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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 2012**

**FINANCIAL HIGHLIGHTS**

- During the Period, the revenue amounted to approximately RMB1,950,196,000, representing a decrease of approximately 22% as compared to the corresponding period of last year.
- During the Period, the net profit was approximately RMB525,201,000, representing a decrease of approximately 30% as compared to the corresponding period of last year.
- During the Period, the profit attributable to owners of the parent amounted to approximately RMB495,398,000, representing a decrease of approximately 31% 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 RMB0.17, representing a decrease of approximately 32% as compared to the corresponding period of last year.
- The Board does not recommend payment of interim dividend for the six months ended 30 June 2012.

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 2012 (the “Period”) prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”), which have been reviewed by the Board’s audit committee (the “Audit Committee”) and the Company’s auditors, Ernst & Young. Condensed interim consolidated financial statements together with comparative figures for the corresponding period in 2011 are set out as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2012

	Notes	For the six-month period ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
REVENUE	4	1,950,196	2,499,756
Cost of sales		(841,623)	(1,192,113)
Gross profit		1,108,573	1,307,643
Other revenue and gains		40,747	40,154
Selling and distribution costs		(32,406)	(26,454)
Administrative expenses		(321,777)	(252,552)
Other expenses		(37,158)	(45,175)
Finance costs		(96,890)	(38,551)
Share of profit of an associate		6,045	4,617
PROFIT BEFORE TAX		667,134	989,682
Income tax expense	5	(141,933)	(243,480)
PROFIT FOR THE PERIOD		525,201	746,202
Other comprehensive income:			
Exchange differences on translation of foreign operations		124	(916)
Other comprehensive income for the period, net of tax		124	(916)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		525,325	745,286
Profit attributable to:			
Owners of the parent		495,398	720,129
Non-controlling interests		29,803	26,073
		525,201	746,202
Total comprehensive income attributable to:			
Owners of the parent		495,522	719,213
Non-controlling interests		29,803	26,073
		525,325	745,286
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period (RMB)	7	0.17	0.25

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		<b>30 June 2012</b>	31 December 2011
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>5,607,374</b>	4,926,700
Prepaid land lease payments		<b>234,615</b>	236,604
Goodwill		<b>745,595</b>	586,674
Other intangible assets	8	<b>3,271,548</b>	2,591,403
Investment in an associate		<b>48,265</b>	42,220
Long term deposits		<b>24,953</b>	24,856
Deferred tax assets		<b>184,838</b>	159,196
Other long term assets	9	<b>850,817</b>	761,635
		<hr/>	<hr/>
Total non-current assets		<b>10,968,005</b>	9,329,288
<b>CURRENT ASSETS</b>			
Inventories		<b>2,363,476</b>	2,131,257
Trade and notes receivables	10	<b>110,546</b>	45,620
Prepayments and other receivables		<b>667,780</b>	520,951
Equity investments at fair value through profit or loss		<b>19,958</b>	8,732
Derivative financial instruments		<b>3,403</b>	9,367
Pledge deposits		<b>83,000</b>	–
Cash and cash equivalents		<b>567,598</b>	1,245,872
		<hr/>	<hr/>
Total current assets		<b>3,815,761</b>	3,961,799
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>1,088,522</b>	1,537,825
Other payables and accruals		<b>814,036</b>	501,170
Interest-bearing bank and other borrowings	12	<b>3,273,888</b>	1,510,160
Tax payable		<b>103,118</b>	341,913
Provisions		<b>11,411</b>	19,827
		<hr/>	<hr/>
Total current liabilities		<b>5,290,975</b>	3,910,895
		<hr/>	<hr/>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(1,475,214)</b>	50,904
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,492,791</b>	9,380,192
		<hr/>	<hr/>

		<b>30 June 2012</b>	31 December 2011
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	<b>115,701</b>	158,109
Corporate bond		<b>1,491,858</b>	1,491,047
Deferred income		<b>154,132</b>	149,672
Deferred tax liabilities		<b>635,562</b>	476,190
Provisions		<b>76,179</b>	77,727
Other long term liability		<b>97,602</b>	30,000
		<hr/>	<hr/>
Total non-current liabilities		<b>2,571,034</b>	2,382,745
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>6,921,757</b>	6,997,447
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued share capital		<b>2,914,860</b>	2,914,860
Reserves		<b>3,463,029</b>	3,056,674
Proposed final dividend		–	612,121
		<hr/>	<hr/>
Non-controlling interests		<b>6,377,889</b>	6,583,655
		<b>543,868</b>	413,792
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>6,921,757</b>	6,997,447
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2012

	Attributable to owners of the parent								Total equity RMB'000
	Issued share capital RMB'000	Capital reserve RMB'000	Statutory and distributable reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2011	1,457,430	1,506,551	333,055	(6,292)	1,659,362	437,229	5,387,335	388,309	5,775,644
Profit for the period	-	-	-	-	720,129	-	720,129	26,073	746,202
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	(916)	-	-	(916)	-	(916)
Total comprehensive income/ (loss) for the period	-	-	-	(916)	720,129	-	719,213	26,073	745,286
Partial acquisition of an equity interest of a subsidiary from non-controlling shareholders	-	(20,102)	-	-	-	-	(20,102)	(25,898)	(46,000)
Partial disposal of an equity interest of a subsidiary to non-controlling shareholders	-	-	-	-	-	-	-	3,000	3,000
Increase of share capital by way of a bonus issue	1,457,430	(728,715)	-	-	(728,715)	-	-	-	-
Transfer to reserves	-	-	57,796	-	(57,796)	-	-	-	-
Dividends – 2010 final paid	-	-	-	-	-	(437,229)	(437,229)	-	(437,229)
At 30 June 2011 (Unaudited)	<u>2,914,860</u>	<u>757,734</u>	<u>390,851</u>	<u>(7,208)</u>	<u>1,592,980</u>	<u>-</u>	<u>5,649,217</u>	<u>391,484</u>	<u>6,040,701</u>

