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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 2020

FINANCIAL HIGHLIGHTS

- During the Period, the revenue amounted to approximately RMB3,131,980,000, representing an increase of approximately 11.14% as compared to the corresponding period of last year.
- During the Period, the net profit was approximately RMB456,168,000, representing an increase of approximately 78.24% as compared to the corresponding period of last year.
- During the Period, the profit attributable to owners of the parent amounted to approximately RMB412,392,000, representing an increase of approximately 72.65% as compared to the corresponding period of last year.
- During the Period, the basic and diluted earnings per share attributable to ordinary equity holders of the parent was approximately RMB0.13, representing an increase of approximately 85.71% 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 2020.

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 2020 (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 2019 are set out as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	5	3,131,980	2,817,982
Cost of sales		(1,775,280)	(1,746,346)
Gross profit		1,356,700	1,071,636
Other income and gains	5	323,771	157,917
Selling and distribution expenses		(18,650)	(33,466)
Administrative expenses		(491,338)	(443,056)
Impairment losses on financial assets		(79,290)	(9,604)
Gain on disposal of financial assets		46,688	52,040
Other expenses	6	(216,558)	(168,411)
Finance costs		(354,244)	(316,108)
Share of profits and losses of:			
– Associates		6,590	1,598
– Joint ventures		5,856	12,373
PROFIT BEFORE TAX	7	579,525	324,919
Income tax expense	8	(123,357)	(68,996)
PROFIT FOR THE PERIOD		456,168	255,923
Attributable to:			
Owners of the parent		412,392	238,855
Non-controlling interests		43,776	17,068
		456,168	255,923
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
Earnings per share for the period (RMB)	10	0.13	0.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	456,168	255,923
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>19,430</u>	<u>17,602</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>19,430</u>	<u>17,602</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>200</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	19,630	17,602
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	475,798	273,525
Attributable to:		
Owners of the parent	<u>432,014</u>	256,209
Non-controlling interests	<u>43,784</u>	<u>17,316</u>
	475,798	273,525

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		15,066,780	14,988,626
Right-of-use assets		754,087	768,088
Goodwill		609,525	666,179
Other intangible assets		9,576,716	9,603,768
Investments in joint ventures		182,544	173,954
Investments in associates		769,380	718,584
Deferred tax assets		150,209	163,052
Long-term deposits		29,734	22,312
Term deposit		200,000	–
Loans receivable		239,850	252,525
Financial assets measured at amortised cost		476,973	400,994
Other long-term assets		521,854	496,281
		<hr/>	<hr/>
Total non-current assets		28,577,652	28,254,363
CURRENT ASSETS			
Inventories		4,212,159	4,310,373
Trade and notes receivables	11	418,057	142,447
Prepayments, deposits and other receivables		683,156	591,874
Financial assets at fair value through profit or loss		3,679,383	554,642
Pledged deposits		350,996	278,303
Loans receivable		2,686,910	2,611,471
Cash and cash equivalents		3,221,230	3,508,307
		<hr/>	<hr/>
Total current assets		15,251,891	11,997,417
CURRENT LIABILITIES			
Trade and notes payables	12	423,221	368,166
Other payables and accruals		1,931,894	1,770,923
Interest-bearing bank and other borrowings		11,327,455	8,386,684
Tax payable		131,481	108,189
Provisions		4,287	9,616
Deposits from customers		2,086,764	1,223,619
Current portion of other long-term liabilities		130,000	159,368
Corporate bonds		2,255,491	508,629
		<hr/>	<hr/>
Total current liabilities		18,290,593	12,535,194
NET CURRENT LIABILITIES		(3,038,702)	(537,777)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,538,950	27,716,586
		<hr/>	<hr/>

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	136,140	388,490
Corporate bonds	7,456,554	9,170,130
Lease liabilities	36,452	41,085
Deferred tax liabilities	384,381	361,400
Deferred income	217,775	250,505
Provisions	50,506	50,506
Other long-term liabilities	96,476	91,612
	<hr/>	<hr/>
Total non-current liabilities	8,378,284	10,353,728
	<hr/>	<hr/>
NET ASSETS	17,160,666	17,362,858
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EQUITY		
Equity attributable to owners of the parent		
Share capital	3,270,393	3,270,393
Perpetual capital instruments	2,169,276	2,664,600
Reserves	8,254,465	8,014,594
	<hr/>	<hr/>
	13,694,134	13,949,587
	<hr/>	<hr/>
Non-controlling interests	3,466,532	3,413,271
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TOTAL EQUITY	17,160,666	17,362,858
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

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 and smelting of gold, the sale of gold products, and the mining and processing of copper and the sale of copper products in Mainland China. In addition, the Group processed and sold silver in Mainland China.

