



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)

2017 INTERIM REPORT



* For identification purposes only

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CORPORATE INFORMATION

NAME OF THE COMPANY

招金礦業股份有限公司

ENGLISH NAME OF THE COMPANY

Zhaojin Mining Industry Company Limited*

LEGAL REPRESENTATIVE

Mr. Weng Zhanbin

EXECUTIVE DIRECTORS

Mr. Weng Zhanbin (*Chairman*)

Mr. Li Xiuchen (*President*)

Mr. Cong Jianmao

NON-EXECUTIVE DIRECTORS

Mr. Liang Xinjun (*Vice Chairman*)

Mr. Li Shousheng

Mr. Xu Xiaoliang

Mr. Gao Min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Jinrong

Mr. Choy Sze Chung Jojo

Mr. Wei Junhao

Mr. Shen Shifu

SUPERVISORY COMMITTEE MEMBERS

Mr. Wang Xiaojie (*Chairman of Supervisory Committee*)

Ms. Jin Ting

Ms. Zhao Hua

SECRETARY TO THE BOARD

Mr. Wang Ligang

COMPANY SECRETARY

Ms. Mok Ming Wai

QUALIFIED ACCOUNTANT

Mr. Ma Ving Lung Nelson

AUTHORIZED REPRESENTATIVES

Mr. Weng Zhanbin (*Chairman*)

Mr. Li Xiuchen (*President*)

BOARD COMMITTEES

Audit Committee Members

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

Mr. Choy Sze Chung Jojo

Mr. Gao Min

Strategic Committee Members

Mr. Weng Zhanbin (*Chairman of Strategic Committee*)

Mr. Li Shousheng

Mr. Xu Xiaoliang

Nomination and Remuneration Committee Members

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

Mr. Cong Jianmao

Mr. Liang Xinjun

Ms. Chen Jinrong

Mr. Wei Junhao

Geological and Resources Management Committee Members

Mr. Wei Junhao (*Chairman of Geological and Resources Management Committee*)

Mr. Li Shousheng

Mr. Shen Shifu

Safety and Environmental Protection Committee Members

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

AUDITORS

International Auditor

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PRC Auditor

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(*Special General Partnership*)
16th Floor, Ernst & Young Building
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Hong Kong Legal Adviser

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Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36th Floor
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Causeway Bay
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
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PRINCIPAL BANKERS

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78 Fujian Road
Zhaoyuan City
Shandong Province
PRC

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

CORPORATE WEBSITE

www.zhaojin.com.cn

STOCK CODE

1818

MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL ACTIVITIES

For the six months ended 30 June 2017 (the “Period”), Zhaojin Mining Industry Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in the exploration, mining, ore processing, smelting and sale of gold products and other metallic products in the People’s Republic of China (the “PRC”). The principal products include “Au9999” and “Au9995” standard gold bullions and other gold products under the brand name of “Zhaojin”.

II. INTERIM RESULTS

Revenue

During the Period, the Group generated revenue of approximately RMB3,037,528,000 in total (corresponding period of 2016: approximately RMB3,234,800,000), representing a decrease of approximately 6% as compared to the corresponding period of last year.

Net profit

During the Period, the net profit of the Group was approximately RMB408,934,000 (corresponding period of 2016: approximately RMB274,552,000), representing an increase of approximately 49% as compared to the corresponding period of last year.

Product production

During the Period, the Group attained an aggregate gold production of approximately 16,315.08 kg (approximately 524,541.55 ozs), representing a decrease of approximately 11.77% as compared to the corresponding period of last year. In particular, gold output from the Group’s mines amounted to 9,812.65 kg (approximately 315,483.71 ozs), representing a decrease of approximately 5.85% as compared to the corresponding period of last year and gold output from smelting and tolling arrangement amounted to approximately 6,502.43 kg (approximately 209,057.84 ozs), representing a decrease of approximately 19.41% as compared to the corresponding period of last year. During the Period, the Group attained an aggregate copper production of approximately 11,246 tons (of which, copper output from mines amounted to 7,789 tons, and copper output from smelting amounted to 3,457 tons), representing a decrease of approximately 18.88% 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 RMB396,641,000 (corresponding period of 2016: approximately RMB254,557,000), representing an increase of approximately 56% 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 2016: approximately RMB0.09), representing an increase of approximately 44% as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Net assets per share

As at 30 June 2017, the consolidated net assets per share was approximately RMB4.95 (30 June 2016: approximately RMB4.77), and the yield to net assets during the Period was approximately 2.57% (corresponding period of 2016: approximately 1.99%).

III. INTERIM DIVIDEND

The board of directors of the Company (the “Board”) does not recommend the payment of interim dividend for the six months ended 30 June 2017 (corresponding period of 2016: Nil).

IV. BUSINESS REVIEW

In the first half of 2017, the hedging demand triggered by political uncertainty became the main driver of the periodical increase in gold price. However, suffering from various factors such as the rate hike by the Federal Reserve and a tightening monetary policy since June, the gold price began to drop and even plunged to around US\$1,200. The overall trend of gold price started high and ended low obviously, experiencing volatile fluctuations. The international gold spot price rose from US\$1,150.40/oz at the beginning to US\$1,241.33/oz at the end of the period with its highest and lowest at US\$1,296.06/oz and US\$1,145.20/oz, respectively, representing an average price of US\$1,239/oz, increased by 1.46% as compared with US\$1,221.15/oz during the same period of last year.

Focus on the core mining industry with production and operation steadily improving

During the first half of the year, the Company focused on the hot and complex issues in respect of the sustainable development of the mining industry and developed and carried out the “50 Key Tasks” in the five key areas, i.e. “production and operation, project construction, scientific research and innovation, corporate governance and the heart-winning projects”. Led by such key tasks and powered by its backbone mines, the Company focused on building up the development momentum for its mining business while constantly optimizing its production process and internal management, resulting in its production and operation being steadily enhanced. Meanwhile, the Company strived to maintain the positive growth and carried out the “stabilizing and increasing production while enhancing efficiency” initiatives for its mining bases in the provinces other than Shandong, such as Xinjiang, Gansu and Inner Mongolia, aiming to consolidate the advantages in terms of resources for the development of the Company. Facing the complex and volatile market situation, the Company adhered to coordination of production and marketing and made scientific analysis and judgment on the market opportunities while strengthening risk control, with its gold prices outperforming the market. During the first half of the year, the Company spent RMB541 million on mining, completed a total output of approximately 9,286.69 kg (approximately 298,573.87 ounces) of self-produced gold and realized a net profit of RMB409 million, representing an increase of 1.84% and 49% respectively, as compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Strengthen basic management of the Company and spark innovation to drive development

During the first half of the year, the Company launched a campaign known as “The Year of Basic Management Enhancement” with the aim of fixing the shortcomings and loopholes in such fields as site management, basic management, professional management and cost management in a full-scale endeavor for target-hitting and upgrade of its basic management, resulting in its production, operation and management significantly improved. Focusing on innovation-driven management and concentrating its advantageous resources in technological innovation, the Company completed a total investment of RMB31.8 million in research and development, resulting in smooth progress in its ten key innovation projects, 20 new licensed patents and utility model patents, 45 patent applications, and successful launch of 443 minor reforms. The Company successfully obtained official recognition as a national high-tech enterprise with its academician station successfully launched and new breakthroughs in a number of key scientific research projects such as innovation in mining processes, ore processing recovery rate and comprehensive utilization of cyanide tailings.

Roll out “Double H” development strategy with steady implementation of mining investment “going-out” initiative

During the first half of the year, the Company clarified and optimized its development strategies and introduced the “Double H” development plan on the allocation of production capacity, i.e. “Half for Shandong, half for outside Shandong; half for China, half for outside China”. In the area of overseas business, the company actively captured good investment opportunities. For the operation of the domestic mines, the Company using project construction as a motivation completed an investment of RMB208 million in project development, resulting in smooth progress in its 10 major infrastructure and technological transformation projects, with Ruihai Mining’s shaft construction advancing steadily and the deep exploration of Xiadian Gold Mine, Dayingezhuang Gold Mine, Canzhuang Gold Mine and Zaozigou Gold Mine progressing according to schedule. Meanwhile, the Company increased its efforts in geological prospecting and completed an investment of RMB48,681,800, resulting in an additional output of 26,038.43 kg of gold metal and 1,729.74 tons of copper metal, further expanding its resource reserves.

Optimize the investment and financing value chain, with major breakthroughs in capital operation

During the first half of the year, the Company strengthened the coupling of industry and capital, with its key financing activities successfully carried out. For equity financing, the Company completed the issuance of 174,869,000 H shares and raised a total amount of HK\$1,211.8 million, actualizing its initial equity financing effort since the listing of its H shares. Meanwhile, it implemented the first phase of Zhaojin Mining’s Employees Share Subscription Plan through the non-public offering of domestic shares, with a successful subscription of 80 million domestic shares by its employees. The Employees Share Subscription Plan helped align the interests of the Company and its employees and shareholders, and enhance the cohesive force of the Company, laying a solid foundation for the Company’s future development.

