximately 5% as compared to approximately RMB18,434,832,000 as at 31 December 2013. As at 30 June 2014, total current assets were approximately RMB5,372,789,000, accounting for approximately 22% of the total assets, and representing an increase of approximately 9% as compared to approximately RMB4,937,625,000 as at 31 December 2013.

Net assets

As at 30 June 2014, the net assets of the Group were approximately RMB9,545,636,000, representing an increase of approximately 2% as compared to approximately RMB9,322,798,000 as at 31 December 2013.

Total liabilities

As at 30 June 2014, the total liabilities of the Group were approximately RMB15,236,052,000, representing an increase of approximately 8% as compared to approximately RMB14,049,659,000 as at 31 December 2013. As at 30 June 2014, 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, net financial liabilities arose from the gold leasing business less balance of cash and cash equivalents and pledged deposits) was approximately 52.5% (31 December 2013: 50.9%).

Contingent liabilities

As at 30 June 2014, the contingent liabilities of the Group did not have any change as compared to those as at 31 December 2013.

Market risks

The Group is exposed to various types of market risks, including fluctuation in gold prices 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 holdings, interest-bearing bank and other borrowings and corporate bonds. The Group manages its interest rate risk from certain cash holdings through placing them into appropriate short-term deposits at a mixture of fixed or floating rates and manages the interest rate risks from all of its interest-bearing bank and other borrowings and corporate bonds through the use of 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

Substantially all of the Group's transactions are carried out in RMB. The fluctuation of 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 of the Group, which shall be converted or translated into Hong Kong dollars.

During the Period, the Group had not entered into any hedging activities due to fluctuation of foreign exchange rate.

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 results of operations. During the Period, under certain circumstances, the Group entered into AU (T+D) arrangements, which substantially are forward commodity contracts, in SGE to hedge potential price fluctuations of gold. Under those arrangements, the Group can forward buy or sell gold at the current day's price by depositing 10% of the total transaction amount. Subsequently, it can close the deal by either physically delivering the gold or entering into an offsetting arrangement. There is no restriction imposed on the settlement period. During the Period, the Group had not entered into any long position under the AU (T+D) framework.

The Group also entered into copper cathode and gold forward contracts in Shanghai Futures Exchange ("SHFE") and AU (T+D) arrangements in SGE to hedge the price fluctuation created by the sale of copper and gold leasing business.

The 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 2014, except for the following assets pledged for the bank borrowings and notes payable of the Group, the Group had not pledged any assets: (1) property, plant and equipment and mining rights with net carrying amount of approximately RMB23,184,000 (31 December 2013: RMB116,122,000); (2) pledged deposits of RMB404,689,000 (31 December 2013: RMB164,500,000).

VI. ACQUISITIONS

On 20 January 2014, the Company commissioned North China Zhaojin Mining Investment Co., Ltd to actively participate in the open tender of auction in Heilongjiang organized by Trading Centre of Land and Resources Department of Heilongjiang Province for exploration rights formed with the second batch (part) of State funds in 2013, at which the Company acquired the exploration rights covering 24.14 km² gold and molybdenum mine in Fuqiangxibei Villiage, Xunke County, Heilongjiang Province at a favorable consideration of RMB1.56 million.

VII. BUSINESS OUTLOOK

In the second half of the year, the Group will emphasize on the main direction of making progress while ensuring stability, placing top priority on quality and efficiency and adhering firmly to the established development strategy. The Group will also enhance the implementation of work measures, highlight the key points and work together to overcome difficulties to ensure that the annual objectives will be accomplished.

Highlighting the optimization of production organisation by shifting from growth in scale to quality improvement

In the second half of the year, the Group will concentrate on the optimization of the system of production techniques to constantly release the dynamics of production organisation. The Group will form a panel of experts to identify and solve the major bottlenecks which are restricting its production organisation. Moreover, the Group will further improve the production techniques for underground mining and speed up the transformation of mining skills and the construction of auxiliary systems including underground electricity supply system, lifting system, transportation system and drainage system to increase its productivity. Meanwhile, the Group will boost the economic and technological indicators by taking the following steps: Firstly, the Group will strengthen site management, continuously improve mining preparation and make adjustment to the ore drawing method to minimize ore dilution and loss rates and increase ore drawing grade. Secondly, the Group will continue to increase the recovery rates of processing and smelting and strengthen and promote the experimental achievements in ore processing and smelting.

Highlighting the progress in key projects and continuously enhancing intrinsic development momentum

In the second half of the year, the Group will push forward project implementation to ensure that projects undertaken by key enterprises for expanding their production capacity and improving their production efficiency and profitability can be completed as scheduled. The Group will commit to accelerate the construction of several projects including the ore processing system transformation project of Xiadian Gold Mine, phrase II of two blind shafts project of Dayingezhuang Gold Mine, three exploitation projects of Canzhuang Gold Mine, the chloridizing volatilization transformation project of Xingta Mining and the main shaft project of Zhaojin Baiyun. The Group will devote every effort to conducting material loaded commissioning and equipment testing of Gansu precious metal smelting project.



Putting more efforts on geological prospecting and prudently promoting external development

In the second half of the year, the Group will continue to promote geological prospecting both within and outside Zhaoyuan. Within Zhaoyuan, the Group will reinforce the mining work within the innermost part and unencumbered area of Zhaoping fault zone in Dayingezhuang Gold Mine, strictly follow the principles of mineralization and forecast new mineralization target area. Outside Zhaoyuan, the Group will continue to concentrate on the exploration by Inner Mongolia Yuantong Mining and follow the principles of mineralization in a timely manner to endeavor to achieve the annual target. In exploration, the Group will implement the strategy of prospecting ore in existing mines and conducting secondary development in old mines, and put more efforts on tunnelling to tap the potential of materials exploration. In addition, the Group will also promote investment and development in a prudent manner. Sticking to the principle of prudently observing before acting and proactively executing after making decision, the Group will seize favorable opportunities arising from the reconstruction in counter economic cycle, and select and review valuable investment projects in different respects. Domestically, the Group will strive to integrate the external resources of Zaozigou Gold Mine, Inner Mongolia Yuantong Mining, Tonghui Copper Mining and other companies. For overseas, the Group will proactively capture investment opportunities associated with the gold mining listed companies that are worth investment in order to lay a good foundation for potential merger and acquisition of overseas mining enterprise.