As of 30 June 2020, the major shareholders of the Company were Shandong Zhaojin Group Company Limited (“Zhaojin Group”) and Shanghai Yuyuan Tourist Mart Co., Ltd., who held 37.12% and 23.34% 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 PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

As at 30 June 2020, the Group had net current liabilities of RMB3,038,702,000 (31 December 2019: RMB537,777,000). In view of this circumstance, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2020, by taking into account the Group’s cash flow projection, including the Group’s unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group’s future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these financial statements have been prepared on a going concern basis.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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;
- (c) the "others" segment comprises, principally, the Group's other investment activities, a finance company operation, a hotel and catering operation and engineering design and consulting operation.

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, 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, 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 segments are as follows:

For the six months ended 30 June 2020 (Unaudited)

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenue from external customers	<u>2,872,583</u>	<u>121,480</u>	<u>137,917</u>	<u>3,131,980</u>
Segment results	809,051	(57,883)	74,035	825,203
<i>Reconciliation:</i>				
Interest income				108,566
Finance costs				<u>(354,244)</u>
Profit before tax				<u>579,525</u>
Segment assets	33,594,737	2,245,475	4,266,896	40,107,108
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>3,722,435</u>
Total assets				<u>43,829,543</u>
Segment liabilities	2,534,489	220,160	2,354,207	5,108,856
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>21,560,021</u>
Total liabilities				<u>26,668,877</u>
Other segment information				
Capital expenditure *	591,053	27,365	6,677	625,095
Investments in associates	763,970	–	5,410	769,380
Investments in joint ventures	–	32,475	150,069	182,544
Impairment losses recognised/(reversed) in the statement of profit or loss	218,446	3,721	(2,805)	219,362
Share of profits and losses of:				
– Associates	6,975	–	(385)	6,590
– Joint ventures	–	(1,876)	7,732	5,856
Depreciation and amortisation	453,969	41,016	12,021	507,006
Gain on disposal of financial assets	10,184	–	36,504	46,688
Fair value gain on financial assets at fair value through profit or loss	<u>23,357</u>	<u>–</u>	<u>109,839</u>	<u>133,196</u>

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and right-of-use assets.

For the six months ended 30 June 2019 (Unaudited)

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenue from external customers	<u>2,505,031</u>	<u>238,301</u>	<u>74,650</u>	<u>2,817,982</u>
Segment results	548,565	38,442	(21,561)	565,446
<i>Reconciliation:</i>				
Interest income				75,581
Finance costs				<u>(316,108)</u>
Profit before tax				<u>324,919</u>
Segment assets	30,538,039	2,533,779	2,308,351	35,380,169
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>3,963,727</u>
Total assets				<u>39,343,896</u>
Segment liabilities	2,586,632	293,722	1,337,978	4,218,332
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>18,209,709</u>
Total liabilities				<u>22,428,041</u>
Other segment information				
Capital expenditure*	819,375	34,982	10,693	865,050
Investments in associates	682,207	–	–	682,207
Investments in joint ventures	–	109,024	128,052	237,076
Impairment losses(reversed)/recognised in the statement of profit or loss	(1,818)	4,338	2,128	4,648
Share of profits of:				
– Associates	1,598	–	–	1,598
– Joint ventures	–	4,473	7,900	12,373
Depreciation and amortisation	444,708	59,343	6,834	510,885
Gain on disposal of equity investments at fair value through profit or loss	<u>5,098</u>	<u>–</u>	<u>46,942</u>	<u>52,040</u>

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and right-of-use assets.

Geographical information

As over 92% 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 2020, revenue of approximately RMB2,524,627,000 (for the six months ended 30 June 2019: RMB2,249,823,000) was derived from sales by the gold operations segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sale of goods	3,185,736	2,796,895
Rendering of services	70,391	102,936
	<u>3,256,127</u>	<u>2,899,831</u>
Less:		
Government surcharges	<u>(124,147)</u>	<u>(81,849)</u>
	<u>3,131,980</u>	<u>2,817,982</u>
Goods recognised at a point in time	3,232,714	2,896,784
Services recognised over time	23,413	3,047
	<u>3,256,127</u>	<u>2,899,831</u>
Less:		
Government surcharges	<u>(124,147)</u>	<u>(81,849)</u>
Total revenue from contracts with customers	<u>3,131,980</u>	<u>2,817,982</u>

Other income and gains

	For the six months ended	
	30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value gain on financial assets at fair value through profit or loss	133,196	–
Interest income	108,566	75,581
Government grants	36,321	30,659
Sales of auxiliary materials	24,983	38,637
Exchange gains	8,178	–
Others	12,527	13,040
	<u>323,771</u>	<u>157,917</u>

6. OTHER EXPENSES

	For the six months ended	
	30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss on disposal or write-off of items of property, plant and equipment	1,429	1,529
Impairment of intangible assets	66,714	–
Impairment of property, plant and equipment	2,965	–
Impairment of goodwill	56,654	–
Cost of auxiliary materials and other business	60,572	49,979
Exchange losses	–	12,192
Loss on settlement of commodity derivative contracts	9,035	74,689
Others	19,189	30,022
	<u>216,558</u>	<u>168,411</u>

7. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,775,280	1,746,346
Impairment loss/(reversal) of inventories	13,739	(4,956)
Impairment loss on loans receivable	64,665	2,501
Provision for impairment of receivables	14,625	7,103
Impairment of intangible assets	66,714	–
Impairment of goodwill	56,654	–
Impairment of property, plant and equipment	2,965	–
Exchange differences, net	(8,178)	12,192

8. INCOME TAX EXPENSE

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

Provision for current income tax in Mainland China is based on the statutory rate of 25% (2019: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain high and new technology enterprises and western-region-development enterprises of the Group in Mainland China, which are taxed at a preferential rate of 15%. Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	For the six months ended	
	30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – Mainland China		
– Charge for the period	87,533	61,097
Deferred tax	35,824	7,899
Total tax charge for the period	123,357	68,996

9. DIVIDENDS

For the six months ended	
30 June	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)

Ordinary:

Proposed final – RMB0.04 per share (2019: RMB0.04 per share)	130,816	128,828
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The proposed 2019 final dividend of RMB0.04 per share (tax included) in aggregate of RMB130,816,000 was approved by the shareholders on 5 June 2020. As at 30 June 2020, all the final dividend of 2019 has been paid. No interim dividend was proposed for the period (2019: Nil).

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

Basic earnings per share is computed by dividing the profit attributable to ordinary equity holders of the parent for the period of RMB412,392,000 (for the six months ended 30 June 2019: RMB238,855,000) by the number of ordinary shares in issue during the period of 3,270,393,000 (for the six months ended 30 June 2019: 3,220,696,000).

The diluted earnings per share amounts were equal to the basic earnings per share amounts for the six months ended 30 June 2020 and 30 June 2019, as no diluting events existed during these periods.

11. TRADE AND NOTES RECEIVABLES

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	431,706	132,867
Notes receivable	8,717	27,138
Impairment	(22,366)	(17,558)
	418,057	142,447

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Outstanding balances due within one year	379,760	92,493
Outstanding balances due over one year but within two years	33,052	18,528
Outstanding balances due over two years but within three years	1,802	1,809
Outstanding balances due over three years	17,092	20,037
	431,706	132,867
Less: impairment of trade receivables	(22,366)	(17,558)
	409,340	115,309

Trade and notes receivables are non-interest-bearing. As 81% of the sales of the Group for the period ended 30 June 2020 (for the six months ended 30 June 2019: 80%) were made through the Shanghai Gold Exchange without specific credit terms, there were no significant receivables that were overdue or impaired.

12. TRADE AND NOTES PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	389,202	324,109
Notes payable	34,019	44,057
	423,221	368,166

At 30 June 2020, 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Outstanding balances are due as follows:		
Within one year	383,546	289,344
Over one year but within two years	21,814	50,021
Over two years but within three years	10,599	17,742
Over three years	7,262	11,059
	423,221	368,166

I. INTERIM RESULTS

Revenue

During the Period, the Group generated revenue of approximately RMB3,131,980,000 in total (corresponding period of 2019: approximately RMB2,817,982,000), representing an increase of approximately 11.14% as compared to the corresponding period of last year.

Net profit

During the Period, the net profit of the Group was approximately RMB456,168,000 (corresponding period of 2019: approximately RMB255,923,000), representing an increase of approximately 78.24% as compared to the corresponding period of last year.

Product production

During the Period, the Group attained an aggregate gold production of approximately 15,228.84 kg (approximately 489,618.20 ozs), representing a decrease of approximately 4.13% as compared to the corresponding period of last year. In particular, the gold output from the Group's mines amounted to 7,920.75 kg (approximately 254,657.83 ozs), representing a decrease of approximately 21.85% as compared to the corresponding period of last year, and the gold output from the smelting and tolling arrangement amounted to approximately 7,308.09 kg (approximately 234,960.37 ozs), representing an increase of approximately 27.09% as compared to the corresponding period of last year. During the Period, the Group attained an aggregate copper production of approximately 4,762 tons (of which copper output from mines amounted to 2,599 tons, and copper output from smelting amounted to 2,163 tons), representing a decrease of approximately 51.31% 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 RMB412,392,000 (corresponding period of 2019: approximately RMB238,855,000), representing an increase of approximately 72.65% as compared to the corresponding period of last year.

Earnings per share

During the Period, the basic and diluted earnings per share attributable to the ordinary equity holders of the parent amounted to approximately RMB0.13 (corresponding period of 2019: approximately RMB0.07), representing an increase of approximately 85.71% as compared to the corresponding period of last year.