	Attributable to owners of the parent								
	Issued share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory and distributable reserves <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Proposed final dividend <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2012	2,914,860	751,447*	464,956*	(7,932)*	1,848,203*	612,121	6,583,655	413,792	6,997,447
Profit for the period	-	-	-	-	495,398	-	495,398	29,803	525,201
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	124	-	-	124	-	124
Total comprehensive income for the period	-	-	-	124	495,398	-	495,522	29,803	525,325
Partial acquisition of an equity interest of a subsidiary from a non-controlling shareholder	-	(1,860)	-	-	-	-	(1,860)	(7,140)	(9,000)
Dividends paid to non- controlling shareholders	-	-	-	-	-	-	-	(41,490)	(41,490)
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	30,325	30,325
Acquisition of a subsidiary	-	-	-	-	-	-	-	118,578	118,578
Commitment of profit distribution to non-controlling shareholders	-	(87,307)	-	-	-	-	(87,307)	-	(87,307)
Dividends – 2011 final paid	-	-	-	-	-	(612,121)	(612,121)	-	(612,121)
At 30 June 2012 (Unaudited)	<u>2,914,860</u>	<u>662,280*</u>	<u>464,956*</u>	<u>(7,808)*</u>	<u>2,343,601*</u>	<u>-</u>	<u>6,377,889</u>	<u>543,868</u>	<u>6,921,757</u>

\* These reserve accounts comprise the consolidated reserves of RMB3,463,029,000 (31 December 2011: RMB3,056,674,000) in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2012

	For the six-month period ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Net cash (outflow)/inflow from operating activities	(79,967)	774,826
Net cash outflow from investing activities	(1,366,849)	(851,238)
Net cash inflow/(outflow) from financing activities	<u>768,226</u>	<u>(174,610)</u>
Decrease in cash and cash equivalents	(678,590)	(251,022)
Cash and cash equivalents at beginning of period	1,245,872	786,441
Effects of foreign exchange rate changes, net	<u>316</u>	<u>359</u>
Cash and cash equivalents at end of period	<u><b>567,598</b></u>	<u><b>535,778</b></u>

### ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:

Cash and bank balances	567,598	530,915
Non-pledged time deposits with original maturity of less than three months when acquired	–	310
Cash and cash equivalents attributable to assets of a disposal group classified as held-for-sale investments	<u>–</u>	<u>4,553</u>
	<u><b>567,598</b></u>	<u><b>535,778</b></u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2012

## 1. CORPORATE INFORMATION

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

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

During the Period, the Company and its subsidiaries were principally engaged in the exploration, mining, processing, smelting of gold, the sale of gold products and the mining, processing of copper and sale of copper products in Mainland China. In addition, the Company processed and sold silver in Mainland China. The registered office of the Company is located at 299 Jinhui Road, Zhaoyuan, Shandong, the PRC.

Prior to the IPO, the parent and ultimate controlling party of the Company was Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC. Subsequent to the IPO, the Company does not have a parent or ultimate controlling party. However, Zhaojin Group is in a position to exercise significant influence over the Company.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT 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 2012 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the Period, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

### 2.2 New standards, interpretations and amendments, adopted by the Group

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except for the adoption of revised Hong Kong Financial Reporting Standards ("HKFRS", which also include HKASs and Interpretations) as of 1 January 2012 noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these revised HKFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

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



### **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 the gold mining and smelting operation;
- (b) The copper operations segment consists of the copper mining and smelting operation; and
- (c) The "others" segment comprises, principally, the Group's other investment activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(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, pledged deposits, deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, a corporate bond, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

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

**For the six-month period ended 30 June 2012 (Unaudited)**

	<b>Gold operations RMB'000</b>	<b>Copper operations RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>				
Revenues from external customers	<u>1,540,773</u>	<u>409,423</u>	<u>–</u>	<u>1,950,196</u>
Segment results	<b>617,541</b>	<b>146,196</b>	<b>(6,334)</b>	<b>757,403</b>
<i>Reconciliation:</i>				
Interest income				<b>6,621</b>
Finance costs				<u>(96,890)</u>
Profit before tax				<u><b>667,134</b></u>
Segment assets	<b>11,888,935</b>	<b>2,037,241</b>	<b>22,154</b>	<b>13,948,330</b>
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u><b>835,436</b></u>
Total assets				<u><b>14,783,766</b></u>
Segment liabilities	<b>2,185,256</b>	<b>145,209</b>	<b>14,535</b>	<b>2,345,000</b>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u><b>5,517,009</b></u>
Total liabilities				<u><b>7,862,009</b></u>
<b>Other segment information</b>				
Capital expenditure*	<b>1,367,927</b>	<b>452,958</b>	<b>89</b>	<b>1,820,974</b>
Investment in an associate	<b>48,265</b>	<b>–</b>	<b>–</b>	<b>48,265</b>
Impairment losses in profit or loss	<b>1,697</b>	<b>(712)</b>	<b>–</b>	<b>985</b>
Share of profit of an associate	<b>6,045</b>	<b>–</b>	<b>–</b>	<b>6,045</b>
Depreciation and amortisation	<b>250,872</b>	<b>23,315</b>	<b>470</b>	<b>274,657</b>
Exploration assets written off	<b>70</b>	<b>–</b>	<b>–</b>	<u><b>70</b></u>

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

**For the six-month period ended 30 June 2011 (Unaudited)**

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue</b>				
Revenues from external customers	2,228,547	271,209	–	2,499,756
Segment results	869,593	169,439	(13,601)	1,025,431
<i>Reconciliation:</i>				
Interest income				2,802
Finance costs				(38,551)
Profit before tax				989,682
Segment assets	8,556,839	616,055	9,402	9,182,296
<i>Reconciliation:</i>				
Corporate and other unallocated assets				739,861
Total assets				9,922,157
Segment liabilities	950,564	71,679	7,505	1,029,748
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				2,851,708
Total liabilities				3,881,456
<b>Other segment information</b>				
Capital expenditure *	755,064	77,308	5,902	838,274
Investment in an associate	43,352	–	–	43,352
Impairment losses reversed in profit or loss	(858)	(4,649)	–	(5,507)
Share of profit of an associate	4,617	–	–	4,617
Depreciation and amortisation	222,215	10,334	727	233,276
Exploration assets written off	4,237	–	–	4,237

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

**Geographical information**

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

**Information about a major customer**

During the Period, revenue of approximately RMB1,174,719,000 (30 June 2011: RMB1,903,940,000) was derived from sales by the gold operations segment to a single customer.