Highlighting the enhancement of internal control system while focusing on comprehensive risk management

In the second half of the year, the Group will focus on strict compliance with laws and regulations as well as prudent operation, and will devote to enhance its internal risk control system. Firstly, the Group will strictly control its legal contract risk. We will enhance the awareness of legal red line and bottom line throughout the whole Company, and carry out comprehensive investigation and streamlining on contract management, so as to effectively eliminate legal blind spots. Secondly, the Group will strictly control its financial risk. We will devote all our strength to conduct massive investigations on financial compliance as planned by the Company, and carry out comprehensive specific investigations in relation to engineering projects, procurement, supply and distribution, tendering and bidding, so as to discover potential problems and provide prevention and control solutions in a timely manner. Thirdly, the Group will strictly control its marketing risk. In the second half of the year, the Group will closely monitor market information so as to grasp the best marketing opportunities for its various types of products. We will also focus on inventory management and establish a dynamic inventory management system. Furthermore, we will accelerate the turnaround of materials in each smelting enterprise and reduce inventory to a minimum level, so as to strictly prevent the risk of falling price.

Emphasizing the objective of cost reduction and efficiency enhancement while continually enhancing management and innovation

The Group will take full advantage of economic to optimize performance appraisal, and boldly explore innovative operation models such as contracting of individual posts, contracting of specialized jobs, and contracting of productive teams. Meanwhile, the Group will further carry out refined management. Firstly, in respect of logistics and procurement management, the Group will continue to expand the proportion of centralized procurement and direct supply from manufacturers, and make more efforts in the investigation of and negotiation with suppliers, so as to realize the benefit of bulk procurement. The Group will increase the use of information technology in logistics, establish online tendering and bidding system, and realize the online approval of centralized procurement of materials and equipment for enterprises located outside of Zhaoyuan. Moreover, the Group will establish an information sharing platform for overstock materials, so as to increase the utilization rate of overstock materials and reduce inventory to a minimum level. Secondly, in respect of the management of energy consumption, the Group will adhere to the direction of saving energy by high efficiency. The Group will implement an adjustment and control plan on power pre-warning, formulate power utilization plans in a reverse order, intensify power consumption checks for key enterprises, and in the meantime accelerate the promotion of technological reform for energy conservation and the promotion and application of new energy-saving technologies and products. Thirdly, in respect of the management of engineering projects, the Group will enhance audit and regulatory supervision throughout the whole process to enhance quality and efficiency. The Group will carry out scientific verifications and repeated verifications from the origin to prevent irrational investment. Moreover, the Group will continually optimize its design proposal in order to reduce investment cost to the greatest extent. Meanwhile, the Group will strengthen the monitoring and control on the whole process of tendering and bidding of projects, construction contracts, on-site management, final settlement and acceptance of projects. For completed infrastructure projects and investment projects, post-investment assessment and audit will be conducted. In addition, for the management of public energy-saving and consumption reduction activities, the Group will proactively encourage employees to engage in various activities such as minor reforms in all aspects, modification and utilization of old and wasted facilities, and contribute reasonable suggestions with their wisdom and strength.

Focusing on harmonious and stable development to create cohesive force for business operations

In the second half of the year, the Group will focus on promoting stability in the following three aspects with the aim of creating a harmonious development environment within and outside the Group. Firstly, the Group will promote harmony and stability in production safety and environmental protection work. In order to ensure safety and environmental protection work, the Group will implement comprehensive safety risks and hazards investigation and rectification. Secondly, the Group will promote harmony and stability in community relations. In order to deepen cohesive relationship with local government, communities and residents, the Group will enhance its awareness and skill on public relations and communications. In this regard, the Group will organize multidimensional activities such as community building and cooperation between village and enterprise to tighten up the relationship between the local communities and Zhaojin's corporations, so as to create a favorable external environment for the development of the Group. Thirdly, the Group will promote harmony and stability among its cadres and employees. In order to resolve their major concern, difficult problems and key issues, an open and transparent democratic management mechanism will be established internally. Meanwhile, the Group will provide a platform to maximize and stimulate the initiatives and creativity of employees. The Group will provide comprehensive training for employees to improve their skills and quality, and offer a "green channel" for employees to improve their skills and intelligence, so as to cultivate and refine them continuously. In addition, the Group will focus on strengthening the practice of mass-line education to improve and standardize the work style of our management personnel so as to enable significant progress and improvement be made on our overall performance, so as to support and safeguard the business development of the Group.



OTHER INFORMATION

I. CHANGES IN SHAREHOLDING OF SHAREHOLDERS AND SHARE CAPITAL STRUCTURE

1. Number of shareholders

The details of the number of shareholders of the Company recorded in the register of members as at 30 June 2014 are as follows:

Class	Number of shareholders
Domestic share	6
Overseas-listed foreign share – H share	1,948
Total number of shareholders	1,954

2. Substantial shareholders

To the best knowledge of the Directors, supervisors and chief executives of the Company, as at 30 June 2014, 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)	36.63	51.95	–	Long position
	Domestic shares	Interest of controlled corporation	50,967,195 (Note 4)	1.72	2.44	–	Long position
	H shares	Beneficial owner	16,510,000 (Note 1)	0.56	–	1.89	Long position



Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate	Approximate	Approximate	Long position/ Short position/ Lending Pool
				percentage of shareholding in the registered capital of the Company %	percentage of shareholding in the total number of issued domestic shares of the Company %	percentage of shareholding in the total number of issued H shares of the Company %	
2 Shanghai Yuyuan Tourist Mart Co., Ltd.	Domestic shares	Beneficial owner	742,000,000	25.02	35.48	–	Long position
	Domestic shares	Interest of controlled corporation	21,200,000 (Note 1 and Note 2)	0.71	1.01	–	Long position
3 Shanghai Fosun Industrial Investment Co., Ltd.	Domestic shares	Beneficial owner	106,000,000 (Note 1 and Note 3)	3.57	5.07	–	Long position
4 Shanghai Fosun High Technology (Group) Company Limited	Domestic shares	Beneficial owner	106,000,000 (Note 1 and Note 3)	3.57	5.07	–	Long position
5 Fosun International Limited	Domestic shares	Beneficial owner	106,000,000 (Note 1 and Note 3)	3.57	5.07	–	Long position
6 Fosun Holdings Limited	Domestic shares	Beneficial owner	106,000,000 (Note 1 and Note 3)	3.57	5.07	–	Long position
7 Fosun International Holdings Ltd.	Domestic shares	Beneficial owner	106,000,000 (Note 1 and Note 3)	3.57	5.07	–	Long position
8 Guo Guangchang	Domestic shares	Interest of controlled corporation	106,000,000 (Note 1 and Note 3)	3.57	5.07	–	Long 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 to the shareholding filed with the Company and the Stock Exchange.
- (2) Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") holds 95% 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) The 106,000,000 shares represent the same block of shares.
- (4) Shandong Zhaojin Group Company Limited ("Shandong Zhaojin") 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.

As at 30 June 2014, 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 2014, none of the directors, supervisors and chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (for such purposes, the relevant provisions in the SFO were also construed as applicable to the supervisors).

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

At no time during the Period had the directors or supervisors held any shares of the Company. 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 persons.

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

VII. EMPLOYEES

The Group remunerates its employees according to their performance, experience and prevailing industry practices. Other benefits offered to the employees include retirement benefits plans, medical benefits plans and housing fund plans. The Group also provides opportunities for further education and training to its employees. The Group offers competitive remuneration packages to its employees and reviews employee remuneration annually with reference to the prevailing labour market and human resources market trends and laws.



VIII. IMPORTANT EVENTS

1. On 26 May 2014, the 2013 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 2013 to distribute a cash dividend of RMB0.10 (before taxation) per share to all shareholders;
 - (2) authorizing the Board to allot, issue or deal with shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares and existing domestic shares of the Company as at the date of passing such resolution;
 - (3) authorizing the Board to repurchase shares of up to a maximum of 10% of the aggregate nominal value of the issued H share capital of the Company as at the date of passing such resolution;
 - (4) the issuance of non-financial corporate financing instrument in the inter-bank bond market; and
 - (5) the issuance of corporate bonds in the PRC and the grant of authority to the Board to deal with the matters relating to the issue of the corporate bonds.

Relevant details are set out in the circular, notice, supplemental notice and announcement of the Company dated 10 April 2014, 9 May 2014 and 26 May 2014 respectively on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. On 26 May 2014, the domestic shares class meeting and H shares class meeting respectively considered the following proposal:

to grant a general mandate to 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.

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

Relevant details are set out in the circular, notice, supplemental notice and announcement of the Company dated 10 April 2014, 9 May 2014 and 26 May 2014 respectively on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Changes in Senior Management

The Company held the eighth meeting of the fourth session of the Board on 24 January 2014, at which the Board agreed Mr. Lu Dongshang to resign from being the Chairman and authorised representative of the Company due to reallocation of work arrangement, with effect from 24 January 2014. Mr. Weng Zhanbin was appointed as the Chairman of the current session of the Board and he resigned from his positions as the Vice Chairman of the Board and the President of the Company with effect from 24 January 2014. As nominated by the Chairman, the Board agreed to appoint Mr. Li Xiuchen as the President of the Company, for a term commencing from 24 January 2014 to the end of the term of the current session of the Board. The position will be released upon the expiry of the term and will be re-appointed at the next session of the Board. At the same time, in accordance with the requirements of the articles of association of the Company, the Board appointed Mr. Li Xiuchen as an authorised representative of the Company with effect from 24 January 2014.

Relevant details were set out in the announcement of the Company dated 27 January 2014 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 eleventh meeting of the fourth session of the Board on 15 August 2014, at which the Board agreed Mr. Qiu Shoucai to resign from being the Chief Financial Officer of the Company due to reallocation of work arrangement, with effect from 1 April 2014. As nominated by the President, the Board agreed to appoint Mr. Sun Yimin as the Chief Financial Officer of the Company, for a term commencing from 15 August 2014 to the end of the term of the current session of the Board. The position will be released upon the expiry of the term and will be re-appointed at the next session of the Board.

4. Changes in Composition of the Board

The Company held the eighth meeting of the fourth session of the Board on 24 January 2014, at which the Board agreed Mr. Ye Kai to resign from being the non-executive director and member of Audit Committee of the Company due to reallocation of work arrangement, with effect from 24 January 2014. In accordance with the requirements of the articles of association of the Company, the Board agreed to appoint Mr. Xu Xiaoliang as the non-executive Director and member of the Audit Committee of the Company with effect from 24 January 2014.

Relevant details were set out in the announcement of the Company dated 27 January 2014 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 eleventh meeting of the fourth session of the Board on 15 August 2014, at which the Board agreed Mr. Ye Tianzhu to resign from being an independent non-executive director, the Chairman of the Geological and Resources Management Committee and a member of the Nomination and Remuneration Committee of the Company, with effect from 15 August 2014.



In accordance with the requirements of the articles of association of the Company, the Board agreed to appoint Mr. Nie Fengjun as an independent non-executive director, the Chairman of Geological and Resources Management Committee and a member of the Nomination and Remuneration Committee of the Company, with effect from 15 August 2014.