Net assets per share

As at 30 June 2020, the consolidated net assets per share was approximately RMB5.25 (30 June 2019: approximately RMB5.25), and the yield to net assets during the Period was approximately 2.66% (corresponding period of 2019: approximately 1.51%).

II. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: Nil).

III. BUSINESS REVIEW

In the first half of 2020, under the impact of the spread of COVID-19 epidemic, the geopolitical crisis, the plunge in commodity prices and the monetary easing policies of various countries, the gold price showed an overall upward trend. The international gold price opened at US\$1,517.18/oz at the beginning of the year and continued to rise after closing at US\$1,780.72/oz at the end of June, recording an average of US\$1,645.42/oz for the first half of the year, representing a year-on-year increase of 25.94%.

According to statistics from the China Gold Association, the output of raw gold in China amounted to 170.07 tons in the first half of 2020, representing a reduction in production of 10.61 tons compared to the corresponding period in 2019 and a year-on-year decrease of 5.87%, in which 141.82 tons were produced from gold mines and 28.25 tons were produced from non-ferrous raw materials. At the beginning of 2020, the entire industry was affected by the COVID-19 epidemic, and the cumulative gold production nationwide fell sharply as compared with last year. However, since the second quarter, as the domestic epidemic eased, and the international gold price rose rapidly, the rate of resumption of work and production for domestic gold production has increased rapidly.

Since the beginning of 2020, the sudden outbreak of the epidemic has brought huge challenges to production and operation. Affected by the epidemic, overall resumption time of the Company was later than last year. However, benefiting from the soaring prices of gold and copper and effective epidemic prevention and control measures, the mines of the Company resumed work at a relatively rapid rate, especially since entering the second quarter. Adhering to the main direction of “campaign, test and opportunity”, the Company solidly proceeded with the “five-optimal competition”, “tackling problems” and “partner assistance”, quickly resumed normal business activities of all subsidiaries and achieved hard-won development achievements.

Improvement in production and operation due to the obvious momentum of key businesses

In the first half of the year, the Company adopted extraordinary measures with superior strength for the challenges arising from the epidemic, and fully resumed production and achieved target production, thus proactively reversed the passive situation brought by the epidemic. In addition, it leveraged on high prices to promote production vigorously, and all indicators generally showed a good momentum featured by rise after fall and general improvement. For the first half of the year, the Company's total output of gold amounted to 15,228.84 kg (approximately 489,618.20 ozs), among which 7,920.75 kg (approximately 254,657.83 ozs) of gold was mine-produced gold. Key businesses including Dayingezhuang Gold Mine and Zaozigou Gold Mine had obvious momentum. Benefited from the opportunity of a sharp rise in the gold price, and achieved a total profit before tax of RMB0.58 billion, representing a year-on-year substantial increase of 78.36%.

Steady implementation of key tasks with the theme of “double focus”

Adhering to the theme of “double focus” in the overall work for the year, the Company cumulatively invested RMB239 million in the technical innovation of key infrastructure, while the construction of mining and ore processing facilities of Ruihai Mining and the reconstruction and expansion of Caogoutou mining area have fully commenced and advanced in an orderly manner; and the ore treatment plant expansion project of Fengningjinlong with a capacity of 2,000 tons/day was completed ahead of schedule and achieved target production and met standards. The financial sharing center was developed with full functions and was launched with a coverage rate of 97%. The H share full circulation involving the field of capital operation was successfully approved by the China Securities Regulatory Commission (the “CSRC”). In the first half of the year, the Company accumulated investments of RMB17.6912 million in science and technology, and implemented a total of 14 key scientific research projects; the Company applied for 27 patents in total, and has been granted 4 new invention patents and 30 utility novelty patents; the construction of Shandong Mine Solid Waste Resources Recycling And Manufacturing Innovation Center* (山東省礦山固廢資源循環利用製造業創新中心) (the “Shandong Manufacturing Innovation Center”) and Dayingezhuang Intelligent Mine passed the examination and acceptance at all levels of the province and city; the fine tailings filling experience at Hedong Gold Mine was successfully promoted and applied in Canzhuang Gold Mine, setting a model for the construction of green tailings-free mines in the entire industry.

Remarkable results in cost reduction and efficiency enhancement with a continuously stable environment for development

In the first half of the year, the Company strengthened policy research and judgment to seize the opportunities behind the epidemic, and obtained a low-interest loan of RMB500 million from China Development Bank, with an average financing cost significantly lower than the market rate. By striving for preferential policies such as social security reductions and exemptions, subsidies for employment stabilization, electricity charge reductions and exemptions, and adopting effective measures including locking-in oil price, direct supply from manufacturers, and direct purchase of electricity to reduce costs. Focusing on the top ten pro-people projects, employees' work, life quality and happiness indices constantly improved in terms of wage growth, care for children of employees working in other places, health check-up, assistance to the poor, and the "4411 project" construction. The Company strengthened the building of cadre-mass relations, community relations, and government-enterprise relations, and attached great importance to Party conduct and integrity, compliance governance, etc. and thus maintained a harmonious and stable internal and external environment.