## 5. INCOME TAX EXPENSE

	<b>For the six-month period ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current – Mainland China		
– Charge for the Period	<b>163,170</b>	277,391
Deferred tax	<b>(21,237)</b>	(33,911)
	<hr/>	<hr/>
Total tax charge for the Period	<b>141,933</b>	243,480
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## 6. DIVIDENDS

The proposed 2011 final dividend of RMB0.21 per share (tax included), RMB612,121,000 in aggregate, was approved by the shareholders on 29 May 2012 and paid on 29 June 2012. No interim dividend is proposed for the Period (2011: Nil).

## 7. 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 RMB495,398,000 (for the six-month period ended 30 June 2011: RMB720,129,000) by the number of ordinary shares in issue during the Period of 2,914,860,000 (for the six-month period ended 30 June 2011: 2,914,860,000).

Diluted earnings per share amounts are equal to basic earnings per share amounts for the Period and six-month period ended 30 June 2011, as no diluting events existed during these periods.

## 8. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

During the Period, the Group purchased property, plant and equipment with a cost of RMB755,430,000 (2011: RMB454,131,000) and other intangible assets with a cost of RMB72,062,000 (2011: RMB33,910,000). In addition, the acquisition of property, plant and equipment and other intangible assets during the Period through the acquisition of a subsidiary is disclosed in Note 13.

During the Period, depreciation for property, plant and equipment was RMB223,366,000 (2011: RMB183,796,000) and amortisation for other intangible assets was RMB45,458,000 (2011: RMB45,179,000).

During the Period, property, plant and equipment with a net book value of RMB19,281,000 (2011: RMB37,796,000) were disposed of by the Group resulting in a net loss on disposal of RMB4,432,000 (2011: RMB742,000).

## 9. OTHER LONG TERM ASSETS

		<b>30 June</b>	31 December
		<b>2012</b>	2011
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
Advance and deposits paid for purchases of subsidiaries and exploration rights and assets	(i),(ii)	<b>659,000</b>	524,000
Advance payment for purchases of property, plant and equipment	(ii)	<b>191,817</b>	237,635
		<hr/>	<hr/>
		<b>850,817</b>	761,635
		<hr/> <hr/>	<hr/> <hr/>

- (i) The balance as at 30 June 2012 includes the advance payments of RMB500,000,000 and RMB100,000,000 made by the Group to third party individual shareholders to acquire an aggregate of 100% equity interests in Shandong Ruiyin Mining Industry Co., Ltd. and the gold mine exploration right and assets in North Kubusu, Qinghe County, Xinjiang.

The deposit of RMB506,000,000 paid in 2011 for the acquisition of an aggregate of 79% equity interests in Dishui Gold-Copper Mine (“Dishui”) has been settled after the completion of the transaction during the Period (Note 13).

- (ii) The outstanding commitments in relation to the above acquisitions are disclosed in Note 15.

## 10. TRADE AND NOTES RECEIVABLES

	<b>30 June 2012</b>	31 December 2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>91,638</b>	29,174
Notes receivable	<b>18,908</b>	16,446
	<b>110,546</b>	45,620

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

	<b>30 June 2012</b>	31 December 2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Outstanding balances within 90 days	<b>110,546</b>	45,620

Trade and notes receivables are non-interest-bearing. There were no receivables that were overdue or impaired. Based on past experience, the board is of the opinion that no provision for impairment is necessary in respect of the receivables as they have no history of default. In addition, 87% (2011: 93%) of total gold sales for the Period were made through the Shanghai Gold Exchange. The credit term given to other customers is generally 30 days.

## 11. TRADE PAYABLES

	<b>30 June 2012</b>	31 December 2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b>897,859</b>	729,377
Payable under tolling arrangements	<b>190,663</b>	808,448
	<b>1,088,522</b>	1,537,825

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

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Outstanding balances with ages:		
Within one year	<b>1,081,942</b>	1,524,780
Over one year but within two years	<b>3,370</b>	9,009
Over two years but within three years	<b>1,433</b>	1,954
Over three years	<b>1,777</b>	2,082
	<b>1,088,522</b>	1,537,825

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Unsecured:		
– Short-term bond	<b>698,600</b>	697,200
– Bank loans	<b>2,225,938</b>	685,000
– Bank loan entrusted by Zhaojin Group	<b>255,000</b>	255,000
– Other borrowings	<b>22,861</b>	23,569
	<b>3,202,399</b>	1,660,769
Secured:		
– Bank loans*	<b>187,190</b>	7,500
Total	<b>3,389,589</b>	1,668,269
Portion classified as:		
– Current	<b>3,273,888</b>	1,510,160
– Non-current	<b>115,701</b>	158,109

Except for a new bank loan of HKD100,000,000 obtained by the Group during the Period, the remaining interest-bearing bank and other borrowings are denominated in Renminbi. The bank loans bear interest at an effective interest rate of 6.30% (2011: 4.99%) per annum. The other borrowings bear interest at an effective interest rate of 2.19% (2011: 2.53%) per annum. During the Period, the Group borrowed and repaid interest-bearing bank and other borrowings of RMB2,300,590,000 (2011: RMB601,278,000) and RMB759,270,000 (2011: RMB333,858,000), respectively. In addition, the acquisition of bank borrowings and other borrowings during the Period through the acquisition of a subsidiary is disclosed in Note 13.

\* Certain of the Group's bank loans are secured by:

- (i) As at 30 June 2012, the Group's bank loan of RMB105,000,000 (31 December 2011: RMB7,500,000) was secured by the property, plant and equipment and prepaid land lease payments of the Group, which had an aggregate carrying value at the end of the reporting period of approximately RMB108,258,000 (31 December 2011: RMB7,270,000).
- (ii) As at 30 June 2012, the Group's bank loan of HKD100,000,000 (equivalent to RMB82,190,000) (31 December 2011: Nil) was secured by the pledged deposits of the Group, which had an aggregate carrying value at the end of the reporting period of RMB83,000,000 (31 December 2011: Nil).

