招金

ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code: 1818)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- During the Period, the revenue amounted to approximately RMB2,868,567,000, representing a decrease of approximately 5.56% as compared to the corresponding period of last year.
- During the Period, the net profit was approximately RMB386,882,000, representing a decrease of approximately 5.39% as compared to the corresponding period of last year.
- During the Period, the profit attributable to owners of the parent amounted to approximately RMB301,638,000, representing a decrease of approximately 23.95% as compared to the corresponding period of last year.
- During the Period, the basic and diluted earnings per share attributable to ordinary equity holders of the parent was approximately RMB0.09, representing a decrease of approximately 30.77% as compared to the corresponding period of last year.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.

The board (the "Board") of directors (the "Directors") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 (the "Period") prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", which have been reviewed by the Board's audit committee (the "Audit Committee") and the Company's auditors, Ernst & Young. Interim condensed consolidated financial information together with comparative figures for the corresponding period in 2017 are set out as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*5*	**2,868,567**	3,037,528
Cost of sales		**(1,677,583)**	(1,696,620)
Gross profit		**1,190,984**	1,340,908
Other income and gains	*5*	**166,970**	162,104
Selling and distribution costs		**(23,748)**	(20,273)
Administrative expenses		**(442,141)**	(512,188)
Other expenses		**(169,474)**	(293,788)
Finance costs	*6*	**(236,119)**	(198,113)
Share of profits and losses of:			
– Associates		**1,680**	2,211
– Joint ventures		**(2,818)**	5,296
PROFIT BEFORE TAX		**485,334**	486,157
Income tax expense	*7*	**(98,452)**	(77,223)
PROFIT FOR THE PERIOD		**386,882**	408,934
Attributable to:			
Owners of the parent		**301,638**	396,641
Non-controlling interests		**85,244**	12,293
		386,882	408,934
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
Earnings per share for the period *(RMB)*	*9*	**0.09**	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018** ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**13,899,350**	13,630,237
Prepaid land lease payments		**680,174**	705,819
Goodwill		**779,931**	779,931
Other intangible assets		**9,738,723**	9,315,819
Investments in joint ventures		**116,830**	119,979
Investments in associates		**626,200**	282,872
Deferred tax assets		**176,001**	170,055
Long-term deposits		**86,342**	82,706
Available-for-sale investments		**–**	38,350
Equity investments at fair value through other comprehensive income		**28,761**	–
Debt instruments at amortised cost		**120,409**	–
Other long-term assets		**592,608**	649,424
Total non-current assets		**26,845,329**	25,775,192
CURRENT ASSETS			
Inventories		**3,993,529**	3,564,584
Trade and notes receivables	*10*	**287,911**	236,307
Prepayments, deposits and other receivables		**759,787**	708,939
Derivative financial instruments		**518**	–
Equity investments at fair value through profit or loss		**52,113**	279,078
Pledged deposits		**246,074**	277,822
Loans receivable		**1,522,449**	1,123,795
Cash and cash equivalents		**2,062,236**	1,847,169
Total current assets		**8,924,617**	8,037,694
CURRENT LIABILITIES			
Trade and notes payables	*11*	**482,383**	445,583
Other payables and accruals		**1,623,743**	1,949,251
Interest-bearing bank and other borrowings		**10,236,233**	10,779,923
Corporate bond		**443,008**	–
Tax payable		**49,360**	68,312
Provisions		**7,362**	16,636
Deposits from customers		**1,077,185**	517,832
Total current liabilities		**13,919,274**	13,777,537
NET CURRENT LIABILITIES		**(4,994,657)**	(5,739,843)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,850,672**	20,035,349

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018

1. CORPORATE INFORMATION

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

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

As of 30 June 2018, the major shareholders of the Company were Shandong Zhaojin Group Company Limited ("Zhaojin Group") and Shanghai Yuyuan Tourist Mart Co., Ltd., held 36.68% and 23.70% of the issued share capital of the Company, respectively, with their subsidiaries.

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

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

2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the Period, have been prepared in accordance with HKFRS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of amendments effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRs 15 Revenue from Contracts with Customers and HKFRs 9 Financial Instruments that recognise the cumulative effect of the initial application as an adjustment to the opening balance of equity at 1 January 2018.