Conscientiously undertaking responsibilities to build green and ecological mines

In the first half of the year, the Company thoroughly implemented national laws and regulations and related policies, conscientiously undertook its responsibilities in the three key aspects of production safety, environmental protection, and epidemic prevention and control. The work in relation to safety, environmental protection, and epidemic prevention and control was steadily advanced through scientific and rigorous epidemic prevention deployment, safety culture construction, "partitioned management +" system integration, special rectification for key systems, restoration and governance of ecological environment, etc. In the first half of the year, a total of RMB87 million was invested in safety and environmental protection, and 38.55 hectares of green areas were added, accomplishing the annual greening target ahead of schedule, which guaranteed the healthy development of enterprise ecology. Zhaoyuan Zhaojin Jinhe Technology Co., Ltd.* (招遠市招金金合科技有限公司) successfully obtained the business license for utilising an additional capacity of 200,000 tons/year of hazardous waste of cyanidation tailings, laying a solid foundation for the sound development of the Company and its upstream enterprises.

IV. FINANCIAL AND RESULTS ANALYSIS

Revenue

During the Period, the Group's revenue amounted to approximately RMB3,131,980,000 (corresponding period of 2019: approximately RMB2,817,982,000), representing an increase of approximately 11.14% as compared to the corresponding period of last year. During the Period, the increase in revenue was primarily due to the substantial increase of gold price and effective organization of production during the Period.

Net profit

During the Period, net profit of the Group amounted to approximately RMB456,168,000 (corresponding period of 2019: approximately RMB255,923,000), representing an increase of approximately 78.24% as compared to the corresponding period of last year. The increase in net profit was due to the substantial increase of gold price and the strengthening of operation management during the Period.

Integrated cost of gold per gram

During the Period, the Group's integrated cost of gold was approximately RMB167.39 per gram (corresponding period of 2019: approximately RMB160.17 per gram), representing an increase of approximately 4.51% as compared to the corresponding period of last year and a decrease of approximately 2.24% as compared to the end of last year. Although the integrated cost of gold per gram was affected by the decline in gold production during the Period which led to an increase in unit mining costs, through a series of cost-reduction measures, the cost has decreased compared with the end of last year.

Cost of sales

During the Period, the Group's cost of sales amounted to approximately RMB1,775,280,000 (corresponding period of 2019: approximately RMB1,746,346,000), representing an increase of approximately 1.66% as compared to the corresponding period of last year. The increase was primarily attributable to the increase in cost of outsourcing gold concentrate during the Period.

Gross profit and gross profit margin

During the Period, the Group's gross profit was approximately RMB1,356,700,000, representing an increase of approximately 26.60% as compared to RMB1,071,636,000 of the corresponding period of last year. The Group's gross profit margin has increased from approximately 38.03% for the corresponding period of last year to approximately 43.32% for the Period. The increase in gross profit was mainly due to the substantial increase of gold price during the Period.

Other income and gains

During the Period, the Group's other income and gains were approximately RMB323,771,000 (corresponding period of 2019: approximately RMB157,917,000), representing an increase of approximately 105.03% as compared to the corresponding period of last year. The increase was mainly due to the increase in investment income during the Period as compared to the corresponding period last year.

Selling and distribution costs

During the Period, the Group's selling and distribution costs were approximately RMB18,650,000 (corresponding period of 2019: approximately RMB33,466,000), representing a decrease of approximately 44.27% as compared to the corresponding period of last year. The decrease was mainly due to the decrease in expenditure on overseas marketing activities during the Period.

Administrative and other operating expenses

During the Period, the Group's administrative and other operating expenses were approximately RMB787,186,000 (corresponding period of 2019: approximately RMB621,071,000), representing an increase of approximately 26.75% as compared to the corresponding period last year. The increase was mainly due to the impairment losses on assets of the Group during the Period.

Finance costs

During the Period, the Group's finance costs amounted to approximately RMB354,244,000 (corresponding period of 2019: approximately RMB316,108,000), representing an increase of approximately 12.06% as compared to the corresponding period of last year. Such increase was mainly attributable to the increase in interest-bearing debt that was included in the profit and loss statement by the Company.

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 2020, the Group had cash and cash equivalents of approximately RMB3,221,230,000, representing a decrease of approximately 8.18% as compared to approximately RMB3,508,307,000 as at 31 December 2019. The decrease was mainly because the cash inflow from operating and financing activities was less than the net cash outflow of investing activities during the Period.

As at 30 June 2020, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB128,926,000 (31 December 2019: RMB141,544,000), and those denominated in United States dollars amounted to RMB1,066,330,000 (31 December 2019: RMB2,015,572,000). Those denominated in Kazakhstani Tenge amounted to approximately RMB3,000 (31 December 2019: RMB3,000). All other cash and cash equivalents held by the Group are denominated in RMB.