Strengthen construction of a positive corporate culture and adding new energy for harmonious and stable development

During the first half of the year, the Company focused on the hot, complex and focused issues in which its employees were interested, and increased its investment in aspects such as salary growth, accountability reinforcement, training of 100 masters and 100 pupils, training of young employees and the “4411” basic guarantees, resulting in further improvement of the living conditions and cultural needs of its employees, which helped the Company win the hearts of its employees. Meanwhile, the Company strictly complied with the red lines of “safety, ecology and environmental protection” while strengthening its efforts in safe production promoted by science and technology and standardized operation and vigorously promoting the “Green hills and clean water” project, sparking tree planting activities across the factories and mining fields of its subsidiaries, resulting in an additional 100,000 square meters of green area. In addition, the Company is committed to promoting the communist party by focusing on consolidating the political foundation and clearing souls, resulting in rapid advancement of its normalized study and education system of “Learn Party Disciplines and Rules, Learn Series of Speeches, and Be a Qualified Party Member”, and steady level-by-level implementation of the “Two Responsibilities” in the party’s anti-corruption campaign, providing a solid foundation for the promotion of its production and management.

V. FINANCIAL AND RESULTS ANALYSIS

Revenue

During the Period, the Group’s revenue amounted to approximately RMB3,037,528,000 (corresponding period of 2016: approximately RMB3,234,800,000), representing a decrease of approximately 6% as compared to the corresponding period of last year. During the Period, the decrease in revenue was primarily due to the decrease in sales volume of gold and by-product during the Period.

Net profit

During the Period, net profit of the Group amounted to approximately RMB408,934,000 (corresponding period of 2016: approximately RMB274,552,000), representing an increase of approximately 49% as compared to the corresponding period of last year. The increase in net profit was primarily due to significant increase in the gold selling price during the Period compared to the same period last year, and a reduction in income tax rate for obtaining qualification of national high and new technology enterprise by the parent company.

Integrated cost of gold per gram

During the Period, the Group’s integrated cost of gold was approximately RMB134.32 per gram (corresponding period of 2016: approximately RMB129.89 per gram), representing an increase of approximately 3.41% as compared to the corresponding period of last year. The increase in integrated cost of gold was due to a decrease of smelting gold production during the Period as well as an increase in depreciation expenses resulting from completion of mining construction projects for their intended use.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Cost of Sales

During the Period, the Group's cost of sales amounted to approximately RMB1,696,620,000 (corresponding period of 2016: approximately RMB1,826,188,000), representing a decrease of approximately 7% as compared to the corresponding period of last year. The decrease was primarily attributable to the decrease of sales volume of gold and by-product.

Gross profit and gross profit margin

During the Period, the Group's gross profit was approximately RMB1,340,908,000, representing a decrease of approximately 5% as compared to RMB1,408,612,000 of the corresponding period of last year. The decrease in gross profit was mainly due to the decrease in sales revenue. The Group's gross profit margin increased from approximately 43.55% in the corresponding period of last year to approximately 44.14% for the Period. The increase in gross profit margin was mainly due to the fact that the extent of increment in selling price was higher than that of the cost of sales.

Other income and gains

During the Period, the Group's other income and gains were approximately RMB162,104,000 (corresponding period of 2016: approximately RMB185,678,000), representing a decrease of approximately 13% as compared to the corresponding period of last year. The decrease was mainly due to the decrease in interest income for the Period as compared to the corresponding period of last year.

Selling and distribution costs

During the Period, the Group's selling and distribution costs were approximately RMB20,273,000 (corresponding period of 2016: approximately RMB44,526,000), representing a decrease of approximately 54% as compared to the corresponding period of last year. The decrease was mainly due to the change in sales settlement model of copper concentrates and copper and a decrease in the transportation cost of by-product as a result of the decrease in the radius of sales area.

Administrative and other operating expenses

During the Period, the Group's administrative and other operating expenses were approximately RMB805,976,000 (corresponding period of 2016: approximately RMB904,869,000), representing a decrease of approximately 10.9% as compared to the corresponding period of last year. Such decrease was mainly due to the reduction of losses on commodity derivative contracts and written off of certain assets.

Finance costs

During the Period, the Group's finance costs amounted to approximately RMB214,584,000 (corresponding period of 2016: approximately RMB276,451,000), representing a decrease of approximately 22% as compared to the corresponding period of last year. Such decrease was mainly attributable to the fact that the Group has during the Period substantially adjusted its debt structure, increased the percentage of gold leasing financing, replaced high-cost loans with low-cost bank loans, and the use of equity financing instrument.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2017, the Group had cash and cash equivalents of approximately RMB1,383,815,000, representing a decrease of approximately 4% as compared to approximately RMB1,437,951,000 as at 31 December 2016. The decrease was mainly due to the intentional reduction of precipitation funds through the fund collection platform of financial company on the Group level.

As at 30 June 2017, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB935,512,000 (31 December 2016: RMB160,992,000), those denominated in United States dollars amounted to RMB55,232,000 (31 December 2016: RMB91,958,000), those denominated in Australian dollars amounted to RMB nil (31 December 2016: RMB23,416,000). Those denominated in Kazakhstani Tenge amounted to approximately RMB4,000 (31 December 2016: RMB4,000); those denominated in Canadian dollars amounted to nil (31 December 2016: RMB171,000) and those denominated in British Pounds amounted to nil (31 December 2016: RMB4,000). All other cash and cash equivalents held by the Group are denominated in Renminbi.

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

Borrowings

As at 30 June 2017, the Group had outstanding bank borrowings, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through Shanghai Gold Exchange ("SGE")) of RMB10,343,590,000 (31 December 2016: RMB11,971,906,000), of which RMB10,197,108,000 (31 December 2016: RMB10,884,200,000) was repayable within one year, RMB146,482,000 (31 December 2016: RMB1,087,706,000) was repayable within two to five years and RMB nil (31 December 2016: RMB nil) was repayable after 5 years. As at 30 June 2017, the Group had outstanding corporate bonds of approximately RMB1,199,333,000 (31 December 2016: RMB1,198,071,000), which will be repaid within one year and approximately RMB945,734,000 (31 December 2016: RMB945,101,000), which shall be repaid within two to five years.

As at 30 June 2017, except for secured and guaranteed bank loans of RMB672,638,000 and RMB nil (31 December 2016: RMB715,511,000 and RMB76,307,000) denominated in Hong Kong dollars and United States dollars respectively, all borrowings were denominated in Renminbi. As at 30 June 2017, 73% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 15.88% (corresponding period of 2016: approximately 38.59%).

Total assets

As at 30 June 2017, the total assets of the Group were approximately RMB32,311,792,000, representing a decrease of approximately 2.0% as compared to approximately RMB32,963,659,000 as at 31 December 2016. Among which, total non-current assets amounted to approximately RMB25,303,618,000, accounting for approximately 78% of the total assets, and representing a decrease of approximately 0.19% as compared to approximately RMB25,353,283,000 as at 31 December 2016. As at 30 June 2017, total current assets were approximately RMB7,008,174,000, accounting for approximately 22% of the total assets, and representing a decrease of approximately 7.91% as compared to approximately RMB7,610,376,000 as at 31 December 2016.

Net assets

As at 30 June 2017, the net assets of the Group were approximately RMB15,935,678,000, representing an increase of approximately 12.74% as compared to approximately RMB14,135,217,000 as at 31 December 2016.

Total liabilities

As at 30 June 2017, the total liabilities of the Group were approximately RMB16,376,114,000, representing a decrease of approximately 13% as compared to approximately RMB18,828,442,000 as at 31 December 2016. As at 30 June 2017, 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 41% (31 December 2016: 45%).

Contingent liabilities

As at 30 June 2017, the contingent liabilities of the Group increased by approximately RMB199,093,000 as compared to 31 December 2016.

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 holdings of certain cash, bank deposits, interest-bearing bank and other borrowings and corporate bonds mainly through holding short term deposits at fixed or floating rates and at the same time having a combination of 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Foreign exchange risk

Majority of the Group's transactions were carried out in Renminbi. The fluctuations in the RMB/USD exchange rate may affect the international and local gold prices, 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 rate 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 physical delivery or entering into an offsetting arrangement. There are no special restrictions imposed on the settlement period by the contract. During the Period, the Group had not entered into any long-term AU (T+D) framework.

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

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

Pledge

As at 30 June 2017, except for the following assets pledged for environmental improvement, forward commodity contracts AU (T+D) deposit arrangements, the bank borrowings and notes payable, the Group had not pledged or charged any other assets: (1) property, plant and equipment, prepaid land lease payments and mining rights with net carrying amount of approximately RMB14,805,013 (31 December 2016: RMB43,239,000); (2) pledged deposits of RMB76,512,185 (31 December 2016: 76,589,000); and (3) notes of RMB100,000,000 (31 December 2016: RMB nil).

VI. BUSINESS PROSPECTS

The second half of the year is the key time for the Company to accelerate conquest and start business and strive for excellence, there are a number of promising opportunities and also significant challenges from various risks. For the obligations of annual objectives and major conquest tasks, the Company will conduct "Six Competitions", and promptly raise the boom of heralding and championing in the Company.