Several other amendments and interpretations are applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

The Group's operating segment is as follows:

For the six months ended 30 June 2018 (Unaudited)

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

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

For the six months ended 30 June 2017 (Unaudited)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenues from external customers	2,820,242	199,734	17,552	3,037,528
Segment results	746,573	(40,735)	(45,000)	660,838
Reconciliation:				
Interest income				23,432
Finance costs				(198,113)
Profit before tax				486,157
Segment assets	27,534,985	2,421,615	627,515	30,584,115
Reconciliation:				
Corporate and other unallocated assets				1,727,677
Total assets				32,311,792
Segment liabilities	1,926,600	1,170,427	404,390	3,501,417
Reconciliation:				
Corporate and other unallocated liabilities				12,874,697
Total liabilities				16,376,114
Other segment information				
Capital expenditure*	542,680	31,633	13,897	588,210
Investments in associates	290,012	–	–	290,012
Investments in a joint venture	–	127,716	–	127,716
Impairment losses recognised in the statement of profit or loss	128,508	106	1,696	130,310
Share of profits of:				
– Associates	2,211	–	–	2,211
– A joint venture	–	5,296	–	5,296
Depreciation and amortisation	433,753	40,343	4,708	478,804
(gain)/loss on commodity derivative contracts	(1,980)	3,008	(850)	178
Fair value loss on equity investments at fair value through profit or loss	6,756	–	14,745	21,501
Impairment loss on goodwill	27,476	55,129	–	82,605

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

Geographical information

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

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

8. DIVIDENDS

The proposed 2017 final dividend of RMB0.06 per share (tax included) in aggregate of RMB193,242,000 was approved by the shareholders on 9 June 2018. As at 30 June 2018, the final dividend of 2017 amounting to RMB62,040,000 has not been paid. No interim dividend was proposed for the period (2017: Nil).

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

Basic earnings per share is computed by dividing the profit attributable to ordinary equity holders of the parent for the period of RMB301,638,000 (for the six months ended 30 June 2017: RMB396,641,000) by the number of ordinary shares in issue during the period of 3,220,696,000 (for the six months ended 30 June 2017: 3,089,577,000).

Diluted earnings per share amounts were equal to the basic earnings per share amounts for the period and the six months ended 30 June 2017, as no diluting events existed during these periods.

10. TRADE AND NOTES RECEIVABLES

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

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

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

Trade and notes receivables are non-interest-bearing. As 72% (for the six months ended 30 June 2017: 79%) of the sales of the Group for the period ended 30 June 2018 were made through the Shanghai Gold Exchange without specific credit terms, there were no significant receivables that were overdue or impaired.

11. TRADE AND NOTES PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade payables	**390,744**	426,637
Notes payable	**91,639**	18,946
	482,383	445,583

At 30 June 2018, the balance of trade and notes payables mainly represented the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

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

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

I. INTERIM RESULTS

Revenue

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

Net profit

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

Product production

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

Profit attributable to owners of the parent

During the Period, the profit attributable to owners of the parent was approximately RMB301,638,000 (corresponding period of 2017: approximately RMB396,641,000), representing a decrease of approximately 23.95% as compared to the corresponding period of last year.

Earnings per share

During the Period, the basic and diluted earnings per share attributable to the ordinary equity holders of the parent amounted to approximately RMB0.09 (corresponding period of 2017: approximately RMB0.13), representing a decrease of approximately 30.77% as compared to the corresponding period of last year.

Net assets per share

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

II. INTERIM DIVIDEND

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

III. BUSINESS REVIEW

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

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

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

Grasp the opportunity of high-quality development and implement the "Two Key Priorities" of key projects

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

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

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

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

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

IV. FINANCIAL AND RESULTS ANALYSIS

Revenue

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

Net profit

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

Integrated cost of gold per gram

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

Cost of sales

During the Period, the Group's cost of sales amounted to approximately RMB1,677,583,000 (corresponding period of 2017: approximately RMB1,696,620,000), representing a decrease of approximately 1.12% as compared to the corresponding period of last year. The decrease was primarily attributable to the decrease of sales volume of gold and by-product.

Gross profit and gross profit margin

During the Period, the Group's gross profit was approximately RMB1,190,984,000, representing a decrease of approximately 11.18% as compared to RMB1,340,908,000 of the corresponding period of last year. The decrease in gross profit was mainly due to the decrease in sales revenue. The Group's gross profit margin decrease from approximately 44.14% in the corresponding period of last year to approximately 41.52% for the Period. The decrease in gross profit was mainly due to the decrease in selling price as well as the increase of related cost of sales.

Other income and gains

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

Selling and distribution costs

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

Administrative and other operating expenses

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

Finance costs

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

Liquidity and capital resources

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

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB2,062,236,000, representing an increase of approximately 11.64% as compared to approximately RMB1,847,169,000 as at 31 December 2017. The increase was mainly due to the new issuance of corporate bonds, resulting in the increase of net cash inflow during the Period.

As at 30 June 2018, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB108,476,000 (31 December 2017: RMB851,629,000), those denominated in United States dollars amounted to RMB164,695,000 (31 December 2017: RMB87,741,000), those denominated in Australian dollars amounted to RMB 8,992,000 (31 December 2017: RMB22,217,000). Those denominated in Kazakhstani Tenge amounted to approximately RMB8,000 (31 December 2017: RMB8,000); those denominated in Canadian dollars amounted to RMB17,105,000 (31 December 2017: RMB1,092,000) and those denominated in British Pounds amounted to Nil (31 December 2017: RMB4,000). All other cash and cash equivalents held by the Group are denominated in Renminbi.