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 2020, 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 RMB11,463,595,000 (31 December 2019: RMB8,775,174,000), of which RMB11,327,455,000 (31 December 2019: RMB8,386,684,000) was repayable within one year, and RMB136,140,000 (31 December 2019: RMB388,490,000) was repayable within two to five years. As at 30 June 2020, the Group had outstanding corporate bonds of RMB2,255,491,000 (31 December 2019: RMB508,629,000), which shall be repaid within one year, and approximately RMB7,456,554,000 (31 December 2019: RMB9,170,130,000), which shall be repaid within two to five years.

As at 30 June 2020, except for bank loans of RMB7,080,000 (31 December 2019: RMB0) and corporate bonds of RMB2,112,000,000 (31 December 2019: RMB2,078,217,000) denominated in United States dollars, all borrowings are denominated in Renminbi. As at 30 June 2020, except for secured and guaranteed bank loans and other borrowings of RMB169,850,000 (31 December 2019: RMB397,800,000), all borrowings are unsecured. As at 30 June 2020, 89.13% 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 21.29% (corresponding period of 2019: approximately 21.23%).

Total assets

As at 30 June 2020, the total assets of the Group were approximately RMB43,829,543,000, representing an increase of approximately 8.89% as compared to approximately RMB40,251,780,000 as at 31 December 2019. Among which, total non-current assets amounted to approximately RMB28,577,652,000, accounting for approximately 65.20% of the total assets, and representing an increase of approximately 1.14% as compared to approximately RMB28,254,363,000 as at 31 December 2019. As at 30 June 2020, total current assets were approximately RMB15,251,891,000, accounting for approximately 34.80% of the total assets, and representing an increase of approximately 27.13% as compared to approximately RMB11,997,417,000 as at 31 December 2019.

Net assets

As at 30 June 2020, the net assets of the Group were approximately RMB17,160,666,000, representing a decrease of approximately 1.16% as compared to approximately RMB17,362,858,000 as at 31 December 2019.

Total liabilities

As at 30 June 2020, the total liabilities of the Group were approximately RMB26,668,877,000, representing an increase of approximately 16.51% as compared to approximately RMB22,888,922,000 as at 31 December 2019. As at 30 June 2020, 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 51.13% (31 December 2019: 46.26%).

Contingent liabilities

As at 30 June 2020, the contingent liabilities of the Group did not have any change as compared to 31 December 2019.

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) contractual 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 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 2020, except for the following assets pledged or charged for environmental improvement funds, margin of commodity contracts, margin of AU (T+D) arrangements, and for obtaining bank borrowings and notes payable, the Group had not pledged or charged any other assets: (1) pledged deposits of RMB350,996,000 (31 December 2019: RMB278,303,000); (2) treasury bonds of RMB300,000,000 (31 December 2019: RMB400,000,000) and (3) financial assets at fair value through profit or loss of RMB100,000,000 (31 December 2019: RMB0).

V. BUSINESS PROSPECTS

In the second half of 2020, the Company will adhere to its annual targets and missions and insist on being problem-oriented and performance-oriented. The two major campaigns, i.e. "five-optimal competition" and "tackling difficulties for achieving production and operation targets" will be further carried out throughout the Company to seize opportunities and race against time, in order to achieve progress and efficiency. All employees will gather strength for catch-up development.

Seizing opportunities and taking advantage of the situation to further release production capacity, increase production and create benefits

In the second half of the year, the Company will seize the opportunity of a sharp rise in the gold price to further promote the expansion of production capacity of key businesses, with a view to stabilising and expanding production and increasing efficiency. Projects in terms of key technical innovation of infrastructure, scientific research and innovation, and safety and environmental protection, will be sped up, striving to reach target production as soon as possible. The focus will be placed on speeding up the construction of infrastructure-related technical innovation projects in respect of production and capacity expansion and efficiency optimization, including the construction of the mining and ore processing system of Ruihai Mining and Wucailong Company, the development projects of the deep parts of the Dayingezhuang Gold Mine and Zaozigou Gold Mine, in order to further release production capacity, and increase production and efficiency. It is planned to invest RMB98 million in scientific research to give full play to the role of design institutes, technical centers, academician workstations, etc. as platforms, strengthen the research on ten major scientific research topics for the year, and accelerate the construction of the Shandong Manufacturing Innovation Center, improving the development and utilisation rate of tailing resources.

Strengthening external development and geological prospecting and building a lifeline for sustainable development

Resources are the lifeline of mining enterprises. In the second half of the year, the Company will focus on two aspects. On the one hand, it will speed up external development, broaden information channels, take the initiative and strive to achieve new breakthroughs. On the other hand, it will stress geological scientific research and prospecting, continue to implement the “hope project, life-saving project, and results project”, and steadily proceed with the exploration engineering of key mines to ensure prospecting results. It is planned to invest RMB61 million in geological prospecting, including 17,600 meters of tunneling engineering and 66,000 meters of drilling engineering, and it is expected to obtain 12 tons of gold metal and 900 tons of copper metal.