### 13. BUSINESS COMBINATION

The acquisition of a subsidiary during the Period is as follows:

On 5 January 2012, the Group acquired 79% equity interests in Dishui, an unlisted company engaged in the mining, processing and sale of copper, at a consideration of RMB605,000,000, satisfied by cash. The acquisition was made as part of the Group's strategy to expand the copper business in Mainland China.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Dishui at the date of acquisition were:

	Fair value recognised on acquisition <i>RMB'000</i> (Unaudited)
<b>Assets</b>	
Inventories	108,698
Cash and cash equivalents	14,335
Prepayments	12,766
Other receivables	11,815
Property, plant and equipment	177,106
Other intangible assets	647,464
Prepaid land lease payments	6,146
	<hr/>
	978,330
	<hr/>
<b>Liabilities</b>	
Interest-bearing bank and other borrowings	(180,000)
Trade payables	(13,532)
Other payables and accruals	(61,698)
Deferred income	(3,476)
Deferred tax liabilities	(154,967)
	<hr/>
	(413,673)
	<hr/>
Net assets	564,657
Non-controlling interest (21% of net assets fair value)	(118,578)
	<hr/>
Total net assets acquired	446,079
	<hr/>
Goodwill on acquisition	158,921
	<hr/>
Satisfied by cash	605,000
	<hr/> <hr/>

The fair value of other receivables as at the date of acquisition amounted to RMB11,815,000. The gross contractual amount of other receivables was RMB11,815,000, of which none of these other receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i> (Unaudited)
Cash consideration	(605,000)
Cash and cash equivalents acquired	14,335
Payables as at 30 June 2012	5,000
Payment of a cash deposit made in the year ended 31 December 2011	<u>506,000</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(79,665)</u></u>

Since the acquisition, the above subsidiary contributed RMB94,605,000 to the Group's turnover and RMB10,767,000 to the Group's profit for the Period.

Had the combination taken place at the beginning of the Period, the revenue and the profit of the Group for the Period would have been RMB1,950,196,000 and RMB525,201,000, respectively.

The Group incurred no transaction costs for this acquisition.

None of the goodwill recognised is expected to be deductible for income tax expenses.

#### 14. CONTINGENT LIABILITIES

As at 30 June 2012, the contingent liabilities of the Group did not have any change as compared to those as at 31 December 2011.

#### 15. COMMITMENTS

##### Capital commitments

	<b>30 June 2012</b> <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	<b>353,535</b>	115,965
– Prepayment for potential acquisitions	<b>138,000</b>	118,000
	<u><b>491,535</b></u>	<u>233,965</u>
Authorised, but not contracted for:		
– Property, plant and equipment	<b>1,070,264</b>	1,485,330
– Exploration and evaluation assets	<b>81,380</b>	205,320
	<u><b>1,151,644</b></u>	<u>1,690,650</u>

##### Operating lease commitments

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



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

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Within one year	<b>6,311</b>	5,326
In the second to fifth years, inclusive	<b>11,032</b>	9,666
Beyond five years	<b>11,500</b>	–
	<b>28,843</b>	14,992

## 16. RELATED PARTY TRANSACTIONS

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

	<b>For the six-month period ended 30 June</b>	
	<b>2012 RMB'000 (Unaudited)</b>	2011 RMB'000 (Unaudited)
<b>Nature of relationships/transactions</b>		
(i) Zhaojin Group, a party which can exercise significant influence over the Group		
Sale of silver	–	40,382
Expenses:		
– Payment of rental of land use rights	<b>4,583</b>	3,827
– Gold exchange commission fee	<b>160</b>	534
Other transactions:		
– Payment of interest expense	<b>8,591</b>	–
(ii) Subsidiaries of Zhaojin Group		
Sale of silver	<b>69,402</b>	–
Expenses:		
– Fees for refining services	<b>5,100</b>	2,252
Capital transactions:		
– Purchase of exploration services	<b>45,387</b>	–
– Purchase of digital mine construction technology services	<b>767</b>	3,161

In addition, certain guarantees for securing the Group's indemnity in relation to certain government levies and funding arrangements predating the Company's IPO were provided free of charge by Zhaojin Group.

## 17. EVENTS AFTER THE REPORTING PERIOD

No events occurring after the end of the reporting period that need to be disclosed were noted.

## 18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 17 August 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Interim Results

#### *Revenue*

During the Period, the Group generated revenue of approximately RMB1,950,196,000 (corresponding period of 2011: approximately RMB2,499,756,000), representing a decrease of approximately 22% as compared to the corresponding period of last year.

#### *Net profit*

During the Period, the net profit of the Group was approximately RMB525,201,000 (corresponding period of 2011: approximately RMB746,202,000), representing a decrease of approximately 30% as compared to the corresponding period of last year.

#### *Gold production*

During the Period, the Group had attained an aggregate gold production of approximately 12,520.3 kg (approximately 402,536.7 ozs), representing an increase of approximately 9.52% as compared to the corresponding period of last year. Of which, gold output from the Group's mines accounted for 7,770.4 kg (approximately 249,824.0 ozs), representing an increase of approximately 1.78% as compared to the corresponding period of last year and gold output from smelting and tolling arrangement accounted for approximately 4,749.9 kg (approximately 152,712.7 ozs), representing an increase of approximately 25.05% 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 RMB495,398,000 (corresponding period of 2011: approximately RMB720,129,000), representing a decrease of approximately 31% 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 RMB0.17 (corresponding period of 2011: approximately RMB0.25), representing a decrease of approximately 32% as compared to the corresponding period of last year.

#### *Net assets per share*

As at 30 June 2012, the consolidated net assets per share attributable to the owners of the parent was approximately RMB2.37 (30 June 2011: approximately RMB1.94), and the yield to net assets during the Period was approximately 7.77% (corresponding period of 2011: approximately 12.75%).

## **II. Interim Dividend**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (corresponding period of 2011: nil).

## **III. Business Review**

### ***Maintaining safety and environmental protection***

The Group strictly and consistently implemented the policy of safe production – “safety first, precaution-oriented and integrated management”. By fortifying the management, strengthening the system construction, devoting more resources and efforts to improve safety and carrying out system projects including integrated governance and management, the Group forestalled major accidents in respect of safety production or environmental pollution, thus maintaining good and steady development momentum in safety production and environmental protection. During the Period, the Group invested RMB36,000,000 in safety and environmental protection, Dayingezhuang Gold Mine and Hedong Gold Mine submitted their applications to the relevant authority to become state-level green mines. The subsidiaries of the Company located both inside and outside Zhaoyuan vigorously promoted mechanization, automation and information technology, thereby the safety production capability of the mines of the Company was reinforced and improved.