Conduct “cost-effective” competition and focus on exploring profound potential

In the second half of the year, the Company will strictly implement the concept of frugally operating, in the eight areas of basic management, project management, energy consumption management, material management, financial expense management, production process management, non-productive expenditure management and human resource management, conduct basic management upgrade and standardize work, make greater efforts to save expenditure and reduce energy consumption and prohibit all kinds of waste. The Company will fully mobilize the motivation and initiative of each department to maintain efficient production, reduce cost, improve quality and increase effectiveness, lead every enterprise to establish a comprehensive and full-cost assessment and control system, and achieve a new breakthrough on operation results compared with the corresponding of last year and annual budget.

Carry out “on-site management” competition and focus on regulation, standardization and innovation

In the second half of the year, the Company will organize various competition activities in the fields of production organization optimization, site civilization hygiene, operation regulation and standardization, employee quality promotion and so on. Take “three systems” construction and TOPS management as the essential, narrow focus on the treatment of hardware and software for on-site management, and promotion of great breakthrough and quality improvement on the quality and level of on-site management. In the second half of the year, the Company will strengthen geological exploration management and intend to invest exploration fee of RMB67.52 million, 5,800 meters of tunneling work and 120,210 meters of drilling work, which is expected to lead the production of 19 tons of pre-obtained gold metals and 770 tons of copper metals, and ensure to realize 649,400 ounces of mine-produced gold, 45 additional tons of new gold metals and 2,500 tons of new copper metals.

Carry out “basic management” competition and focus on implementation and management level

In the second half of the year, the Company will thoroughly implement the requirements of “Basic Management Promotion Year”, consolidate the foundation, strengthen internal approaches, and strive to create a typical leading enterprise management model in the Company and industry. At the same time, lead enterprises to establish a scientific, rational, standardized and equitable management system, and constantly optimize the economic responsibility system, reward and punishment assessment, risk control and other systems, effectively increase the initiative and creativity of the staff, and put the requirements of utilizing systems to govern staff and issues and handling businesses with procedures in place.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Carry out “overcoming difficulties” competition and focus on progress and outcome

In the second half of the year, the Company will continue to focus on the progress and quality of tackling tough work and overcoming difficulties. Continue to carry forward the spirit of tackling tough and overcoming the difficulties and firmly establish the time is an essence consciousness. Concentrate our forces to work on tough projects, sweep barriers and overcome difficulties. In addition, we must make all our efforts to break major bottlenecks restricting production, to ensure that “three tails” are comprehensively developed and utilized, break through crisis mines exploration, achieve new progress and breakthrough in Laizhou Ruihai Project and other project under construction or new construction projects; continue to promote “10 major infrastructure and technological transformation projects”, focus on Ruihai Mining and colorful Long Jing Xiang construction projects, promote the projects such as “Internet +” intelligent processing plants for Tonghui Mining and vertical well construction projects of Yuantong Mining and build good basis for capacity enhancement and production continuation. At the same time, the Company will continue to adhere to the strict, prudent and scientific investment principles, accelerate mining rights projects in Inner Mongolia, Gansu, Hebei, Xinjiang and other key areas.

Carry out “safe, environmental and ecological” competition and focus on treatment and stability

Development is the absolute principle and stability is the challenging work. In the second half of the year, the Company will continue to attach great importance to the safety and environmental protection work in key sensitive periods and ensure that there will be no failure of safety and environmental protection work. Make sure to keep the bottom lines of community construction and petition stability, put more intelligence and efforts to the works such as community stability and security and jointly maintain the stable environment for corporate development.

Carry out “hand-in-hand service enterprise and serve the grassroots” competition and focus on efficiency and services

In the second half of the year, the Company will continue to strengthen the management and control functions of the headquarters, carry out the research work at the grassroots level from the headquarters, which is mainly to find out and help, assist enterprises identify and solve problems. At the same time, each hand-in-hand enterprise will continue to increase their interaction, in the areas of personnel training, experience exchange, technology promotion, on-site management, responsibility optimization, etc., implement the inside help the outside, the leader help the general, the upward help backward and the advanced help start-up, so as to expand the hand-in-hand influence and blossom.

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 2017 are as follows:

| Class | Number of shareholders |
|---|------------------------|
| Domestic share | 7 |
| Overseas-listed foreign share – H share | 1,705 |
| Total number of shareholders | 1,712 |

2. Substantial shareholders

To the best knowledge of the directors, supervisors and chief executives of the Company, as at 30 June 2017, the interests and short positions of substantial shareholders in the issued share capital of the Company which were required, pursuant to Section 336 of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong), to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which were required to be notified to the Company were as follows:

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

OTHER INFORMATION (continued)

| Name of shareholders | Class of shares | Capacity | Number of shares held | Approximate | Approximate | Approximate | Long position/ Short position/ Lending Pool |
|--|-----------------|------------------------------------|-------------------------------|---|---|--|---|
| | | | | percentage of shareholding in the registered capital of the Company | percentage of shareholding in the total number of issued domestic shares of the Company | percentage of shareholding in the total number of issued H shares of the Company | |
| | | | | % | % | % | |
| 2 Shanghai Yuyuan Tourist Mart Co., Ltd. | Domestic shares | Beneficial owner | 742,000,000 | 23.04 | 34.17 | - | Long position |
| | Domestic shares | Interest of controlled corporation | 21,200,000 (Notes 1 and 2) | 0.66 | 0.98 | - | Long position |
| 3 The Bank Of New York Mellon Corporation | H shares | Interest of controlled corporation | 115,567,706 (Note 5) | 3.59 | - | 11.01 | Long position |
| | | Interest of controlled corporation | 115,515,706 (Note 5) | 3.59 | - | 11.01 | Lending pool |
| 4 VanEck Vectors ETF – VanEck Vectors Junior Gold Miners ETF (formerly known as Market Vectors ETF – Market Vectors Gold Miners ETF) | H shares | Beneficial owner (Note 6) | 65,583,500 | 2.04 | - | 6.25 | Long position |

OTHER INFORMATION (continued)

| Name of shareholders | Class of shares | Capacity | Number of shares held | Approximate percentage of shareholding in the registered capital of the Company % | Approximate percentage of shareholding in the total number of issued domestic shares of the Company % | Approximate percentage of shareholding in the total number of issued H shares of the Company % | Long position/ Short position/ Lending Pool |
|----------------------|----------------------------------|----------|--------------------------------|--|--|---|---|
| 5 | Schroders Plc | H shares | Investment Manager (Note 4) | 137,596,440 | 4.27 | - | 13.11 Long position |
| 6 | Van Eck Associates Corporation | H shares | Investment Manager (Note 6) | 65,583,500 | 2.04 | - | 6.25 Long position |
| 7 | Deutsche Bank Aktiengesellschaft | H shares | Beneficial Owner | 47,804,200 | 1.48 | - | 4.56 Long position |
| | | | Beneficial owner | 60,470,400 | 1.88 | - | 5.76 Short position |

Notes:

- Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange of Hong Kong ("Stock Exchange") unless certain criteria are fulfilled, therefore substantial shareholders' latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.
- Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") holds 95% equity interests in Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold"), therefore the 21,200,000 domestic shares held by Laomiao Gold in the Company is shown as long position of Shanghai Yuyuan.
- Shandong Zhaojin Group Company Limited ("Shandong Zhaojin") holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous"), therefore the 50,967,195 domestic shares held by Zhaojin Non-Ferrous in the Company is shown as long position of Shandong Zhaojin.

OTHER INFORMATION (continued)

- (4) Schrodgers Plc is interested in the shares of the Company through its directly or indirectly controlled companies.
- (5) The Bank of New York Mellon Corporation directly holds 100% equity interest of The Bank of New York Mellon, and is therefore deemed to have an interest in the 115,567,706 shares held by The Bank of New York Mellon.
- (6) Van Eck Associates Corporation is the investment manager of the VanEck Vectors ETF – VanEck Vectors Gold Miners ETF (formerly known as Market Vectors ETF – Market Vectors Gold Miners ETF).
- (7) As at 30 June 2017, the total number of issued shares, domestic shares and H shares of the Company were 3,220,696,195 shares, 2,171,481,195 shares and 1,049,215,000 shares respectively.

As at 30 June 2017, apart from the above disclosure and to the best knowledge of the directors, supervisors and chief executives of the Company, no person had any interests and short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or held 5% or above in the issued share capital of the Company which was required to be notified to the Company.

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

As at 30 June 2017, 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 SFO which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (for such purposes, the relevant provisions in the SFO were also construed as applicable to the supervisors).

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

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

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

OTHER INFORMATION (continued)

IV. SUFFICIENT PUBLIC FLOAT

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

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

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

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

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

VII. EMPLOYEES

As of 30 June 2017, the Company had a total of 6,557 employees. The Group remunerates its employees according to their performance, experience and prevailing industry practices and provide other benefits to employees (including retirement benefit plans, medical benefit plans and housing provident fund plans). The Group also provides opportunities for further education and training to its employees. The Group offers competitive remuneration packages to its employees and reviews employee remuneration annually with reference to the prevailing labor market and human resources market trends and laws.

VIII. IMPORTANT EVENTS

1. On 9 June 2017, the 2016 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 2016 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 shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares and existing domestic shares of the Company as at the date of passing such resolution;
- (3) authorizing the Board to repurchase shares of up to a maximum of 10% of the aggregate nominal value of the issued H share capital of the Company as at the date of passing such resolution;
- (4) amendment to the Articles 2.2, 3.5 and 3.8 of the Articles of Association of the Company; and

- (5) the proposed issue of corporate bonds in the PRC and the grant of authority to the Board to deal with such matters relating to the issue of the corporate bonds.