Optimizing “four key areas of management” to comprehensively improve operation quality

In the second half of the year, the Company will proceed with in-depth implementation of the excellent performance management model to meet the overall requirements of “systematic management, standard work, refined process, and digital results”. First, strategic management should be strengthened. A good structural planning will form a new pattern of strategic leadership and scientific development. Second, cost management should be intensified. Adhering to increasing revenue and reducing expenditure, the Company will reduce costs through technical and management means. Third, information-based management should be reinforced. Through vigorously promoting the integration of the “four new technologies” of mines and the construction of industrial Internet, the Company will gradually realize mechanization, automation, digitization, and mine intelligence, and build intelligent mines; internal databases will be established for each line to realize big data management. Fourth, benchmarking management should be enhanced. The Company will establish a scientific and efficient benchmarking management system, and achieve strategic goals by seeking for, setting, reaching and creating standards.

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 2020 are as follows:

Class	Number of Shareholders
Domestic share	7
Overseas-listed foreign share – H share	<u>1,490</u>
Total number of Shareholders	<u>1,497</u>

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 2020, the Company had a total of 6,670 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 5 June 2020, the 2019 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 2019 to distribute a cash dividend of RMB0.04 (before taxation) per share to all Shareholders;
- (2) authorizing the Board to allot, issue or deal with H shares and domestic shares of up to a maximum of 20% of the respective total number of 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 total number of issued H shares of the Company as at the date of passing such resolution;
- (4) the appointment of Mr. Huang Zhen and Mr. Zhang Banglong as non-executive Directors;

- (5) amending Article 8.5, Article 8.6, Article 8.7, Article 8.9, and Article 9.6 of the articles of association of the Company; and
- (6) amending Article 18, Article 26, Article 27 Article 33, Article 34, and Section 2 of the rules of procedures for general meetings of the Company.

Relevant details were set out in the circular and notice of the Company both dated 21 April 2020, the supplemental circular and supplemental notice of the Company both dated 20 May 2020 and the voting results announcement of the Company dated 5 June 2020 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 5 June 2020, the domestic shares class meeting and H shares class meeting considered and approved the following proposals respectively:

- (1) the Board was granted a general mandate to repurchase H shares of up to a maximum of 10% of the total number of issued H shares of the Company as at the date of passing such resolution;
- (2) amending Article 8.5, Article 8.6, Article 8.7, Article 8.9, and Article 9.6 of the articles of association of the Company; and
- (3) amending Article 18, Article 26, Article 27 Article 33, Article 34, and Section 2 of the rules of procedures for general meetings of the Company.

The proposals were approved at the domestic shares class meeting and H shares class meeting respectively.

Relevant details were set out in the circular and notices of the Company both dated 21 April 2020, the supplemental circular and supplemental notices of the Company both dated 20 May 2020 and the voting results announcement of the Company dated 5 June 2020 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. Proposed Implementation of the H Share Full Circulation

On 13 January 2020, the Company received an official letter from the CSRC, stating that the CSRC has accepted the Company's application in relation to the implementation of the H share full circulation. Under its application, the Company would apply for the conversion of up to 1,560,340,597 domestic shares into H shares of the Company and the listing thereof (the "Conversion and Listing"). On 18 June 2020, the Company received the formal approval (the "Approval") from the CSRC approving the Conversion and Listing. The Approval shall be valid for 12 months from 17 June 2020. During such 12-month period, the Company shall complete the Conversion and Listing. On 3 August 2020, the Company received the approval from the Stock Exchange for the listing of and the permission to deal in 1,560,340,597 H shares (the "Converted H Shares"). The conversion was completed on 7 August 2020. The listing of the Converted H Shares on the Stock Exchange commenced at 9:00 a.m. on 10 August 2020.

Relevant details were set out in the announcements of the Company dated 13 January 2020, 18 June 2020, 3 August 2020 and 10 August 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Entering into the Management Incentive Agreement for Zhaojin Mining Industry Company Limited

On 13 January 2020, the Company entered into the Management Incentive Agreement for Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司管理層激勵協議書) (the "Agreement") with Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. ("Shanghai Yuyuan") and Shanghai Fosun Industrial Investment Co., Ltd. ("Fosun Industrial Investment"), respectively, aiming to provide incentives to the management of the Company to effectively facilitate the full conversion of domestic shares of the Company into listed H shares for full circulation, and the management of market capitalization of the Company. Pursuant to the Agreement, Shanghai Yuyuan and Fosun Industrial Investment shall respectively provide the incentives in cash to the management of the Company conditionally. The conditions of the incentives are the realization of conversion of domestic shares of the Company into listed H shares for full circulation, management of its market capitalization and gains from any disposal of shares.