### ***Steadily increase in gold output***

The Group managed proactive production deployment and successfully accomplished the gold production tasks by overcoming difficulties caused by negative factors such as production suspension during the Spring Festival and limited explosives rationing. In the first half of the year, the Group achieved an aggregate gold output of 12,520.3 kg (approximately 402,536.7 ozs), representing an increase of approximately 9.52% compared to the corresponding period of last year; an aggregate gold output from its mines of 7,770.4 kg (approximately 249,824.0 ozs), representing an increase of approximately 1.78% compared to the corresponding period of last year; and an aggregate gold output from smelting and tolling arrangement of 4,749.9 kg (approximately 152,712.7 ozs), representing an increase of approximately 25.05% compared to the corresponding period of last year. Among them, gold output from mines located outside Zhaoyuan increased significantly to 1,826.9 kg (approximately 58,736.2 ozs), representing an increase of approximately 16.08% as compared to the corresponding period of last year.

### ***Further improvement in the quality of efficient operation***

In the first half of the year, facing the challenges of highly fluctuating gold price at high levels and sharp volatility in the market, the Group strengthened its risk management and control and strived for self-improvement, thus further enhanced its capability to cope with market fluctuations. During the Period, the Group prioritized cost reduction and efficiency improvement while continuing to improve internal operating management and vigorously promoting cost saving and energy conservation so as to maintain its competitive edge of lower cost, thereby various economic-technical indicators remained sound, and the production and operation of the Company achieved consistent growth.

### ***Rapid progress in the construction of key projects***

The Group carried out activities of “the Year of Intensification in Technology Reform of Fundamental Infrastructure”, vigorously implemented the system where leaders provide full assistance on key projects, and took various measures including daily scheduling, weekly reporting and monthly scheduling, etc., which achieved satisfactory results. In the first half of the year, the Group invested a total of RMB370,000,000 and started 22 construction projects. The Group completed an aggregated digging volume of 209,500 m<sup>3</sup> with construction area of 31,900 m<sup>2</sup>. The key processing projects at Qinghe Mining, Zaozigou Gold Mine and Zhaojin Baiyun, etc. (each with a capacity of 2,000 tons per day) proceeded rapidly and laid a solid foundation for the capacity expansion of the Company.

### ***A new leap in scientific and technological innovation***

In the first half of the year, by focusing on the construction of a model base for comprehensive utilization of gold resources in Shandong Province, the Group fully devoted itself to buoying the level of the targeted scientific and technological innovation. During the Period, the Group invested approximately RMB33,397,300 in aggregate in technological innovation, implemented 51 technological innovation projects, and was granted 17 patents of utility model. Among which, the model projects undertaken by Dayingezhuang Gold Mine, Xiadian Gold Mine, Jinchiling Gold Mine and Zhaojin Guihe, etc. were expedited and successfully passed the annual examinations conducted by the Provincial Land and Resources Bureau and the national assessment team. Meanwhile, the Group focused on overcoming difficult problems in processing and metallurgy processes in Xinjiang and Gansu regions in the first half of the year. As a result, the recovery rate in the processing and metallurgy processes in subsidiaries located outside Zhaoyuan such as Liangdang Zhaojin, Zhaojin Beijiang and Xinhe Mining, etc. was significantly improved.

### ***New achievements in geological exploration***

In the first half of the year, the Group vigorously implemented the “strategic activity to achieve breakthroughs in exploration”, and pooled its superior resources to carry out overall geological explorations at both frontlines in and outside Zhaoyuan City. During the Period, the Group completed investment of approximately RMB89,613,100 in geological exploration, tunnel exploration of 38,592.68 meters and drilling exploration of 125,295.79 meters, which brought gold and copper resources explored amounting to approximately 24,068.59 kg and 27,791.77 tons respectively. Resources reserves were further increased as a result.

### ***Steady progress in external development***

In the first half of the year, in response to intensified competition in the mining rights market and following the guideline of “choose the better from the good, choose the fast from the better”, the Group proactively made progress in gold mine projects in Xinjiang, Gansu and other places. In addition, the Company acquired 26.2 tons of resource reserves through the acquisition of the entire equity interest in Xinjiang Jin Han Zun Mining Investment Company Limited (“Jin Han Zun Mining”) of Zhaojin Non-Ferrous Mining Company Limited (“Zhaojin Non-Ferrous”) and the Hou Cang exploration right by way of non-public issue of domestic shares, which further improved the resource reserves and the competitiveness of the Company.

## **IV. Financial and Results Analysis**

### ***Revenue***

During the Period, the Group's revenue amounted to approximately RMB1,950,196,000 (corresponding period of 2011: approximately RMB2,499,756,000), representing a decrease of approximately 22% as compared to the corresponding period of last year. During the Period, the decrease in revenue was primarily due to the decrease in the sales quantity of gold bullion and the increase in the quantity of inventories.

### ***Net profit***

During the Period, net profit of the Group amounted to approximately RMB525,201,000 (corresponding period of 2011: approximately RMB746,202,000), representing a decrease of approximately 30% as compared to the corresponding period of last year. The decrease in net profit was due to the decrease in the sales amount of gold bullion and the increase in the quantity of inventories during the Period.

### ***Integrated cost of gold per gram***

During the Period, the Group's integrated cost of gold per gram was approximately RMB121.96 per gram (corresponding period of 2011: approximately RMB116.97 per gram), representing an increase of approximately 4.27% as compared to the corresponding period of last year. The increase in integrated cost of gold per gram was due to the increase in the cost of raw materials, increase in depreciation and amortization as well as incremental staff costs.

### ***Cost of sales***

During the Period, the Group's cost of sales amounted to approximately RMB841,623,000 (corresponding period of 2011: approximately RMB1,192,113,000), representing a decrease of approximately 29% as compared to the corresponding period of last year. The decrease was primarily attributable to the decrease in the sales quantity of gold.