Relevant details were set out in the announcement of the Company dated 15 August 2014 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Payment for the First Tranche of Short-term Commercial Papers for 2013

As at 27 February 2014, the Company paid the first tranche of short-term commercial papers of Zhaojin Mining Industry Company Limited for 2013 for a consideration of RMB729,470,000.

Relevant details were set out in the announcement of the Company dated 20 February 2014 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Payment for the Second Tranche of Short-term Commercial Papers for 2013

As at 8 June 2014, the Company completed the payment of the second tranche of short-term commercial papers of Zhaojin Mining Industry Company Limited for 2013 for a consideration of RMB1,042,600,000.

Relevant details were set out in the announcement of the Company dated 28 May 2014 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 during the period from 1 January 2014 to 30 June 2014. No director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 for Securities Transactions by Directors of Listed Issuers 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

On 24 January 2014, at the eighth meeting of the fourth session of the Board of the Company, Mr. Xu Xiaoliang was appointed as a member of the Audit Committee of the Company. The current members of the Audit Committee are independent Non-executive directors Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo and the Non-executive director Mr. Xu Xiaoliang. Each member of the Audit Committee is appointed for a term of three years and its Chairman is Ms. Chen Jinrong.

The Audit Committee has adopted a written terms of reference which is in compliance with the Code. It is mainly responsible for matters concerning the internal control and financial reporting, reviewing with the management of the accounting principles, accounting standards and methods adopted by the Company. The Audit Committee has discussed internal control affairs and reviewed the Company's unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2014, and the committee is of the view that the unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2014 are prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

XII. CHANGE OF INFORMATION OF DIRECTORS

Mr. Choy Sze Chung Jojo has been appointed as an independent non-executive director of Luye Pharma Group Ltd. (a company listed on the Stock Exchange (stock code: 2186)) with effect from June 2014.

XIII. INVESTOR RELATIONS

Over the years, the Company has attached great importance to investor relations management. Having been devoted to collecting investors' opinions and recommendations on the Company for long, the Investors Relations Division of the Company maintains good communication with the investors. Such opinions and recommendations regularly collected are reported in writing to the management, the Supervisory Committee and the Board so as to continuously optimize the corporate governance structure and improve the corporate governance level. In addition to maintaining good investor relations, the Company also maintained good relations with various mass media such as Ta Kung Pao, Wen Wei Po, Sing Tao Daily, iMoney and NOW TV which reported the Company proactively. With such reports, the Company showed healthy, sound and positive image to its investors.

The Company, by strictly observing the requirements of the Stock Exchange, discloses information on significant events in a timely manner and makes announcements on a regular basis. The Company has long maintained close relationship and effective communication with institutional investors and research analysts and provided detailed answers to the inquiries raised by the investors about the Company through emails, telephone conferences or meetings. During the Period, a total of 36 announcements were published. In addition, the Company also arranged analysts and fund managers to make site visits to mine subsidiaries of the Group to deepen their understanding of the scale of operation, business mode and production procedures of the Company. During the Period, the Company received more than 20 phone enquiries from investors, analysts and fund managers, and actively received 13 investor visits.

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

Zhaoyuan, the PRC, 15 August 2014



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of directors of

Zhaojin Mining Industry Company Limited

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 25 to 51 which comprises the condensed consolidated statement of financial position of Zhaojin Mining Industry Company Limited and its subsidiaries (the "Group") as of 30 June 2014 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" ("HKAS 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 HKAS 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 HKAS 34.

Ernst & Young

Certified Public Accountants

22nd Floor, CITIC Tower,
1 Tim Mei Avenue, Central,
Hong Kong

15 August 2014



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	4	2,845,195	2,371,095
Cost of sales		(1,815,277)	(1,329,292)
Gross profit		1,029,918	1,041,803
Other income and gains	5	109,834	82,291
Selling and distribution costs		(50,694)	(41,338)
Administrative expenses		(367,002)	(360,497)
Other expenses	6	(82,655)	(160,495)
Finance costs	7	(255,503)	(162,415)
Share of profits of:			
– Associates		4,299	3,738
– A joint venture		20,160	2,390
PROFIT BEFORE TAX		408,357	405,477
Income tax expense	8	(98,174)	(83,996)
PROFIT FOR THE PERIOD		310,183	321,481
Attributable to:			
Owners of the parent		324,101	299,663
Non-controlling interests		(13,918)	21,818
		310,183	321,481
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the Period (RMB)	10	0.11	0.10



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	310,183	321,481
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(36)	(215)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(36)	(215)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(36)	(215)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	310,147	321,266
Attributable to:		
Owners of the parent	324,065	299,448
Non-controlling interests	(13,918)	21,818
	310,147	321,266



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	9,883,127	9,475,509
Prepaid land lease payments		319,365	321,194
Goodwill		932,792	932,792
Other intangible assets	11	4,499,166	3,941,692
Investment in a joint venture		136,224	116,064
Investments in associates		268,089	273,154
Available-for-sale investments		48,610	26,586
Deferred tax assets		288,973	311,123
Loans receivable		55,000	825,000
Long-term deposits		94,395	90,729
Other long-term assets	12	2,883,158	2,120,989
Total non-current assets		19,408,899	18,434,832
CURRENT ASSETS			
Inventories		2,688,451	2,503,942
Trade and notes receivables	13	273,880	190,106
Prepayments, deposits and other receivables		824,409	973,901
Equity investments at fair value through profit or loss		54,554	34,351
Derivative financial instruments		38,878	–
Pledged deposits		404,689	164,500
Loans receivable		15,000	35,000
Cash and cash equivalents		1,072,928	1,035,825
Total current assets		5,372,789	4,937,625
CURRENT LIABILITIES			
Trade payables	14	413,210	648,338
Other payables and accruals		1,681,572	1,503,685
Financial liabilities at fair value through profit or loss	15	3,062,635	1,574,512
Interest-bearing bank and other borrowings	16	4,291,249	5,330,507
Tax payable		19,820	125,744
Provisions		17,809	20,431
Corporate bonds		1,495,272	1,494,375
Current portion of other long-term liabilities		50,000	25,000
Total current liabilities		11,031,567	10,722,592