Relevant details are set out in the circulars and notices of the Company dated 21 April 2017 and 24 May 2017 and announcement of the Company dated 9 June 2017 respectively 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 9 June 2017, the domestic shares class meeting and H shares class meeting respectively considered the following proposal:

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

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

Relevant details are set out in the circular, notices and announcement of the Company dated 21 April 2017 and 9 June 2017 respectively on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Exploration Services Framework Agreement

On 18 January 2017, the Company and Shandong Zhaojin Geological Prospecting Co., Ltd* (“Shandong Zhaojin Geological”) entered into the Exploration Services Framework Agreement in relation to Shandong Zhaojin Geological’s provision of exploration services to the Company from 1 January 2017 to 31 December 2019. The annual caps in respect of the transactions contemplated under the Exploration Services Framework Agreement for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB100,000,000, RMB100,000,000 and RMB100,000,000.

Zhaojin Group is a controlling shareholder of the Company. Shandong Zhaojin Geological is a wholly-owned subsidiary of Zhaojin Group and is a connected person of the Company. Therefore, according to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Exploration Services Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

Relevant details were set out in the announcement of the Company dated 18 January 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

OTHER INFORMATION (continued)

4. Material Procurement Framework Agreement

On 18 January 2017, the Company and Zhaoyuan Gold Materials Supply Center Co., Ltd* (“Materials Supply Center”) entered into the Material Procurement Framework Agreement in relation to the provision of material procurement services by Materials Supply Center to the Company in the PRC from 1 January 2017 to 31 December 2019. The annual caps in respect of the transactions contemplated under the Material Procurement Framework Agreement for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB85,000,000, RMB90,000,000 and RMB98,000,000.

Zhaojin Group is a controlling shareholder of the Company. Materials Supply Center is a wholly-owned subsidiary of Zhaojin Group and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Material Procurement Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

Relevant details were set out in the announcement of the Company dated 18 January 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Proposed quotation of shares on National Equities Exchange Quotations System (“NEEQ”)

On 30 September 2016, Beijing Dongfang Yanjing Mining Engineering Design Company Limited* (“Dongfang Yanjing”), a non-wholly owned subsidiary of the Company, filed an application for the proposed quotation (“Proposed Quotation”) of the shares of Dongfang Yanjing on NEEQ. Although the Proposed Quotation does not constitute spin-off under PRC laws, it is subject to the approval of the Stock Exchange as it constitutes spin-off under Practice Note 15 of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 27 February 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Completion of non-public issuance of domestic shares under specific mandate to implement the employee shares subscriptions plan (“ESSP”) and connected subscriptions

On 31 March 2017, the Company has completed the share registration procedures with China Securities Depository And Clearing Corporation Limited in connection with the issuance of 80 million new domestic shares under specific mandate for the asset management plan. Such 80 million new domestic shares correspond to the 80 million ESSP portions (“ESSP Portions”) subscribed by the eligible participants of the ESSP. Among the 80 million ESSP Portions subscribed, 10,815,000 ESSP Portions have been subscribed by connected participants. Accordingly, 10,815,000 of such 80 million new domestic shares issued were for the purposes for the connected subscriptions.

Relevant details are set out in the announcement of the Company dated 31 March 2017 on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Placing of new H Shares under general mandate

On 29 March 2017, the Company entered into the placing agreement (the “Placing Agreement”) with UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited and CMB International Capital Limited (the “Joint Placing Agents”), pursuant to which the Company has agreed to issue a total of up to 174,869,000 new H Shares of RMB1.00 each (the “Placing Shares”) under general mandate, and the Joint Placing Agents have agreed, on a several basis, as the placing agents of the Company, to procure in an aggregate of not less than six and not more than ten professional, institutional and other investor(s) who are independent third parties, or failing which themselves as principal, to subscribe the Placing Shares at the price of HK\$6.93 per Placing Share on the terms and subject to the conditions of the Placing Agreement (the “Placing”).

Completion of the Placing took place on 6 April 2017. The aggregate gross proceeds from the Placing is approximately HK\$1,211.8 million and the aggregate net proceeds from the Placing, after deducting the placing commission and other related expenses, is approximately HK\$1,205 million. The net proceeds from the Placing are intended to be used for supplementing the working capital of the Company.

Relevant details are set out in the announcements of the Company dated 29 March 2017 and 6 April 2017 respectively on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

8. Issuance of the First Tranche of Renewable Bonds in 2017

On 20 April 2017, the Company issued the first tranche of renewable bonds in 2017 with a par value of RMB500 million. The term of the renewable bonds shall be 5 interest accruing years. At the end of each term, the issuer is entitled to renew the Renewable Bonds for an additional term, or repay and redeem the Renewable Bonds in full as they fall due at the end of the term. The interest for this tranche of super short-term bonds was 5.43%.

Relevant details are set out in the announcements of the Company dated 18 April 2017 and 20 April 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. Connected transaction in relation to the formation of joint venture

On 9 June 2017, the Company, Shanghai Fosun High Technology (Group) Co., Ltd. (“Shanghai Fosun”) and Hainan Mining Co., Ltd. (“Hainan Mining”) entered into the Investment Co-operation Agreement to establish the co-operation arrangement with respect to the joint venture company (“Joint Venture Company”) for the purpose of acquiring (the “Acquisition”) 12,561,868 shares (“Sale Shares”) of Public Joint Stock Company Polyus (the “Target Company”). As at the date of this report, the Joint Venture Company is held as to 49.90%, 37.37% and 12.73% by Hainan Mining, Shanghai Fosun and the Company, respectively. The Joint Venture Company had entered into the sale and purchase agreement (the “SPA”) in connection with the Acquisition on 31 May 2017. Pursuant to the terms of the SPA, the Joint Venture Company agreed to purchase (or through its affiliates purchase) and the vendor agreed to sell the Sale Shares owned by the vendor, representing 10% of the share capital excluding treasury shares of the Target Company, at US\$70.6025 per share for a maximum consideration of approximately US\$887 million in cash, on the terms and subject to the conditions set out in the SPA. Subject to completion, the Joint Venture Company (or its affiliates) shall have an option to purchase from the vendor, and to require the vendor to sell, all or some of the call option shares under the SPA, representing up to 5% of share capital of the Target Company. The option to purchase the call option shares can be exercised not later than one year from 31 May 2017.

Hainan Mining and Shanghai Fosun are members of the Fosun group since they are the subsidiaries of Fosun International Limited (“Fosun International”). Fosun International, through certain of its wholly-owned subsidiaries, holds approximately 3.29% interest in the issued share capital of the Company. The Company deems the Fosun group to be its connected persons under the Listing Rules given that Fosun International is regarded by Shanghai Yuyuan to be its controlling shareholder and actual controller. By virtue of the Company deeming the Fosun group to be its connected persons, any transaction entered into between the Company and the Fosun group constitutes a connected transaction of the Company under the Listing Rules.

The Company first acquired 12.73% equity interest in the Joint Venture Company on 18 April 2017 at nil consideration. Such acquisition constitutes a connected transaction of the Company that is exempt from the reporting, announcement and independent shareholders' approval requirement under the Listing Rules. The establishing of the joint venture with Hainan Mining and Shanghai Fosun constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

10. Issuance of the First Tranche of Super Short-Term Bonds of 2017

On 8 August 2017, the Company issued the first tranche of super short-term bonds of 2017 with a par value of RMB500 million for a term of 180 days, and the coupon rate for this tranche of super short-term bonds was 4.35%.

Relevant details are set out in the announcement of the Company dated 10 August 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

IX. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with all the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the period from 1 January 2017 to 30 June 2017. No director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions in the Code by the Company during any time of the Period.

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

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

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

OTHER INFORMATION (continued)

XI. AUDIT COMMITTEE

The fifth session of the Audit Committee includes one non-executive director and two independent non-executive directors, namely Mr. Gao Min, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo, and its chairman is Ms. Chen Jinrong.

The Audit Committee has adopted a written terms of reference which is in compliance with the Code. It is mainly responsible for matters concerning the internal control and financial reporting, reviewing with the management of the accounting principles, accounting standards and methods adopted by the Company. The Audit Committee has discussed internal control affairs and reviewed the Company's unaudited interim report and the unaudited interim results announcement for the six months ended 30 June 2017, 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 2017 are prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

XII. CHANGE OF INFORMATION OF DIRECTORS

Mr. Liang Xinjun, non-executive director of the Company, has resigned as an executive director, vice chairman, chief executive officer and member of the remuneration committee of Fosun International Limited (a company listed on the Stock Exchange (stock code: 0656)) with effect from 28 March 2017.

XIII. INVESTOR RELATIONS

Investor relations are important bridge between the company and the capital market. The Company insists on putting investor relations management in an important position, and eliminate investors to doubts adhering to the respect and frank attitude. In the first half of 2017, the Company received more than 20 phone enquiries from investors, analysts and fund managers. In addition to maintaining good investor relations, the Company also maintained good relations with various mass media such as Wen Wei Po, Hong Kong Commercial Daily and Ta Kung Pao which have always reported the Company proactively and positively, so as to build a healthy, sound and positive image to investors. We will make great efforts to change Zhaojin Mining Industry into an enterprise with universal value and social responsibility and to be China Zhaojin and Global Zhaojin.