### ***Gross profit and gross profit margin***

During the Period, the Group's gross profit was approximately RMB1,108,573,000, representing a decrease of approximately 15% as compared to RMB1,307,643,000 of the corresponding period of last year. Such decrease was mainly due to the decrease in the Group's revenue for the Period. The Group's gross profit margin increase from approximately 52.31% in the corresponding period of last year to approximately 56.84% for the Period. Such increase was mainly due to the increase in the proportion of revenue from gold concentrates with higher gross profit margin to the total revenue.

### ***Other revenue and gains***

During the Period, the Group's other revenue and gains were approximately RMB40,747,000 (corresponding period of 2011: approximately RMB40,154,000), representing an increase of approximately 1% as compared to the corresponding period of last year, and no significant change occurred.

### ***Selling and distribution costs***

During the Period, the Group's selling and distribution costs were approximately RMB32,406,000 (corresponding period of 2011: approximately RMB26,454,000), representing an increase of approximately 22% as compared to the corresponding period of last year. The increase was mainly due to the increase in the transportation cost as a result of the increase in the sales quantity of copper.

### ***Administrative expenses***

During the Period, the Group's administrative and other operating expenses were approximately RMB321,777,000 (corresponding period of 2011: approximately RMB252,552,000), representing an increase of approximately 27% as compared to the corresponding period of last year. Such increase was due to the acquisition of certain subsidiaries in the second half of 2011 and the first half of 2012 and the incremental staff costs.

### ***Liquidity and capital resources***

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

As at 30 June 2012, the Group had cash and cash equivalents of approximately RMB567,598,000, representing a decrease of approximately 54% as compared to approximately RMB1,245,872,000 as at 31 December 2011. The decrease was mainly due to the acquisition of property, plant and equipment and other intangible assets and the payment of 2011 final dividends in the first half of 2012.

As at 30 June 2012, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB9,657,000 (31 December 2011: RMB16,495,000) and those denominated in United States dollars amounted to RMB36,690,000 (31 December 2011: RMB50,026,000) and those denominated in Australia dollars amounted to RMB9,948,000 (31 December 2011: nil). All other cash and cash equivalents held by the Group are denominated in Renminbi.

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



## ***Borrowings***

As at 30 June 2012, the Group had outstanding bank borrowings and other borrowings of RMB3,389,589,000 (31 December 2011: RMB1,668,269,000), of which RMB3,273,888,000 (31 December 2011: RMB1,510,160,000) was repayable within 1 year, RMB97,930,000 (31 December 2011: RMB151,735,000) was repayable within 2 to 5 years and RMB17,771,000 (31 December 2011: RMB6,374,000) was repayable after 5 years. As at 30 June 2012, the Company had outstanding corporate bonds of approximately RMB1,491,858,000 (31 December 2011: RMB1,491,047,000). The bond should be repaid within two to five years. The increase in the Group's borrowings during the Period was mainly attributable to the incremental demand of the resource acquisition activities, capital expenditure and working capital of the Group.

All bank borrowings and other borrowings held by the Group are denominated in RMB and HKD. As at 30 June 2012, approximately 89% of interest bearing bank borrowings were in 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% (corresponding period of 2011: approximately 25%). The decrease in the effective income tax rate was mainly because certain subsidiaries of the Group located in the western area of China are entitled to tax benefit approved by local tax bureau.

## ***Total assets***

As at 30 June 2012, the total assets of the Group were approximately RMB14,783,766,000, representing an increase of approximately 11% as compared to approximately RMB13,291,087,000 as at 31 December 2011. Among which, total non-current assets amounted to approximately RMB10,968,005,000, accounting for approximately 74% of the total assets, and representing an increase of approximately 18% as compared to approximately RMB9,329,288,000 as at 31 December 2011. As at 30 June 2012, total current assets were approximately RMB3,815,761,000, accounting for approximately 26% of the total assets, and representing a decrease of approximately 4% as compared to approximately RMB3,961,799,000 as at 31 December 2011.

## ***Net assets***

As at 30 June 2012, the net assets of the Group were approximately RMB6,921,757,000, representing a decrease of approximately 1% as compared to approximately RMB6,997,447,000 as at 31 December 2011.

## ***Total liabilities***

As at 30 June 2012, the total liabilities of the Group were approximately RMB7,862,009,000, representing an increase of approximately 25% as compared to approximately RMB6,293,640,000 as at 31 December 2011. As at 30 June 2012, 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 and corporate bond less balance of cash and cash equivalents) was approximately 38.4% (31 December 2011: 21.5%).

### ***Contingent liabilities***

As at 30 June 2012, the contingent liabilities of the Group did not have any change as compared to those as at 31 December 2011.

### ***Market risks***

The Group is exposed to various types of market risks, including effects from fluctuation in gold prices, changes in interest rates and foreign exchange rates, and influences from inflation.

### ***Interest rate risk***

The Group's exposure to interest rate risk relates primarily to the Group's cash holdings and interest bearing bank borrowings. The Group manages its exposure to interest rate risk on its cash holdings and bank borrowings through holding a combination of short term deposits with fixed and variable rates, and using a mix of fixed and variable rate debts.

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

### ***Foreign exchange risk***

All of the transactions conducted in the ordinary course of the Group are carried out in RMB. The fluctuation of the RMB/USD exchange rate may affect the international and local gold price, which in turn affects the Group's operating results.

During the Period, the Group had not entered into any hedging activities.

### ***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, silver and copper, which may affect the Group's results of operations. In addition, the Group enters into contracts for the processing of gold and silver concentrates with the liabilities settled through physical delivery of predetermined quantities of gold and silver. Price fluctuations affect such liabilities which are denominated in RMB. The Group's policy aims to manage its exposure to price risks in relation to the tolling liabilities resulted from the above-mentioned processing by holding physical inventories of gold and silver for relevant settlement.

### ***Pledge***

As at 30 June 2012, except for the following assets pledged for the bank borrowings of the Group, the Group had not pledged any assets: (1) property, plant and equipment and prepaid land lease payments with net carrying amount of approximately RMB108,258,000 (31 December 2011: RMB7,270,000); and (2) pledged deposits with the net carrying amount of RMB83,000,000 (31 December 2011: nil).



## V. Business Outlook

In the second half of the year, pursuant to the general requirements of making breakthroughs and improving and speeding up development, we will focus our efforts on the following aspects to smoothly achieve the Company's objectives set for the whole year.