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NET CURRENT LIABILITIES	(5,658,778)	(5,784,967)
TOTAL ASSETS LESS CURRENT LIABILITIES	13,750,121	12,649,865
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	16 2,034,652	1,116,563
Corporate bonds	1,193,222	1,191,671
Deferred tax liabilities	583,430	596,443
Deferred income	333,781	335,534
Provisions	59,400	66,986
Other long-term liabilities	-	19,870
Total non-current liabilities	4,204,485	3,327,067
NET ASSETS	9,545,636	9,322,798
EQUITY		
Equity attributable to owners of the parent		
Issued capital	2,965,827	2,965,827
Reserves	5,521,927	5,163,513
Proposed final dividend	9 -	296,583
	8,487,754	8,425,923
Non-controlling interests	1,057,882	896,875
TOTAL EQUITY	9,545,636	9,322,798

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent									
	Issued capital	Capital reserve	Special reserve – safety fund	Statutory and distributable reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	2,965,827	1,209,435	18,122	726,325	(8,305)	3,217,936	296,583	8,425,923	896,875	9,322,798
Profit for the period	-	-	-	-	-	324,101	-	324,101	(13,918)	310,183
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	(36)	-	-	(36)	-	(36)
Total comprehensive income for the period	-	-	-	-	(36)	324,101	-	324,065	(13,918)	310,147
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(73,379)	(73,379)
Settlement of commitment of profit distribution to non-controlling shareholders	-	34,740	-	-	-	-	-	34,740	-	34,740
Disposal of subsidiaries	-	-	-	-	-	-	-	-	3,304	3,304
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	245,000	245,000
Utilization of safety fund	-	-	(391)	-	-	-	-	(391)	-	(391)
Dividends – 2013 final paid	-	-	-	-	-	-	(296,583)	(296,583)	-	(296,583)
At 30 June 2014 (Unaudited)	2,965,827	1,244,175*	17,731*	726,325*	(8,341)*	3,542,037*	-	8,487,754	1,057,882	9,545,636

For the six months ended 30 June 2013

At 1 January 2013	2,965,827	1,209,435	13,185	615,805	(7,926)	2,895,891	711,799	8,404,016	843,609	9,247,625
Profit for the period	-	-	-	-	-	299,663	-	299,663	21,818	321,481
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	(215)	-	-	(215)	-	(215)
Total comprehensive income for the period	-	-	-	-	(215)	299,663	-	299,448	21,818	321,266
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(98,806)	(98,806)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	73,720	73,720
Transfer to reserves	-	-	2,883	-	-	(2,883)	-	-	-	-
Dividends – 2012 final paid	-	-	-	-	-	-	(711,799)	(711,799)	-	(711,799)
At 30 June 2013 (Unaudited)	2,965,827	1,209,435	16,068	615,805	(8,141)	3,192,671	-	7,991,665	840,341	8,832,006

* These reserve accounts comprise the consolidated reserves of RMB5,521,927,000 (31 December 2013: RMB5,163,513,000) in the consolidated statement of financial position.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<i>Notes</i>	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM OPERATIONS		1,049,140	376,183
Income taxes paid		(464,302)	(339,147)
NET CASH FLOWS FROM OPERATING ACTIVITIES		584,838	37,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,005,115)	(1,156,221)
Advance paid for acquisition of subsidiaries		(797,002)	(387,000)
Acquisition of a subsidiary	17	(60,542)	(90,057)
Collection of the loans receivable		800,000	–
Other cash outflows used in investing activities		(60,513)	(267,978)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,123,172)	(1,901,256)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		3,816,865	5,502,348
Repayments of bank and other borrowings		(3,938,034)	(3,304,143)
Receipts from gold leasing business		1,630,310	33,526
Deposits paid for gold leasing business		(100,000)	–
Repayments of gold leasing business		(203,204)	–
Dividends paid		(132,817)	(515,433)
Increase in pledged deposits for short-term bank borrowings		(170,984)	–
Interest paid		(246,975)	(273,995)
Other cash outflows used in financing activities		(80,030)	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		575,131	1,442,303



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	36,797	(421,917)
Cash and cash equivalents at beginning of period	1,035,825	1,349,084
Effects of foreign exchange rate changes, net	306	(722)
Cash and cash equivalents at end of period	1,072,928	926,445
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances at end of period	1,072,928	926,445
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of period	1,072,928	926,445



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014

1. CORPORATE INFORMATION

The Company was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC" or "China") on 16 April 2004. It is principally engaged in the businesses of the mining, processing, smelting of gold and the sale of gold, silver and copper products.

In December 2006, the Company issued 198.7 million H shares to the public at a price of Hong Kong Dollar ("HKD") 12.68 per share (equivalent to approximately RMB12.74 per share) and the H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "IPO"). In addition, 19.8 million H shares converted from certain domestic shares were transferred to the National Council for the Social Security Fund.

During the six months ended 30 June 2014 (the "Period"), the Company and its subsidiaries 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 Company processed and sold silver in Mainland China. The registered office of the Company is located at 299 Jinhui Road, Zhaoyuan, Shandong, China.

As of 30 June 2014, Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC, and its subsidiary held totally 38.91% of the issued share capital of the Company. Shanghai Yuyuan Tourist Mart Co., Ltd and its subsidiary held totally 25.73% of the issued share capital of the Company, the remaining issued share capital of the Company was held by H shareholders, Zhaoyuan City State-owned Assets Management Limited and Shanghai Fosun Industrial Investment Co., Ltd.

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 2014 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the Period, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

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 2013.

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 2013, except for the adoption of revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as of 1 January 2014.