In the first half of 2017, the Company conscientiously fulfilled its obligation of information disclosure set out in the "Administrative Measures on Information Disclosure of Listed Companies" to ensure truthfulness, accuracy, completeness, timeliness and fairness of information disclosure. It published 46 announcements and the notices on the Stock Exchange and disclosed such information on the website of the Company simultaneously.

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

Zhaoyuan, the PRC, 18 August 2017

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 26 to 58 which comprises the condensed consolidated statement of financial position of Zhaojin Mining Industry Company Limited and its subsidiaries (the "Group") as of 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

18 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

| | | | | For the six months ended 30 June | | |
|---|----|-------|--------------------------------|----------------------------------|--|--|
| | | Notes | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) | | |
| REVENUE | 4 | | 3,037,528 | 3,234,800 | | |
| Cost of sales | | | (1,696,620) | (1,826,188) | | |
| Gross profit | | | 1,340,908 | 1,408,612 | | |
| Other income and gains | 5 | | 162,104 | 185,678 | | |
| Selling and distribution costs | | | (20,273) | (44,526) | | |
| Administrative expenses | | | (512,188) | (432,720) | | |
| Other expenses | 6 | | (293,788) | (472,149) | | |
| Finance costs | 7 | | (198,113) | (193,741) | | |
| Share of profits and losses of: | | | | | | |
| – Associates | | | 2,211 | 4,100 | | |
| – Joint ventures | | | 5,296 | (8,169) | | |
| PROFIT BEFORE TAX | | | 486,157 | 447,085 | | |
| Income tax expense | 8 | | (77,223) | (172,533) | | |
| PROFIT FOR THE PERIOD | | | 408,934 | 274,552 | | |
| Attributable to: | | | | | | |
| Owners of the parent | | | 396,641 | 254,557 | | |
| Non-controlling interests | | | 12,293 | 19,995 | | |
| | | | 408,934 | 274,552 | | |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | | | |
| Basic and diluted | | | | | | |
| Earning per share for the Period (RMB) | 10 | | 0.13 | 0.09 | | |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| PROFIT FOR THE PERIOD | 408,934 | 274,552 |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | 6,065 | (3,075) |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods | 6,065 | (3,075) |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | 3,613 | - |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | 9,678 | (3,075) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | 418,612 | 271,477 |
| Attributable to: | | |
| Owners of the parent | 406,319 | 251,482 |
| Non-controlling interests | 12,293 | 19,995 |
| | 418,612 | 271,477 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | Notes | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 13,136,843 | 12,974,461 |
| Prepaid land lease payments | | 708,879 | 708,807 |
| Goodwill | | 793,292 | 875,897 |
| Other intangible assets | 11 | 9,315,396 | 9,421,587 |
| Investments in joint ventures | | 127,716 | 120,229 |
| Investments in associates | | 290,012 | 289,638 |
| Available-for-sale investments | | 25,746 | 25,746 |
| Deferred tax assets | | 158,918 | 189,379 |
| Long-term deposits | | 87,283 | 77,383 |
| Other long-term assets | 12 | 659,533 | 670,156 |
| Total non-current assets | | 25,303,618 | 25,353,283 |
| CURRENT ASSETS | | | |
| Inventories | | 3,548,613 | 3,630,598 |
| Trade and notes receivables | 13 | 285,424 | 281,215 |
| Prepayments, deposits and other receivables | | 735,551 | 513,736 |
| Equity investments at fair value through profit or loss | | 371,995 | 414,069 |
| Derivative financial instruments | | 796 | 658 |
| Available-for-sale investments | | – | 280,000 |
| Pledged deposits | | 184,148 | 320,351 |
| Loans receivable | | 497,832 | 649,124 |
| Cash and cash equivalents | | 1,383,815 | 1,437,951 |
| Assets of a disposal group classified as held for sale | | 7,008,174 | 7,527,702 |
| | | – | 82,674 |
| Total current assets | | 7,008,174 | 7,610,376 |
| CURRENT LIABILITIES | | | |
| Trade and notes payables | 14 | 431,543 | 389,861 |
| Other payables and accruals | | 2,091,486 | 2,150,217 |
| Financial liabilities at fair value through profit or loss | | – | 52,854 |
| Interest-bearing bank and other borrowings | 15 | 10,197,108 | 10,884,200 |
| Tax payable | | 88,167 | 179,076 |
| Provisions | | 19,757 | 22,556 |
| Corporate bonds | | 1,199,333 | 1,198,071 |
| Deposits from customers | | 385,781 | 985,736 |
| Liabilities directly associated with the assets classified as held for sale | | 14,413,175 | 15,862,571 |
| | | – | 13,558 |
| Total current liabilities | | 14,413,175 | 15,876,129 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2017

| | <i>Notes</i> | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|--|--------------|---|---|
| NET CURRENT LIABILITIES | | (7,405,001) | (8,265,753) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 17,898,617 | 17,087,530 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 15 | 146,482 | 1,087,706 |
| Corporate bonds | | 945,734 | 945,101 |
| Deferred tax liabilities | | 386,040 | 396,914 |
| Deferred income | | 392,217 | 420,635 |
| Provisions | | 67,960 | 78,339 |
| Other long-term liabilities | | 24,506 | 23,618 |
| Total non-current liabilities | | 1,962,939 | 2,952,313 |
| NET ASSETS | | 15,935,678 | 14,135,217 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 3,220,696 | 2,965,827 |
| Perpetual capital instruments | | 2,677,300 | 2,147,132 |
| Reserves | | 7,134,748 | 6,108,910 |
| | | 13,032,744 | 11,221,869 |
| Non-controlling interests | | 2,902,934 | 2,913,348 |
| TOTAL EQUITY | | 15,935,678 | 14,135,217 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Attributable to owners of the parent | | | | | | | | | |
|---|--------------------------------------|-------------------------------|-----------------|-----------------|-----------------------|----------|------------------------------|------------------|---------------------------|--------------|
| | Issued capital | Perpetual capital instruments | Capital reserve | Special reserve | Statutory | | Exchange fluctuation reserve | Retained profits | Non-controlling interests | Total equity |
| | | | | | distributable reserve | and | | | | |
| | | | | | RMB'000 | RMB'000 | | | | |
| At 1 January 2017 (Audited) | 2,965,827 | 2,147,132 | 1,488,261 | 18,217 | 903,518 | (13,930) | 3,712,844 | 11,221,869 | 2,913,348 | 14,135,217 |
| Profit for the period | - | - | - | - | - | - | 396,641 | 396,641 | 12,293 | 408,934 |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | 3,613 | - | - | - | - | 3,613 | - | 3,613 |
| Other comprehensive income for the period: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 6,065 | - | 6,065 | - | 6,065 |
| Total comprehensive income for the period | - | - | 3,613 | - | - | 6,065 | 396,641 | 406,319 | 12,293 | 418,612 |
| Capital issued | 254,869 | - | 809,511 | - | - | - | - | 1,064,380 | - | 1,064,380 |
| Perpetual capital instruments issued | - | 498,500 | - | - | - | - | - | 498,500 | - | 498,500 |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | (73,971) | (73,971) |
| Capital contribution from non-controlling shareholders | - | - | - | - | - | - | - | - | 52,732 | 52,732 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | (1,468) | (1,468) |
| Accrued distribution of perpetual capital instruments | - | 61,168 | - | - | - | - | (61,168) | - | - | - |
| Distribution of perpetual capital instruments | - | (29,500) | - | - | - | - | - | (29,500) | - | (29,500) |
| 2016 Final dividend declared and paid | - | - | - | - | - | - | (128,824) | (128,824) | - | (128,824) |
| At 30 June 2017 (Unaudited) | 3,220,696 | 2,677,300 | 2,301,385* | 18,217* | 903,518* | (7,865)* | 3,919,493* | 13,032,744 | 2,902,934 | 15,935,678 |

* These reserve accounts comprise the consolidated reserves of RMB7,134,748,000 (31 December 2016: RMB6,108,910,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2016

| | Attributable to owners of the parent | | | | | | | | | | |
|--|--------------------------------------|--|-------------------------------|-------------------------------|---------------|-----------|---|--------------------------------|------------------|---|----------------------------|
| | Issued capital RMB'000 | Perpetual capital instruments RMB'000 | Capital reserve RMB'000 | Special reserve RMB'000 | Statutory | | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non- controlling interests RMB'000 | Total equity RMB'000 |
| | | | | | distributable | and | | | | | |
| | | | | | reserve | reserve | | | | | |
| At 1 January 2016 (Audited) | 2,965,827 | 2,146,823 | 1,135,208 | 18,217 | 818,038 | (19,731) | 3,676,644 | 10,741,026 | 2,900,088 | 13,641,114 | |
| Profit for the period | - | - | - | - | - | - | 254,557 | 254,557 | 19,995 | 274,552 | |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (3,075) | - | (3,075) | - | (3,075) | |
| Total comprehensive income for the period | - | - | - | - | - | (3,075) | 254,557 | 251,482 | 19,995 | 271,477 | |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | (45,677) | (45,677) | |
| Capital contribution from non-controlling shareholders | - | - | - | - | - | - | - | - | 71,087 | 71,087 | |
| Disposal of partial interest in a subsidiary without loss of control | - | - | 323 | - | - | - | - | 323 | 6,486 | 6,809 | |
| Transfer to reserves | - | - | - | 2,426 | - | - | (2,426) | - | - | - | |
| Accrued distribution of perpetual capital instruments | - | 56,196 | - | - | - | - | (56,196) | - | - | - | |
| 2015 Final dividend declared and paid | - | - | - | - | - | - | (118,633) | (118,633) | - | (118,633) | |
| At 30 June 2016 (Unaudited) | 2,965,827 | 2,203,019 | 1,135,531* | 20,643* | 818,038* | (22,806)* | 3,753,946* | 10,874,198 | 2,951,979 | 13,826,177 | |