### *Enhance intrinsic safety capabilities to guarantee safe and steady development*

In the second half of the year, the Company will adhere to the safety concept of “gold is precious but life is priceless” and the environmental protection concept of “prioritizing environmental protection over gold/silver mining”, and exert all its strength to build an intrinsically safe and modernized mine. The Company will devote more efforts to improve safety and environmental protection and intends to invest RMB100,000,000 in this respect; comprehensively strengthen the construction of the “six major risks prevention systems” for safe operation of subsidiaries in and outside Zhaoyuan city; promote the work of building a national green mine and make efforts to improve the quality and level of development of safety and environmental protection. The Group will consolidate the fundamentals of on-site safety management, carry out special safety rectification activities, improve and perfect emergency plans, and make efforts in staff safety training and education to strengthen staff's safety awareness and skills. At the same time, the Group will make an all-out effort to carry out the “four preventions (四防)” activity for summer time and be well-prepared for emergencies so as to ensure the safety production without accidents during the flood season.

### *Make stringent production deployment and accelerate the progress of fundamental infrastructure construction and technology reform*

In the second half of the year, the Company will seize favorable opportunities for gold production and continuously optimize production deployment; accelerate the construction of mining preparations to increase output and grade of ore, and realize breakthrough in gold production. Meanwhile, the Company will strive to make all its key projects running at full capacity and coming into operation as soon as possible, therefore, it will earnestly carry out project construction and on-site management and strengthen the implementation of the system of “providing specific assistance on the spot (蹲點包幫)” for key projects. In particular, the Group will carry out exploration work in deeper areas of Xiadian Gold Mine, Dayingezhuang Gold Mine, Hedong Gold Mine and Jinchiling Gold Mine. It will also accelerate the construction progress of mining and processing expansion projects in Zaozigou Gold Mine, Minxian Tianhao, Qinghe Mining and Zhaojin Baiyun, which will lay a solid foundation for further expansion of production capacity for the Company.

### *Strengthen internal control to improve economic benefits*

In the second half of the year, the Company will take refined management as a starting point and focus its efforts on improving the “five capabilities” (namely, the cost management capability, basic management capability of subsidiaries outside Zhaoyuan, financial management capability, marketing management capability and risk management capability), so as to comprehensively improve the quality of economic operation. It will continue to regulate the management of tender and bid, further regulate market access system through implementation of transparent procurement process and parity procurement process to enhance procurement efficiency. It will also strengthen logistics management of subsidiaries outside Zhaoyuan and establish regionally centralized procurement organizations in the areas such as Xinjiang and Gansu, with an aim to maximize procurement benefit through centralized purchasing. Meanwhile, the Company will proactively promote mechanization and automation, thus actually reducing labor intensity and improving production efficiency by relying on mechanization.

### ***Implement achievement expansion project to achieve new breakthroughs in geological exploration***

In the second half of the year, pursuant to the “four unified (四統一) requirements” (namely, unified planning, unified investment, unified construction and unified acceptance) and with the support by “fund guarantee, manpower guarantee, and appraisal/reward/punishment guarantee”, the Company will adjust its working idea to achieve great development in mine exploration and reserve expansion. The Company will make further efforts on mine exploration and reinforce science guidance in order to make breakthrough in the “three areas” (namely, old area, new area and blank area). The comprehensive implementation of achievement expansion project will focus on Zhaoyuan region with an aim to achieve new breakthroughs in mine exploration within Zhaoyuan, promote the development of the Company’s overall mine explorations, and ensure additional gold resources to be achieved to 80 tons or more.

### ***Seize opportunities to steadily expand to other regions***

In the second half of the year, the Company will adhere to the principle of “low-cost exploration, high-level cooperation and large-scale operation” and seize favorable opportunities for resource integration, actively, steadily and effectively advance projects with favorable acquisition conditions, and put more efforts in negotiations and acquisitions, with a view to constructing a strategic pattern of “reinforcing its position in old areas, making breakthrough in new areas and developing in external regions”. Focusing on our existing mines, we will exert full efforts to integrate resources in our surrounding areas. Setting up our subsidiaries outside Zhaoyuan in Xinjiang and Gansu as regional footholds, we will promote development in more areas by drawing upon experience gained at key points. We will speed up development symmetrically to build new quality mine resource bases for the Company. We intend to acquire gold resources of 50 tons.

### ***Continue to ride on technology advantages to promote scientific and technological innovation***

In the second half of the year, the Group will make full use of the platform of technology center to conduct scientific and technological innovation, establish an expert library, a consulting institute and a think tank and focus on key research and development projects such as the research on scientific mine exploration, mining methods and recovery rate of refractory ores during processing, etc. We will organize the “scientific research activity” by combining joint research on major projects, independent research and development with introduction and utilization of new technologies to achieve breakthroughs in scientific and technological innovation. Meanwhile, the Group will keep abreast of latest technology development and latest research findings in the industry, and get high-end intellectual support, hence fundamentally changing the modes and systems of traditional scientific research.

## OTHER INFORMATION

### I. Changes in Shareholding of Shareholders and Share Capital Structure

#### 1. Number of shareholders

The details of the number of shareholders of the Company recorded in the register of members as at 30 June 2012 are as follows:

Classification	Number of shareholders
Domestic shares	5
Overseas-listed foreign share – H shares	2,007
	<hr/>
Total number of shareholders	2,012
	<hr/> <hr/>

### II. Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 30 June 2012, none of the Directors, supervisors and chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the laws of Hong Kong) which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) (for such purposes, the relevant provisions in the SFO were also construed as applicable to the supervisors).

### III. Rights to Purchase Shares or Debentures of Directors and Supervisors

At no time during the Period had the Directors or supervisors held any shares of the Company. None of the Directors and supervisors had any interests in the share capital or debt securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors, supervisors and their spouses and children below eighteen years old was granted rights to subscribe for the interests in the share capital or debt securities of the Company or any of its associated corporations and there was no exercise of any of such rights by any of such persons.

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

#### **IV. Sufficient Public Float**

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

#### **V. Purchase, Sale or Redemption of the Company's Listed Securities**

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

#### **VI. Convertible Securities, Share Options, Warrants or Similar Rights**

During the Period, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the Period and up to the date of this announcement, the Group did not have any share option scheme.