Several new standards and amendments apply for the first time in 2014 by the Group. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

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 impact of each new standard or amendment are described below:

Investment Entities (Amendments to HKFRS 10, HKFRS 12 and HKAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to HKAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to HKAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

HKFRIC 21 Levies

HKFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. The adoption of HKFRIC 21 has no impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

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.

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

Segment assets exclude cash and cash equivalents, deferred tax assets, derivative financial instruments for gold leasing business, 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 – 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**

As at 30 June 2014

4. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2014 (Unaudited)

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenues from external customers	2,447,905	382,453	14,837	2,845,195
Segment results	637,781	31,850	(13,672)	655,959
<i>Reconciliation:</i>				
Interest income				7,901
Finance costs				(255,503)
Profit before tax				408,357
Segment assets	19,668,950	2,916,463	390,807	22,976,220
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,805,468
Total assets				24,781,688
Segment liabilities	2,291,728	287,994	12,680	2,592,402
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				12,643,650
Total liabilities				15,236,052
Other segment information				
Capital expenditure*	1,170,367	152,776	89,628	1,412,771
Investment in associates	268,089	-	-	268,089
Investment in a joint venture	-	136,224	-	136,224
Impairment losses recognised of receivables	4,962	-	-	4,962
Reversal of provision for inventories	24,601	944	-	25,545
Share of profits of:				
- Associates	4,299	-	-	4,299
- A joint venture	-	20,160	-	20,160
Depreciation and amortisation	312,438	79,360	5,165	396,963
Fair value loss on equity investments				
at fair value through profit or loss	-	-	1,088	1,088
Fair value loss on commodity derivative contracts	(3,182)	9,198	-	6,016
Fair value gain on gold leasing business and gold forward contracts	9,654	-	-	9,654

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and prepaid land lease payments, including assets from the acquisition of a subsidiary.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2013 (Unaudited)

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenues from external customers	1,941,369	425,340	4,386	2,371,095
Segment results	459,895	126,170	(27,577)	558,488
<i>Reconciliation:</i>				
Interest income				9,404
Finance costs				(162,415)
Profit before tax				405,477
Segment assets	16,287,500	2,471,537	287,786	19,046,823
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,164,709
Total assets				20,211,532
Segment liabilities	2,425,215	186,894	6,178	2,618,287
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				8,761,239
Total liabilities				11,379,526
Other segment information				
Capital expenditure*	1,155,237	150,232	16,880	1,322,349
Investment in associates	272,910	–	–	272,910
Investment in a joint venture	–	110,918	–	110,918
Impairment losses recognised in the interim condensed statement of profit or loss	107,058	(156)	–	106,902
Share of profits of				
– Associates	3,738	–	–	3,738
– A joint venture	–	2,390	–	2,390
Depreciation and amortisation	263,930	29,331	25	293,286
Fair value loss on equity investments at fair value through profit or loss	–	–	26,100	26,100
Fair value gain on commodity derivative contracts	–	9,783	–	9,783
Fair value gain on gold leasing business and gold forward contracts	4,323	–	–	4,323

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and prepaid land lease payments, including assets from the acquisition of a subsidiary.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

Information about a major customer

During the Period, revenue of approximately RMB1,998,043,000 (for the six months ended 30 June 2013: RMB1,742,745,000) was derived from sales by the gold operations segment to a single customer.

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sales of auxiliary materials	33,388	23,238
Reversal of provision for inventories	25,545	–
Government grants	17,973	22,372
Fair value gains, net:		
– Gold leasing business and gold forward contracts	9,654	4,323
– Commodity derivative contracts	–	9,783
Interest income	7,901	9,404
Others	15,373	13,171
	109,834	82,291

6. OTHER EXPENSES

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of sales of auxiliary materials	30,270	21,744
Loss on return of gold for gold leasing business	12,587	–
Fair value losses, net:		
– Equity investments at fair value through profit or loss	1,088	26,100
– Commodity derivative contracts	6,016	–
Donations	7,077	237
Impairment of receivables	4,962	9,447
Provision for inventories	–	97,455
Loss on settlement of commodity derivative contracts	5,133	3,068
Others	15,522	2,444
	82,655	160,495



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

7. FINANCE COSTS

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest on bank and other borrowings		
– wholly repayable within five years	160,118	117,009
– repayable over five years	4,184	–
Interest on short-term bonds	23,818	24,568
Interest on corporate bonds	71,558	68,736
Interest on gold leasing business	46,308	–
Subtotal	305,986	210,313
Less: Interest capitalised	(53,047)	(49,526)
Incremental interest on provisions	2,564	1,628
Total	255,503	162,415

8. INCOME TAX EXPENSE

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

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

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current – Hong Kong	–	–
Current – Mainland China		
– Charge for the Period	89,037	119,470
Deferred tax	9,137	(35,474)
Total tax charge for the Period	98,174	83,996

9. DIVIDENDS

The proposed 2013 final dividend of RMB0.1 per share (tax included), RMB296,583,000 in aggregate, was approved by the shareholders on 26 May 2014. As at 30 June 2014, RMB184,051,000 among 2013 final dividend has not been paid and the remaining amount was fully paid. No interim dividend is proposed for the Period (2013: Nil).



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

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 RMB324,101,000 (for the six months ended 30 June 2013: RMB299,663,000) by the number of ordinary shares in issue during the Period of RMB2,965,827,000 (for the six months ended 30 June 2013: RMB2,965,827,000).

Diluted earnings per share amounts are equal to basic earnings per share amounts for the Period and the six months ended 30 June 2013, 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 RMB760,902,000 (for the six months ended 30 June 2013: RMB998,482,000) and other intangible assets with a cost of RMB645,459,000 (for the six months ended 30 June 2013: RMB47,959,000).

During the Period, depreciation for property, plant and equipment was RMB314,515,000 (for the six months ended 30 June 2013: RMB232,846,000) and amortisation for other intangible assets was RMB81,611,000 (for the six months ended 30 June 2013: RMB55,902,000).