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

Borrowings

As at 30 June 2018, the Group had outstanding bank borrowings, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through Shanghai Gold Exchange ("SGE")) of RMB10,910,077,000 (31 December 2017: RMB11,399,261,000), of which RMB10,236,233,000 (31 December 2017: RMB10,779,923,000) was repayable within one year, RMB673,844,000 (31 December 2017: RMB619,338,000) was repayable within two to five years and RMB Nil (31 December 2017: RMB Nil) was repayable after 5 years. As at 30 June 2018, the Group had outstanding corporate bond of approximately RMB443,008,000 (31 December 2017: RMB Nil), which shall be repaid within one year and approximately RMB3,099,966,000 (31 December 2017: RMB1,794,964,000), which shall be repaid within two to five years.

As at 30 June 2018, except for secured and guaranteed bank loans of RMB Nil and RMB Nil (31 December 2017: RMB647,830,000 and RMB588,000) denominated in Hong Kong dollars and United States dollars respectively, all borrowings are denominated in Renminbi. As at 30 June 2018, 73% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

Income tax

The effective income tax rate (i.e. the total income tax divided by profit before tax) of the Group during the Period was approximately 20.29% (corresponding period of 2017: approximately 15.88%).

Total assets

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

Net assets

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

Total liabilities

As at 30 June 2018, the total liabilities of the Group were approximately RMB18,913,545,000, representing an increase of approximately 10.94% as compared to approximately RMB17,048,978,000 as at 31 December 2017. As at 30 June 2018, the gearing ratio (i.e. the net debt divided by the total equity plus net debt. Net debt includes interest bearing bank and other borrowings, corporate bonds less the balance of cash and cash equivalents) was approximately 42.37% (31 December 2017: 40.37%).

Contingent liabilities

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

Market risks

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

Interest rate risk

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

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

Foreign exchange risk

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

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

Gold price and other commodities price risks

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

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

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

Pledge

As at 30 June 2018, except for the following assets pledged or charged for environmental improvement, forward commodity contracts AU (T+D) deposit arrangements, the bank borrowings and notes payable, the Group had not pledged or charged any other assets: (1) property, plant and equipment, prepaid land lease payments and mining rights with net carrying amount of approximately RMB Nil (31 December 2017: RMB Nil); (2) pledged deposits of RMB Nil (31 December 2017: RMB17,710,000); and (3) treasury bonds of RMB99,800,000 (31 December 2017: RMB Nil).

V. BUSINESS PROSPECTS

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

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

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

Cultivating the development advantages of mining, developing and strengthening core businesses

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

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

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

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

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

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 (the "Shareholders") recorded in the register of members as at 30 June 2018 are as follows:

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

II. SUFFICIENT PUBLIC FLOAT

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

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

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

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

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

V. EMPLOYEES

As of 30 June 2018, the Company had a total of 6,419 employees. The Group remunerates its employees according to their performance, experience and prevailing industry practices and provide other benefits to employees (including retirement benefit plans, medical benefit plans and housing fund plans). The Group also provides opportunities for further education and training to its employees. The Group offers competitive remuneration packages to its employees and reviews employee remuneration annually with reference to the prevailing labor market and human resources market trends and laws.

VI. IMPORTANT EVENTS

1. On 8 June 2018, the 2017 annual general meeting considered and passed, among other things, the following resolutions:

(1) the Company's profit distribution proposal for the year ended 31 December 2017 to distribute a cash dividend of RMB0.06 (before taxation) per share to all Shareholders;

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

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

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

(5) appointment of Shareholder representative supervisors.

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

2. On 8 June 2018, the domestic shares class meeting and H shares class meeting respectively considered the following proposal:

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

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

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

3. Termination of the acquisition by the Joint Venture Company

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

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

4. Changes in Composition of the Board

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

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

5. Change of Company Secretary

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

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

6. Change of Supervisors

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

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

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

7. Change in Senior Management

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

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

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

8. Issue of Corporate Bonds

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

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

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

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

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

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

10. Partial redemption of corporate bonds

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

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

VII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with all the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the period from 1 January 2018 to 30 June 2018. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions in the Code by the Company during any time of the Period.

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

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

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

IX. AUDIT COMMITTEE

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

The Audit Committee has adopted a written terms of reference which is in compliance with the Code. It is mainly responsible for matters concerning the internal control and financial reporting, reviewing with the management of the accounting principles, accounting standards and methods adopted by the Company. The Audit Committee has discussed risk management and internal control affairs and reviewed the Company's unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2018, and the Audit Committee is of the view that the unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2018 have been prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

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

Zhaoyuan, the PRC, 24 August 2018

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Yao Ziping and Mr. Gao Min as non-executive Directors; and Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as independent non-executive Directors.

* *For identification purpose only*