* These reserve accounts comprise the consolidated reserves of RMB5,705,352,000 (31 December 2015: RMB5,628,376,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| CASH GENERATED FROM OPERATIONS | 939,245 | 1,444,804 |
| Income taxes paid | (149,752) | (120,159) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 789,493 | 1,324,645 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 3,576 | 86,724 |
| Purchases of items of property, plant and equipment | (664,157) | (610,941) |
| Increase in other intangible assets | (28,873) | (328,475) |
| Advance payment for acquisition of subsidiaries | (8,170) | (65,976) |
| Net proceeds from settlement of commodity derivative contracts | 40,405 | (272,539) |
| Deposits paid for commodity derivative contracts | (15,702) | (173,851) |
| Recovery of financial products | 280,000 | – |
| Net proceeds from acquisition of equity investments at fair value through profit or loss | 45,387 | (210,230) |
| Decrease in loans receivable | 8,000 | 130,000 |
| Increase in loans receivable | (5,000) | (163,000) |
| Other cash inflows from investing activities | 4,007 | 15,348 |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (340,527) | (1,592,940) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2017

| | For the six months ended 30 June | |
|--|---|-------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| New bank and other borrowings | 3,017,516 | 2,654,896 |
| Repayment of bank and other borrowings | (4,745,344) | (3,346,543) |
| Capital contribution from non-controlling shareholders of subsidiaries | 35,770 | 71,087 |
| Receipts from gold leasing business | – | 972,829 |
| Repayments of gold leasing business | (52,854) | (440,530) |
| Dividends paid | (152,300) | (67,644) |
| Payment for commitment of profit distribution to non-controlling shareholders | – | (90,000) |
| Increase in pledged deposits for short-term bank loans | (23,602) | (33,000) |
| Capital investment from placing shareholders net of issuance expense | 1,064,380 | – |
| Issuance of perpetual capital instruments net of issuance expense | 498,500 | – |
| Interest paid | (164,948) | (183,086) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | (522,882) | (461,991) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (73,916) | (730,286) |
| Cash and cash equivalents at beginning of period | 1,437,951 | 2,033,203 |
| Effects of foreign exchange rate changes, net | 19,780 | (2,977) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 1,383,815 | 1,299,940 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 1,383,815 | 1,268,891 |
| Non-pledged time deposits with original maturity of less than three months when acquired | – | 31,049 |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | 1,383,815 | 1,299,940 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017

1. CORPORATE INFORMATION

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

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

As of 30 June 2017, the major shareholders of the Company were Shandong Zhaojin Group Company Limited (“Zhaojin Group”) and Shanghai Yuyuan Tourist Mart Co., Ltd., who held 36.68% and 23.70% of the issued share capital of the Company, respectively, with their subsidiaries.

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

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

2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the Period, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hongkong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

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

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

The nature and the impact of each amendment is described below:

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments to HKAS 12 retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle 2014-2016

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10 to B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact to the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

4. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2017 (Unaudited)

| | Gold operations RMB'000 | Copper operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|-------------------------------|---------------------------------|-------------------|------------------|
| Segment revenue | | | | |
| Revenues from external customers | 2,820,242 | 199,734 | 17,552 | 3,037,528 |
| Segment results | 753,836 | (40,735) | (45,000) | 668,101 |
| <i>Reconciliation:</i> | | | | |
| Interest income | | | | 16,169 |
| Finance costs | | | | (198,113) |
| Profit before tax | | | | 486,157 |
| Segment assets | 27,534,985 | 2,421,615 | 627,515 | 30,584,115 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated assets | | | | 1,727,677 |
| Total assets | | | | 32,311,792 |
| Segment liabilities | 1,926,600 | 1,170,427 | 404,390 | 3,501,417 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated liabilities | | | | 12,874,697 |
| Total liabilities | | | | 16,376,114 |
| Other segment information | | | | |
| Capital expenditure* | 542,680 | 31,633 | 13,897 | 588,210 |
| Investments in associates | 290,012 | – | – | 290,012 |
| Investments in a joint venture | – | 127,716 | – | 127,716 |
| Impairment losses recognised in the statement of profit or loss | 128,508 | 106 | 1,696 | 130,310 |
| Share of profits of: | | | | |
| – Associates | 2,211 | – | – | 2,211 |
| – A joint venture | – | 5,296 | – | 5,296 |
| Depreciation and amortisation | 433,753 | 40,343 | 4,708 | 478,804 |
| (Gain)/loss on commodity derivative contracts | (1,980) | 3,008 | (850) | 178 |
| Fair value loss on equity investments at fair value through profit or loss | 6,756 | – | 14,745 | 21,501 |
| Impairment loss on goodwill | 27,476 | 55,129 | – | 82,605 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2016 (Unaudited)

| | Gold operations RMB'000 | Copper operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|----------------------------|------------------------------|-------------------|------------------|
| Segment revenue | | | | |
| Revenues from external customers | 2,886,238 | 322,597 | 25,965 | 3,234,800 |
| Segment results | 582,339 | (19,067) | (24,330) | 538,942 |
| <i>Reconciliation:</i> | | | | |
| Interest income | | | | 101,884 |
| Finance costs | | | | (193,741) |
| Profit before tax | | | | 447,085 |
| Segment assets | 27,621,431 | 2,290,671 | 850,488 | 30,762,590 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated assets | | | | 1,793,423 |
| Total assets | | | | 32,556,013 |
| Segment liabilities | 3,849,776 | 188,593 | 771,138 | 4,809,507 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated liabilities | | | | 13,920,329 |
| Total liabilities | | | | 18,729,836 |
| Other segment information | | | | |
| Capital expenditure* | 1,268,267 | 52,294 | 1,973 | 1,322,534 |
| Investments in associates | 268,113 | – | – | 268,113 |
| Investments in a joint venture | – | 113,688 | – | 113,688 |
| Impairment losses recognised in the statement of profit or loss | 39,864 | (10) | 4,462 | 44,316 |
| Share of profits/(loss) of: | | | | |
| – Associates | 4,100 | – | – | 4,100 |
| – A joint venture | – | (8,169) | – | (8,169) |
| Depreciation and amortisation | 378,003 | 24,286 | 4,613 | 406,902 |
| Loss/(gain) on commodity derivative contracts | 272,655 | (116) | – | 272,539 |
| Fair value (gain)/loss on equity investments at fair value through profit or loss | (712) | – | 8,147 | 7,435 |
| Write-off of other long-term assets | 50,000 | – | – | 50,000 |
| Write-off of property, plant and equipment | 42,492 | – | – | 42,492 |
| Write-off of prepaid land lease payments | 2,749 | – | – | 2,749 |

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

Information about a major customer

During the Period, revenue of approximately RMB2,385,668,000 (for the six months ended 30 June 2016: RMB2,407,132,000) was derived from sales by the gold operations segment to a single customer.

5. OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|------------------------------|-------------------------------------|--------------------------------|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| Interest income | 23,432 | 101,884 |
| Government grants | 32,068 | 49,223 |
| Sales of auxiliary materials | 34,209 | 27,144 |
| Others | 72,395 | 7,427 |
| | 162,104 | 185,678 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

6. OTHER EXPENSES

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| Loss on commodity derivative contracts | 178 | 272,539 |
| Cost of sales of auxiliary materials | 43,967 | 25,056 |
| Fair value losses on equity investments at fair value through profit or loss | 21,501 | 7,435 |
| Impairment loss of other intangible assets | 29,180 | 18,800 |
| Impairment loss of receivables | 29,836 | 13,199 |
| Provision for impairment of inventories | 21,529 | 7,855 |
| Impairment loss of loans receivable | (1,752) | 4,462 |
| Impairment loss of fixed assets and construction in process | 51,517 | – |
| Write-off of other long-term assets | – | 50,000 |
| Write-off of property, plant and equipment | – | 42,492 |
| Write-off of prepaid land lease payments | – | 2,749 |
| Loss on disposal of property, plant and equipment | 10,571 | 14,050 |
| Impairment loss of goodwill | 82,605 | – |
| Others | 4,656 | 13,512 |
| | 293,788 | 472,149 |

7. FINANCE COSTS

| | For the six months ended 30 June | |
|---------------------------------------|-------------------------------------|--------------------------------|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| Interest on bank and other borrowings | 48,978 | 96,797 |
| Interest on short-term bonds | 21,007 | 35,474 |
| Interest on corporate bonds | 53,064 | 87,117 |
| Interest on gold leasing business | 91,535 | 57,063 |
| Subtotal | 214,584 | 276,451 |
| Less: Interest capitalised | (16,729) | (83,104) |
| Incremental interest on provisions | 258 | 394 |
| Total | 198,113 | 193,741 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

8. INCOME TAX EXPENSE

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

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

| | For the six months ended 30 June | |
|---------------------------------|-------------------------------------|--------------------------------|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| Current – Hong Kong | – | – |
| Current – Mainland China | | |
| – Charge for the Period | 58,843 | 184,169 |
| Deferred tax | 18,380 | (11,636) |
| Total tax charge for the Period | 77,223 | 172,533 |

9. DIVIDENDS

The proposed 2016 final dividend of RMB0.04 per share (tax included) in aggregate of RMB128,824,000, was approved by the shareholders on 9 June 2017. As at 30 June 2017, RMB40,198,688 among the 2016 final dividend has not been paid. No interim dividend is proposed for the Period (2016: 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 RMB396,641,000 (for the six months ended 30 June 2016: RMB254,557,000) by the number of ordinary shares in issue during the Period of 3,089,577,000 (for the six months ended 30 June 2016: 2,965,827,000).