During the Period, property, plant and equipment with a net book value of RMB9,982,000 (for the six months ended 30 June 2013: RMB10,737,000) was disposed of by the Group resulting in a net loss on disposal of RMB4,668,000 (for the six months ended 30 June 2013: RMB2,444,000). In addition, property, plant and equipment and other intangible assets with a net book value of RMB28,787,000 (for the six months ended 30 June 2013: Nil) and RMB6,374,000 (for the six months ended 30 June 2013: Nil), respectively, were disposed of through the disposal of subsidiaries during the period.

12. OTHER LONG TERM ASSETS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Advance and deposits paid for acquisition of subsidiaries and exploration rights and assets	2,252,000	1,628,000
Advance payment for purchases of property, plant and equipment	631,158	492,989
	2,883,158	2,120,989

The outstanding commitments in relation to the above acquisitions are disclosed in Note 19.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

13. TRADE AND NOTES RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	261,570	170,290
Notes receivable	12,310	19,816
	273,880	190,106

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Outstanding balances within one year	273,880	190,106

Trade and notes receivables are non-interest-bearing. The credit term given to customers except Shanghai Gold Exchange and Shanghai Future Exchange is from 30 to 60 days.

14. TRADE PAYABLES

At 30 June 2014, the balance of trade payables mainly represents the amount regarding the unsettled procurement of gold concentrate. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Outstanding balances with ages:		
Within one year	307,271	584,202
Over one year but within two years	100,163	54,642
Over two years but within three years	2,478	5,784
Over three years	3,298	3,710
	413,210	648,338

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**

As at 30 June 2014

15. 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 2014 (Unaudited)			
	Financial assets at fair value through profit or loss			Total RMB'000
	Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	
Trade and notes receivables	-	273,880	-	273,880
Financial assets included in other receivables	-	456,498	-	456,498
Available-for-sale investments	-	-	48,610	48,610
Equity investments at fair value through profit or loss	54,554	-	-	54,554
Derivative financial instruments	38,878	-	-	38,878
Loans receivable	-	70,000	-	70,000
Pledged deposits	-	404,689	-	404,689
Cash and cash equivalents	-	1,072,928	-	1,072,928
Total	93,432	2,277,995	48,610	2,420,037

Financial liabilities

	30 June 2014 (Unaudited)			
	Financial liabilities at fair value through profit or loss			Total RMB'000
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	
Financial liabilities at fair value through profit or loss	3,042,569	20,066	-	3,062,635
Trade payables	-	-	413,210	413,210
Financial liabilities included in other payables and accruals	-	-	824,209	824,209
Interest-bearing bank and other borrowings	-	-	6,325,901	6,325,901
Corporate bonds	-	-	2,688,494	2,688,494
Other long-term liabilities	-	-	50,000	50,000
Total	3,042,569	20,066	10,301,814	13,364,449



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

15. FINANCIAL INSTRUMENTS (continued)

Financial assets

	31 December 2013 (Audited)			
	Financial assets at fair value through profit or loss		Available- for-sale financial assets	Total
	Held for trading RMB'000	Loans and receivables RMB'000	RMB'000	RMB'000
Trade and notes receivables	–	190,106	–	190,106
Financial assets included in other receivables	–	476,211	–	476,211
Available-for-sale investments	–	–	26,586	26,586
Equity investments at fair value through profit or loss	34,351	–	–	34,351
Loans receivable	–	860,000	–	860,000
Pledged deposits	–	164,500	–	164,500
Cash and cash equivalents	–	1,035,825	–	1,035,825
Total	34,351	2,726,642	26,586	2,787,579

Financial liabilities

	31 December 2013 (Audited)			
	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	Total
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss	1,439,425	135,087	–	1,574,512
Trade payables	–	–	648,338	648,338
Financial liabilities included in other payables and accruals	–	–	1,016,238	1,016,238
Interest-bearing bank and other borrowings	–	–	6,447,070	6,447,070
Corporate bonds	–	–	2,686,046	2,686,046
Other long-term liabilities	–	–	44,870	44,870
Total	1,439,425	135,087	10,842,562	12,417,074

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**

As at 30 June 2014

15. FINANCIAL INSTRUMENTS (continued)

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

	Carrying amounts		Fair values	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Financial assets				
Equity investments at fair value through profit or loss	54,554	34,351	54,554	34,351
Derivative financial instruments	38,878	–	38,878	–
Available-for-sale investments	26,864	26,586	26,864	26,586
Loans receivable, non-current portion	55,000	825,000	57,224	823,226
Total	175,296	885,937	177,520	884,163
Financial liabilities				
Financial liabilities at fair value through profit or loss	3,062,635	1,574,512	3,062,635	1,574,512
Interest-bearing bank and other borrowings, non-current portion	2,034,652	1,116,563	2,092,734	1,128,865
Corporate bonds	2,688,494	2,686,046	2,695,350	2,707,560
Other long-term liabilities, non-current portion	–	19,870	–	19,870
Total	7,785,481	5,396,991	7,850,719	5,430,807

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

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

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

15. FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings, have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2014 was assessed to be insignificant.

The fair values of equity investments at fair value through profit or loss, derivative financial instruments, available-for-sale investments, financial liabilities at fair value through profit or loss and corporate bonds are based on quoted market prices.

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
- 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 2014

	Quoted prices in active markets (Level 1) RMB'000
Equity investments at fair value through profit or loss	54,554
Derivative financial instruments	38,878
Available-for-sale investments	26,864
Total	120,296



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

15. FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value: (continued)

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Equity investments at fair value through profit or loss	34,351
Available-for-sale investments	26,586
Total	60,937

Liabilities measured at fair value:

As at 30 June 2014

	Quoted prices in active markets (Level 1) RMB'000
Financial liabilities at fair value through profit or loss	3,062,635

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Financial liabilities at fair value through profit or loss	1,574,512

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2013: Nil).