#### **VII. Employees**

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

#### **VIII. Important Events**

1. On 29 May 2012, the 2011 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 2011 to distribute a cash dividend of RMB0.21 (before taxation) per share to all shareholders. On 29 June 2012, the Company distributed the 2011 cash dividend of RMB0.21 (before taxation) per share to all shareholders;
  - (2) electing Mr. Li Xiuchen as an executive Director of the Company, and Messrs. Ye Kai and Kong Fanhe as non-executive Directors of the Company, respectively;
  - (3) considering and approving the proposed connected transaction in respect of the issue of the consideration shares, and approving the acquisition by the Company of 100% equity interest in Jin Han Zun Mining, a subsidiary of Zhaojin Non-Ferrous, and the exploration right in the gold mine in Hou Cang District, Zhaoyuan City, Shandong Province, which will be satisfied by the issue of 50,967,195 domestic shares at a price of RMB11.73 (equivalent to approximately HKD14.46) per share to Zhaojin Non-Ferrous. The gold reserve resulting from such acquisition totalled 26,199.82 kg;

- (4) authorizing the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution;
- (5) authorizing the Board to repurchase shares of up to a maximum of 10% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution;
- (6) authorizing the Board to issue corporate bonds in the PRC with an aggregate principal amount of no more than RMB1.4 billion to replace the banking borrowings, replenish liquidity, adjust and optimize the financial structure of the Company;
- (7) amending Article 3.5 and Article 3.8 of the Articles of Association of the Company, which are mainly related to capital structure and registered capital.

Relevant details are set out in the circular, notice, supplemental notice and announcement of the Company dated 13 April 2012, 11 May 2012 and 29 May 2012 respectively, on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

2. On 29 May 2012, the domestic shares class meeting and H shares class meeting respectively considered, among other things, the following proposals:

- (1) considering and approving the proposed connected transaction in respect of the issue of the consideration shares, and approving the acquisition by the Company of 100% equity interest in Jin Han Zun Mining, a subsidiary of Zhaojin Non-Ferrous, and the exploration right in the gold mine in Hou Cang District, Zhaoyuan City, Shandong Province, which will be satisfied by the issue of 50,967,195 domestic shares at a price of RMB11.73 (equivalent to approximately HKD14.46) per share to Zhaojin Non-Ferrous. The gold reserve resulting from such acquisition totalled 26,199.82 kg;
- (2) authorizing the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution; and
- (3) authorizing the Board to repurchase shares of up to a maximum of 10% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution.

All the above three proposals were approved at the domestic shares class meeting. However, only the proposals set out in 2.(1) and 2.(3) above were approved at the H shares class meeting, and the proposal set out in 2.(2) above was not approved at the H shares class meeting.

Relevant details are set out in the circular, notice, supplemental notice and announcement of the Company dated 13 April 2012, 11 May 2012 and 29 May 2012 respectively, on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

### **3. Changes in Senior Management**

The Company held the sixteenth meeting of the third session of the Board on 5 March 2012, at which the Company agreed to release Mr. Shi Wenge from his position as the vice president of the Company due to the changes in work allocation, with effect from 29 January 2012, and Mr. Cong Peizhang was appointed at the meeting as the vice president of the Company, with effect from 5 March 2012.

### **4. Changes in Composition of the Board**

The Company held the seventeenth meeting of the third session of the Board on 23 March 2012, at which the Company agreed Mr. Wu Zhongqing to resign from his position as a non-executive director, agreed Mr. Chen Guoping to resign from his positions as a non-executive director and a member of the Audit Committee and agreed Mr. Wang Peifu to resign from his position as a non-executive director and member of Safety and Environmental Protection Committee due to reallocation of work arrangement, all with effect from 23 March 2012. Mr. Wu, Mr. Chen and Mr. Wang confirmed that they have no disagreement with the Board and there is no matter relating to Mr. Wu's, Mr. Chen's and Mr. Wang's resignations that need to be brought to the attention of the shareholders of the Company. In accordance with the requirements of the Articles of Association of the Company, the Board appointed Mr. Li Xiuchen as an executive director of the Company and a member of Safety and Environmental Protection Committee, appointed Mr. Ye Kai as a non-executive director of the Company and a member of the Audit Committee, and appointed Mr. Kong Fanhe as a non-executive director of the Company. Details of the changes in the composition of the Board are set out in the announcement of the Company dated 23 March 2012 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

## **IX. Compliance with the Corporate Governance Code**

The Board is of the view that the Company has complied with all the code provisions in the Code on Corporate Governance Practices (formerly set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the period from 1 January 2012 to 31 March 2012 and the code provisions in the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012) during the period from 1 April 2012 to 30 June 2012. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions in the Code on Corporate Governance Practices and Corporate Governance Code set out in Appendix 14 of the Listing Rules by the Company during any time of the relevant periods as mentioned above.

## **X. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

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

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



## **XI. Audit Committee**

The Audit Committee of the third session of the Board of the Company comprises two independent non-executive directors, namely Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo, and one non-executive director, namely Mr. Ye Kai. Ms. Chen Jinrong acts as the chairman of the Audit Committee.

The Audit Committee has adopted a written terms of reference which is in compliance with the Code as set out in Appendix 14 of the Listing Rules. It is mainly responsible for the matters concerning the internal control and financial reporting, reviewing with the management of the accounting principles, accounting standards and methods adopted by the Company. The Audit Committee has discussed internal control affairs and reviewed the Company's unaudited interim results announcement for the six months ended 30 June 2012, and the committee is of the view that the unaudited interim results announcement for the six months ended 30 June 2012 is prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

On 23 March 2012, the 17th meeting of the third session of the Board of Directors of the Company approved the resignation of Mr. Chen Guoping as a member of the Audit Committee and appointed Mr. Ye Kai as a member of the Audit Committee.

By order of the Board  
**Zhaojin Mining Industry Company Limited**  
**LU Dongshang**  
*Chairman*

Zhaoyuan, the PRC, 17 August 2012

*As at the date of this announcement, the Board comprises Mr. Lu Dongshang, Mr. Weng Zhanbin and Mr. Li Xiuchen as executive Directors, Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Ye Kai and Mr. Kong Fanhe as non-executive Directors, and Mr. Ye Tianzhu, Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo as independent non-executive Directors.*

\* *For identification purpose only*