Diluted earnings per share amounts were equal to basic earnings per share amounts for the Period and the six months ended 30 June 2016, as no diluting events existed during these periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

11. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

During the Period, the Group acquired property, plant and equipment with a cost of RMB539,281,000 (for the six months ended 30 June 2016: RMB589,613,000) and other intangible assets with a cost of RMB28,873,000 (for the six months ended 30 June 2016: RMB712,055,000).

During the Period, depreciation for property, plant and equipment was RMB431,635,000 (for the six months ended 30 June 2016: RMB361,832,000) and amortisation for other intangible assets were RMB34,141,000 (for the six months ended 30 June 2016: RMB35,839,000).

During the Period, the Group recorded impairment losses of other intangible assets amounting to RMB29,180,000 which were stated in other expenses in the statement of profit or loss. (for the six months ended 30 June 2016: RMB18,800,000).

During the Period, no property, plant and equipment (for the six months ended 30 June 2016: property, plant and equipment with a net book value of RMB42,492,000) were written off by the Group, resulting in no net loss (for the six months ended 30 June 2016: resulting in a net loss of RMB42,492,000), no other intangible assets (for the six months ended 30 June 2016: with a net book value of RMB552,000) were written off by the Group and there was no impact on the statement of profit or loss (for the six months ended 30 June 2016: nil).

During the Period, property, plant and equipment with a net book value of RMB11,097,000 (for the six months ended 30 June 2016: RMB15,043,000) were disposed of by the Group resulting in a net loss on disposal of RMB10,571,000 (for the six months ended 30 June 2016: RMB14,050,000).

In addition, there was a transfer from property, plant and equipment with a net book value of RMB11,505,000 (for the six months ended 30 June 2016: nil), to other intangible assets and there was a transfer from other intangible assets with a net book value of RMB71,136,000 (for the six months ended 30 June 2016: nil) to property, plant and equipment.

12. OTHER LONG TERM ASSETS

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|--|---|---|
| Advances and deposits paid for acquisitions of subsidiaries and exploration rights | 498,963 | 514,792 |
| Advance payments for purchases of property, plant and equipment | 141,147 | 115,102 |
| Long-term prepaid expenses | 19,423 | 40,262 |
| | 659,533 | 670,156 |

The outstanding commitments in relation to the above acquisitions are disclosed in Note 17.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

13. TRADE AND NOTES RECEIVABLES

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|-------------------|---|---|
| Trade receivables | 265,152 | 270,167 |
| Notes receivable | 20,272 | 11,048 |
| | 285,424 | 281,215 |

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

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Outstanding balances due within 1 year | 248,349 | 252,355 |
| Outstanding balances due over 1 and within 2 years | 7,222 | 7,296 |
| Outstanding balances due over 2 and within 3 years | 13,673 | 13,842 |
| Outstanding balances due over 3 years | 944 | 755 |
| | 270,188 | 274,248 |
| Less: Provision for impairment of trade receivables | (5,036) | (4,081) |
| | 265,152 | 270,167 |

Trade and notes receivables are non-interest-bearing. As 79% (for the six months ended 30 June 2016: 74%) of the sales of the Group for the period ended 30 June 2017 were made through the Shanghai Gold Exchange without specific credit terms, there were no significant receivables that were overdue or impaired.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

14. TRADE AND NOTES PAYABLES

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|----------------|---|---|
| Trade payables | 426,298 | 376,311 |
| Notes payable | 5,245 | 13,550 |
| | 431,543 | 389,861 |

At 30 June 2017, 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-day 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 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Outstanding balances due dates of the following | | |
| Within one year | 407,560 | 355,253 |
| Over one year but within two years | 15,859 | 19,449 |
| Over two years but within three years | 2,464 | 9,322 |
| Over three years | 5,660 | 5,837 |
| | 431,543 | 389,861 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|-------------------------|---|---|
| Unsecured: | | |
| – Bank loans | 4,279,799 | 4,569,274 |
| – Other borrowings | 136,140 | 143,326 |
| – Short-term bonds | – | 1,996,650 |
| – Gold leasing business | 5,501,913 | 3,738,674 |
| | 9,917,852 | 10,447,924 |
| Secured: | | |
| – Bank loans (a) | 74,000 | 316,063 |
| – Other loans (b) | – | – |
| | 74,000 | 316,063 |
| Guaranteed: | | |
| – Bank loans (b) | 110,000 | 813,238 |
| – Gold leasing business | 241,738 | 394,681 |
| | 351,738 | 1,207,919 |
| Total | 10,343,590 | 11,971,906 |
| Portion classified as: | | |
| – Current | 10,197,108 | 10,884,200 |
| – Non-current | 146,482 | 1,087,706 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

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

As at 30 June 2017, except for secured bank loans of RMB672,638,000 (31 December 2016: RMB715,511,000) denominated in Hong Kong dollars, respectively, all borrowings were denominated in RMB. The bank loans bear interest at effective interest rates of 2.59% to 4.57% (31 December 2016: 1.76% to 10.00%) per annum. The other borrowings bear interest at effective interest rates of 2.55% to 5.46% (31 December 2016: 2.55% to 5.46%) per annum.

- (a) Certain of the Group's bank loans are secured by mortgages over the Group's plant and machinery, prepaid land lease payments, pledged deposits and notes receivable, which had aggregate carrying values at the end of the reporting period of approximately RMB14,805,013 (31 December 2016: RMB16,815,000), zero (2016: RMB26,424,000), RMB76,512,185 (31 December 2016: RMB76,589,000) and RMB100,000,000 (31 December 2016: Nil) respectively.
- (b) As at 30 June 2017, bank loans of the subsidiaries of the Company with carrying amounts of RMB1,184,375,560 (31 December 2016: RMB1,207,919,000) were guaranteed by the Company, and RMB50,000,000 (31 December 2016: Nil) were guaranteed by the Company and a non-controlling shareholder of a subsidiary together.

16. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

(a) Guarantees

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Guarantees provided to banks for loan facilities granted to subsidiaries: | | |
| – Sparky International Trade Co., Ltd. | 672,638 | 688,045 |
| – Gansu Zhaojin Precious Metal Smelting Co. Ltd | 220,000 | – |
| – Tuoli Zhaojin Beijiang Mining Co., Ltd. | 50,000 | 50,000 |
| – Zhaojin Baiyun Mining Co., Ltd. | 33,000 | 38,500 |
| | 975,638 | 776,545 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

16. CONTINGENT LIABILITIES

(b) Indemnities from Zhaojin Group

The Group and the Company have respectively received indemnities totalling RMB45.6 million and RMB33.4 million from Zhaojin Group in respect of certain State levies for the period from 24 December 1999 to 8 December 2006 (listing date) and certain government funding arrangements amounting to RMB49.3 million, which on the date before the Company's establishment on 16 April 2004. The directors are of the opinion that the Group and the Company do not have any financial liability in respect of these arrangements.

17. COMMITMENTS

Capital commitments

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| – Property, plant and equipment | 370,701 | 383,033 |
| – Prepayment for potential acquisitions | 1,838,963 | 1,844,963 |
| | 2,209,664 | 2,227,996 |

Operating lease commitments

The Group leases certain of its land and offices under operating lease arrangements, which are negotiated for terms ranging between one and thirty-six years.