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**

As at 30 June 2014

15. FINANCIAL INSTRUMENTS (continued)

Assets for which fair values are disclosed:

As at 30 June 2014

	Significant observable inputs (Level 2) RMB'000
Loans receivable, non-current portion	57,224

As at 31 December 2013

	Significant observable inputs (Level 2) RMB'000
Loans receivable, non-current portion	823,226

Liabilities for which fair values are disclosed:

As at 30 June 2014

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	2,092,734	2,092,734
Corporate bonds	2,695,350	–	2,695,350
Total	2,695,350	2,092,734	4,788,084



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

15. FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed: (continued)

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	1,128,865	1,128,865
Corporate bonds	2,707,560	–	2,707,560
Other long-term liabilities, non-current portion	–	19,870	19,870
Total	2,707,560	1,148,735	3,856,295

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Unsecured:		
– Bank loans	4,725,374	3,392,823
– Other borrowings	1,163,200	1,013,908
– Short-term bonds	–	1,699,055
	5,888,574	6,105,786
Secured:		
– Bank loans (a)	299,327	198,284
Guaranteed:		
– Bank loans (b)	138,000	143,000
Total	6,325,901	6,447,070
Portion classified as:		
– Current	4,291,249	5,330,507
– Non-current	2,034,652	1,116,563



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

As at 30 June 2014, except for secured bank loans of the RMB239,373,000 (31 December 2013: RMB78,623,000) and RMB30,954,000 (31 December 2013: RMB30,661,000) denominated in Hong Kong dollars and United States dollars, respectively, all borrowings are denominated in RMB. The bank loans bear interest at an effective interest rate of 1.37%-6.42% (31 December 2013: 1.63%-8.00%) per annum. The other borrowings bear interest at an effective interest rate of 2.55%-7.00% (31 December 2013: 2.55%-7.00%) per annum.

- (a) As at 30 June 2014, the Group's bank loans of RMB29,000,000 (31 December 2013: RMB89,000,000) were secured by the Group's property, plant and equipment and mining rights, which had an aggregate carrying amount at the end of the reporting period of approximately RMB23,184,000 (31 December 2013: RMB116,122,000). And the Group's bank loans of RMB270,327,000 (31 December 2013: RMB109,284,000) were secured by the Group's pledged deposits of RMB287,484,000 (31 December 2013: RMB116,500,000).
- (b) As at 30 June 2014, bank loans of the subsidiaries of the Company with carrying amounts of RMB127,400,000 (31 December 2013: RMB180,150,000) and RMB39,600,000 (31 December 2013: RMB41,850,000) are guaranteed by the Company and a non-controlling shareholder of a subsidiary, respectively, among which RMB29,000,000 (31 December 2013: RMB79,000,000) is also secured by mortgages over the Group's property, plant and equipment and mining rights.

17. ACQUISITION OF A SUBSIDIARY

On 24 June 2014, the Company completed its acquisition of a 51% equity interest in Gansu Xinrui Mining Company Limited, a company incorporated in the PRC, at a cash consideration of RMB255 million. The acquisition was made as part of the Group's strategy to expand the gold business in China.

The major identifiable assets of the subsidiary being acquired comprise other intangible assets – exploration rights.

The net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is RMB60,542,000, which arose from the total cash consideration of RMB255,000,000 deduct the prepayment in 2013 of RMB170,000,000 and unsettled balance as at 30 June 2014 of RMB24,458,000.

From the date of acquisition, the results of the newly acquired subsidiary has no significant impact on the Group's consolidated turnover or net profit for the Period.

18. CONTINGENT LIABILITIES

As at 30 June 2014, the contingent liabilities of the Group did not have any change as compared to those as at 31 December 2013.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

19. COMMITMENTS

Capital commitments

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	115,592	248,247
– Prepayment for potential acquisitions	100,000	254,683
	215,592	502,930
Authorised, but not contracted for:		
– Property, plant and equipment	935,020	1,032,720
– Exploration and evaluation assets	203,844	153,840
	1,138,864	1,186,560

Operating lease commitments

The Group leases certain of its land and offices under operating lease arrangements, which are negotiated for terms ranging between two and seventeen years.

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	6,006	5,786
In the second to fifth year, inclusive	4,299	4,000
Beyond five years	9,500	10,000
	19,805	19,786



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

20. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Payment of house rental	–	309
– Brokerage service fees	1,688	713
(ii) Subsidiaries of Zhaojin Group		
Sale of silver	47,556	–
Expenses:		
– Fees for refining services	1,744	2,011
– Brokerage service fees	141	–
Capital transactions:		
– Purchase of exploration services	23,692	21,837
– Purchase of digital mine construction technology services	5,138	8,186
– Purchase of water treatment engineering services and relevant necessary super filter membrane and equipment	1,750	2,361
Other transactions:		
– Borrowing of bank entrusted loans	–	32,000
– Payment of interest expense	–	421
(iii) Associate – Aletai Zhengyuan International Mining Company Limited		
– Purchase of gold concentrate	55,866	33,817
(iv) Joint Venture – Ruoqiang Changyun Sanfengshan Mining Company Limited		
– Purchase of copper concentrate	49,157	36,976
– Entrusted loans	10,000	–
(v) As at 30 June 2014, the corporate bonds issued by the Company amounted to RMB2,688,494,000 (31 December 2013: RMB2,686,046,000) are guaranteed by Zhaojin Group.		
(vi) Certain guarantees for securing the Group's indemnity in relation to certain government levies and funding arrangements predating the Company's IPO were provided free of charge by Zhaojin Group.		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2014

21. EVENTS AFTER THE REPORTING PERIOD

The Company issued one-year unsecured short-term bonds with a par value of RMB1 billion and bearing an annual interest rate of 5.3% on 21 July 2014.

22. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

23. 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 15 August 2014.