Relevant details were set out in the announcement of the Company dated 13 January 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Redemption of Medium-term Notes

On 19 March 2020, the Company redeemed the first tranche of medium-term notes for 2015 with a par value of RMB0.5 billion at an interest rate of 5.9% per annum.

Relevant details were set out in the announcement of the Company dated 10 March 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Changes in Composition of the Board and Member of the Strategic Committee under the Board

The Company held the 11th meeting of the sixth session of the Board on 24 April 2020, at which Mr. Xu Xiaoliang tendered his resignation as a non-executive Director, vice chairman and a member of the Strategic Committee of the Company due to the re-allocation of his work arrangement. His resignation was with effect from 24 April 2020. The Board appointed Mr. Zhang Banglong as a non-executive Director, vice chairman and a member of the Strategic Committee of the Company. His appointment was with effect from 24 April 2020.

The details of changes in the composition of the Board were set out in the announcement dated 24 April 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Changes in Senior Management

The Company held the 11th meeting of the sixth session of the Board on 24 April 2020. As Mr. Sun Xiduan had reached the age of retirement and transfer, he applied for early retirement and transfer. The Board agreed to dismiss Mr. Sun Xiduan from the position of vice president of the Company, and the dismissal date was with effect from 24 April 2020.

8. Issue of Super Short-term Bonds

On 25 March 2020, the Company issued the first tranche of super short-term bonds for 2020 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.28% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 24 March 2020 and 27 March 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 15 April 2020, the Company issued the second tranche of super short-term bonds for 2020 with a par value of RMB1 billion for a term of 180 days and bearing interest rate of 1.60% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 14 April 2020 and 16 April 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 20 April 2020, the Company issued the third tranche of super short-term bonds for 2020 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 1.80% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 17 April 2020 and 21 April 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 18 May 2020, the Company issued the fourth tranche of super short-term bonds for 2020 with a par value of RMB1 billion for a term of 265 days and bearing interest rate of 1.50% per annum. The proceeds are to repay interest-bearing loans of the Company.

Relevant details were set out in the announcements of the Company dated 15 May 2020 and 20 May 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

VII. EVENTS AFTER THE REPORTING PERIOD

Redemption of Corporate Bonds

On 8 July 2020, the Company redeemed the second tranche of medium-term notes for 2015 with a par value of RMB1.6 billion at an interest rate of 5.2% per annum.

Relevant details were set out in the announcement of the Company dated 2 July 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 29 July 2020, the Company redeemed the corporate bonds for 2014 with a par value of RMB0.507 billion at an interest rate of 4.8% per annum.

Relevant details were set out in the announcement of the Company dated 20 July 2020 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

VIII. 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 to the Listing Rules during the period from 1 January 2020 to 30 June 2020. 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.

IX. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the 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.

X. AUDIT COMMITTEE

The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely Mr. Huang Zhen, 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 2020, 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 2020 have been prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

XI. SUPPLEMENTAL INFORMATION OF THE 2019 ANNUAL REPORT

As disclosed in the 2019 annual report of the Company published on 20 April 2020 (the “2019 Annual Report”), the Group recorded other expenses of RMB442.9 million for the year ended 31 December 2019. The following sets out a breakdown of the other expenses of the Group for the year ended 31 December 2019:

Item	Disclosure in notes to financial statements of the 2019 Annual Report	
	RMB'000	
Loss on settlement of commodity derivative contracts	121,003	Note 7 headed “PROFIT BEFORE TAX”
Impairment loss on other intangible assets	72,844	Note 7 headed “PROFIT BEFORE TAX”
Impairment loss on goodwill	62,211	Note 7 headed “PROFIT BEFORE TAX”
Impairment loss on property, plant and equipment	26,194	Note 7 headed “PROFIT BEFORE TAX”
Impairment loss on construction in progress	19,989	Note 7 headed “PROFIT BEFORE TAX”
Loss on disposal or write-off of items of property, plant and equipment	4,471	Note 7 headed “PROFIT BEFORE TAX”
Impairment loss on right-of-use assets	1,606	Note 7 headed “PROFIT BEFORE TAX”
Sub-total of other expenses items included in Note 7	308,318	
Others	134,582	
Total of other expenses	442,900	

As indicated in the above, the majority of the components of other expenses of the Group had been disclosed in Note 7 to the financial statements of the Group in the 2019 Annual Report. These components amounted to approximately RMB308.3 million, representing approximately 70% of the total amount of other expenses. The remaining 30% of the total amount of other expenses has been included in the above item of “Others”, which comprise mainly of cost of auxiliary materials and other business expenses.

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

Zhaoyuan, the PRC, 25 August 2020

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Zhang Banglong, Mr. Liu Yongsheng, Mr. Gao Min and Mr. Huang Zhen 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