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

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within one year | 8,264 | 12,288 |
| In the second to fifth years, inclusive | 16,953 | 17,487 |
| Beyond five years | 41,425 | 45,108 |
| | 66,642 | 74,883 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

18. RELATED PARTY TRANSACTIONS

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

| | For the six months ended 30 June | |
|---|---|---|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| Nature of relationships/transactions | | |
| (i) Zhaojin Group | | |
| Expenses: | | |
| – Brokerage service fees | 3,792 | 1,276 |
| Others: | | |
| – (Decrease)/increase in deposits from customers, net | (132,442) | 183,548 |
| – Interest expense in deposits from customers | 1,459 | 1,094 |
| (ii) Subsidiaries of Zhaojin Group | | |
| Expenses: | | |
| – Fees for refining services | 2,814 | 3,684 |
| – Brokerage service fees | 48 | 196 |
| Capital transactions: | | |
| – Purchase of materials | 57,493 | 38,481 |
| – Purchase of exploration services | 17,651 | 19,617 |
| – Purchase of digital mine construction technology services | 6,322 | 6,131 |
| – Purchase of water treatment engineering services and relevant necessary super filter membrane and equipment | 657 | 743 |
| Others: | | |
| – Loans | 1,034,872 | 1,239,800 |
| – Interest income from loans | 2,870 | 973 |
| – Decrease in deposits from customers, net | 398,159 | 95,753 |
| – Interest expense in deposits from customers | 3,264 | 1,742 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

18. RELATED PARTY TRANSACTIONS (continued)

| | | For the six months ended 30 June | |
|-------|--|---|---|
| | | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| (iii) | Associate – Aletai Zhengyuan International Mining Company Limited | | |
| | – Purchase of gold concentrates | 16,313 | 49,345 |
| (iv) | Subsidiary of an associate – Shandong Wucailong Investment Company Limited | | |
| | – Entrusted loans | 5,000 | 8,000 |
| | – Interest income | 746 | 377 |
| (v) | Joint venture – Ruoqiang Changyun Sanfengshan Mining Company Limited | | |
| | – Purchase of copper concentrates | – | 35,329 |
| | – Entrusted loans | – | – |
| | – Interest income | 1,128 | 1,946 |
| (vi) | As at 30 June 2017, the corporate bonds issued by the Company amounting to RMB2,145,067,000 (31 December 2016: RM2,143,172,000) were guaranteed by Zhaojin Group. | | |
| (vii) | Certain guarantees for securing the Group's indemnity in relation to certain government levies and funding arrangements before the Listing of the Company were provided free of charge by Zhaojin Group. | | |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

19. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

| | 30 June 2017 (Unaudited) | | | |
|---|---|----------------------------------|-------------------------------------|------------------|
| | Financial assets at fair value through profit or loss | | Available-for-sale financial assets | Total |
| | Held for trading RMB'000 | Loans and receivables RMB'000 | RMB'000 | RMB'000 |
| Trade and notes receivables | – | 285,424 | – | 285,424 |
| Financial assets included in other receivables | – | 468,826 | – | 468,826 |
| Equity investments at fair value through profit or loss | 371,995 | – | – | 371,995 |
| Available-for-sale investments | – | – | 25,746 | 25,746 |
| Derivative financial instruments | 796 | – | – | 796 |
| Loans receivable | – | 497,832 | – | 497,832 |
| Pledged deposits | – | 184,148 | – | 184,148 |
| Cash and cash equivalents | – | 1,383,815 | – | 1,383,815 |
| Total | 372,791 | 2,820,045 | 25,746 | 3,218,582 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

19. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

| | 30 June 2017 (Unaudited) | | | |
|---|--|-----------------------------|--|-------------------|
| | Designated as such upon initial recognition RMB'000 | Held for trading RMB'000 | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
| Trade and notes payables | - | - | 431,543 | 431,543 |
| Financial liabilities included in other payables and accruals | - | - | 1,588,100 | 1,588,100 |
| Interest-bearing bank and other borrowings | - | - | 10,343,590 | 10,343,590 |
| Corporate bonds | - | - | 2,145,067 | 2,145,067 |
| Deposits from customers | - | - | 385,781 | 385,781 |
| Other long-term liabilities (including current portion) | - | - | 24,506 | 24,506 |
| Total | - | - | 14,918,587 | 14,918,587 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

19. FINANCIAL INSTRUMENTS (continued)

Financial assets

| | 31 December 2016 (Audited) | | | |
|---|-----------------------------|----------------------------------|--|------------------|
| | Held for trading RMB'000 | Loans and receivables RMB'000 | Available-for-sale financial assets RMB'000 | Total RMB'000 |
| Financial assets at fair value through profit or loss | | | | |
| Trade and notes receivables | – | 281,215 | – | 281,215 |
| Financial assets included in other receivables | – | 275,799 | – | 275,799 |
| Available-for-sale investments | – | – | 305,746 | 305,746 |
| Equity investments at fair value through profit or loss | 414,069 | – | – | 414,069 |
| Derivative financial instruments | 658 | – | – | 658 |
| Loans receivable | – | 649,124 | – | 649,124 |
| Pledged deposits | – | 320,351 | – | 320,351 |
| Cash and cash equivalents | – | 1,437,951 | – | 1,437,951 |
| Total | 414,727 | 2,964,440 | 305,746 | 3,684,913 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

19. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

| | 31 December 2016 (Audited) | | | |
|---|--|-----------------------------|--|-------------------|
| | Designated as such upon initial recognition RMB'000 | Held for trading RMB'000 | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
| Financial liabilities at fair value through profit or loss | | | | |
| Trade and notes payables | – | – | 389,861 | 389,861 |
| Financial liabilities included in other payables and accruals | – | – | 1,649,276 | 1,649,276 |
| Interest-bearing bank and other borrowings | – | – | 11,971,906 | 11,971,906 |
| Financial liabilities at fair value through profit or loss | 52,854 | – | – | 52,854 |
| Corporate bonds | – | – | 2,143,172 | 2,143,172 |
| Deposits from customers | – | – | 985,736 | 985,736 |
| Other long-term liabilities (including current portion) | – | – | 23,618 | 23,618 |
| Total | 52,854 | – | 17,163,569 | 17,216,423 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

19. FINANCIAL INSTRUMENTS (continued)

Financial liabilities (continued)

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

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
| Financial assets | | | | |
| Equity investments at fair value through profit or loss | 371,995 | 414,069 | 371,995 | 414,069 |
| Derivative financial instruments | 796 | 658 | 796 | 658 |
| Total | 372,791 | 414,727 | 372,791 | 414,727 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | – | 52,854 | – | 52,854 |
| Interest-bearing bank and other borrowings, non-current portion | 146,482 | 1,087,706 | 147,069 | 1,088,232 |
| Corporate bonds | 2,145,067 | 2,143,172 | 2,169,300 | 2,171,700 |
| Other long-term liabilities, non-current portion | 24,506 | 23,618 | 24,506 | 23,618 |
| Total | 2,316,055 | 3,307,350 | 2,340,875 | 3,336,404 |

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

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

19. FINANCIAL INSTRUMENTS (continued)

Financial liabilities (continued)

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

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant.

The fair values of listed equity investments without a lock-up period, derivative financial instruments and corporate bonds are based on quoted market prices. The fair values of listed investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 30 June 2017, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments which were unlisted investments in China held by the Group is RMB25,746,000 (31 December 2016: RMB305,746,000).

Fair value hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly in open market
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

19. FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2017

| | Level 1 RMB'000 (Unaudited) | Level 2 RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|-----------------------------------|-----------------------------------|---------------------------------|
| Equity investments at fair value through profit or loss | 363,320 | 8,675 | 371,995 |
| Derivative financial instruments | 796 | – | 796 |
| Total | 364,116 | 8,675 | 372,791 |

As at 31 December 2016

| | Level 1 RMB'000 (Audited) | Level 2 RMB'000 (Audited) | Total RMB'000 (Audited) |
|---|---------------------------------|---------------------------------|-------------------------------|
| Equity investments at fair value through profit or loss | 383,237 | 30,832 | 414,069 |
| Derivative financial instruments | 658 | – | 658 |
| Total | 383,895 | 30,832 | 414,727 |

Liabilities measured at fair value:

As at 30 June 2017, there were no financial liabilities measured at fair value.

As at 31 December 2016

| | Quoted prices in active markets (level 1) RMB'000 |
|--|---|
| Financial liabilities at fair value through profit or loss | 52,854 |

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2016: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

19. FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2017

| | Quoted prices in active markets (Level 1) RMB'000 (Unaudited) | Significant observable inputs (Level 2) RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|--|---|--|---------------------------------|
| Interest-bearing bank and other borrowings, non-current portion | – | 147,069 | 147,069 |
| Corporate bonds | 2,169,300 | – | 2,169,300 |
| Other long-term liabilities non-current portion | – | 24,506 | 24,506 |
| Total | 2,169,300 | 171,575 | 2,340,875 |

As at 31 December 2016

| | Quoted prices in active markets (Level 1) RMB'000 (Audited) | Significant observable inputs (Level 2) RMB'000 (Audited) | Total RMB'000 (Audited) |
|--|---|--|-------------------------------|
| Interest-bearing bank and other borrowings, non-current portion | – | 1,088,232 | 1,088,232 |
| Corporate bonds | 2,171,700 | – | 2,171,700 |
| Other long-term liabilities, non-current portion | – | 23,618 | 23,618 |
| Total | 2,171,700 | 1,111,850 | 3,283,550 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2017

20. EVENTS AFTER THE REPORTING PERIOD

Issuance of Super Short-Term Bonds

On 8 August 2017, the Company issued a “Super Short-Term Bond” to the public through China Ever-Bright Bank with a par value of RMB500 million. The bond carries interest at a fixed rate of 4.35% per annum with a term of 180 days.

21. 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 18 August 2017.