



ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code: 1818)

INTERIM REPORT 2007

* 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. Lu Dongshang

Executive Directors

Mr. Lu Dongshang (*Chairman*)

Mr. Wang Peifu

Mr. Ma Yushan

Non-executive Directors

Mr. Liang Xinjun (*Vice-Chairman*)

Mr. Wu Ping

Mr. Liu Gendong

Mr. Cong Jianmao

Independent Non-executive Directors

Mr. Yan Hongbo

Mr. Ye Tianzhu

Ms. Chen Jinrong

Mr. Choy Sze Chung Jojo

Supervisors

Mr. Wang Xiaojie (*Chairman*)

Mr. Cheng Binghai

Mr. Chu Yushan

Secretary to the Board

Ms. Yu Huiling

Company Secretary

Mr. Ngai Wai Fung

Qualified Accountant

Mr. Nelson Ving Lung Ma

Authorised Representatives

Mr. Lu Dongshang (*Chairman*)

Mr. Wang Peifu

Audit Committee Members

Mr. Liu Gendong

Mr. Yan Hongbo

Ms. Chen Jinrong

(*Chairman of Audit Committee*)

Mr. Choy Sze Chung Jojo

Auditors**International Auditors:**

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRC Auditors:

Beijing Tin Wha Certified Public Accountants
14/F, Wu Dong Building
No. 9 Chegongzhuang Avenue
Xicheng District, Beijing
PRC

Legal Advisers**(PRC Law)**

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(Hong Kong Law)

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Registered Office

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Principal Place of Business in Hong Kong

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Hong Kong

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
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Hong Kong

Principal Bankers

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Zhaoyuan City
Shandong
PRC

Agricultural Bank of China
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Zhaoyuan City
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Website of the Company

www.zhaojin.com.cn

Stock Code

1818

The board (the "Board") of directors (the "Directors") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2007 (the "Period") prepared in accordance with the accounting principles generally accepted in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("PRC"), which has been reviewed and confirmed by the Board's audit committee (the "Audit Committee") and the Company's auditors Ernst & Young. Condensed interim consolidated financial statements together with comparative figures for the corresponding period in 2006 are set out as follows:

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2007

		For the six month period ended 30 June	
	<i>Notes</i>	2007 RMB'000 (Unaudited)	2006 RMB'000 (Audited)
REVENUE	4	529,943	528,712
Cost of sales		(194,882)	(211,843)
Gross profit		335,061	316,869
Other revenue and gains		67,187	4,088
Selling and distribution costs		(3,162)	(2,633)
Administrative expenses		(81,636)	(65,624)
Other operating expenses		(63,605)	(5,131)
Finance costs		(11,275)	(23,575)
Share of loss of an associate		(1,065)	(602)
PROFIT BEFORE TAX		241,505	223,392
Income tax expense		(84,985)	(76,342)
PROFIT FOR THE PERIOD		156,520	147,050
Attributable to:			
Equity holders of the Company		159,334	147,186
Minority interests		(2,814)	(136)
		156,520	147,050
Dividend	5	–	57,735
Basic earnings per share (RMB)	6	0.22	0.28

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,186,195	1,177,988
Intangible assets		551,336	550,679
Interest in an associate		30,933	14,848
Long term deposits		5,195	4,955
Land lease prepayments		54,642	54,175
Deferred tax assets	8	49,567	82,836
		1,877,868	1,885,481
CURRENT ASSETS			
Cash and cash equivalents		2,028,981	2,695,397
Trade and notes receivables	9	11,576	1,193
Prepayments, deposits and other receivables		181,760	50,004
Derivative financial instruments	10	21,294	–
Inventories		313,272	275,483
		2,556,883	3,022,077
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	105,900	125,400
Trade payables	12	117,512	163,596
Other payables and accruals		188,189	237,266
Provisions		8,463	8,230
Tax payable		140,445	130,458
Dividend payable		109,307	–
		669,816	664,950
NET CURRENT ASSETS		1,887,067	2,357,127
TOTAL ASSETS LESS CURRENT LIABILITIES		3,764,935	4,242,608
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	107,290	607,790
Provisions		41,863	46,095
Deferred income		36,776	34,107
Deferred tax liabilities	8	67,369	90,192
		253,298	778,184
NET ASSETS		3,511,637	3,464,424
EQUITY			
Equity attributable to equity holder of the Company			
Share capital		728,715	728,715
Reserves		2,728,825	2,569,491
Proposed final dividend		–	109,307
		3,457,540	3,407,513
Minority interests		54,097	56,911
TOTAL EQUITY		3,511,637	3,464,424

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2007

	Issued share capital	Capital reserve	Statutory reserves	Retained profits	Final dividend	Total owners' equity	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	530,000	(77,731)	26,180	268,141	-	746,590	58,450	805,040
Profit/(loss) for the period	-	-	-	147,186	-	147,186	(136)	147,050
Transfer to reserves	-	-	15,931	(15,931)	-	-	-	-
Final 2005 dividend declared	-	-	-	(57,735)	-	(57,735)	-	(57,735)
At 30 June 2006 (Audited)	530,000	(77,731)	42,111	341,661	-	836,041	58,314	894,355
At 1 January 2007	728,715	2,091,022	54,782	423,687	109,307	3,407,513	56,911	3,464,424
Profit/(loss) for the period	-	-	-	159,334	-	159,334	(2,814)	156,520
Transfer to reserves	-	-	17,747	(17,747)	-	-	-	-
Final 2006 dividend declared	-	-	-	-	(109,307)	(109,307)	-	(109,307)
At 30 June 2007 (Unaudited)	728,715	2,091,022*	72,529*	565,274*	-	3,457,540	54,097	3,511,637

* These reserve accounts comprise the consolidated reserves of RMB2,728,825,000 (2006: RMB2,569,491,000) in the condensed consolidated balance sheet.

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six month period ended 30 June 2007

	For the six month period ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Net cash inflow from operating activities	60,469	244,889
Net cash outflow from investing activities	(161,034)	(116,486)
Net cash outflow from financing activities	(531,976)	(133,079)
Decrease in cash and cash equivalents	(632,541)	(4,676)
Cash and cash equivalents at beginning of period	2,695,397	138,565
Effects of foreign exchange rate changes, net	(33,875)	–
Cash and cash equivalents at end of period	2,028,981	133,889
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	660,328	133,889
Non-pledged time deposits	1,368,653	–
	2,028,981	133,889

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. Corporate reorganisation and information

The Company was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 16 April 2004 to take over and operate certain businesses of mining, processing and smelting of gold and selling gold products (the "Relevant Businesses"). Prior to the establishment of the Company, the Relevant Businesses were carried out by certain wholly-owned subsidiaries of Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise in the PRC.

Pursuant to the restructuring of the Company:

- (i) Zhaojin Group transferred the assets and liabilities of the Relevant Businesses to the Company and in return the Company allotted and issued 291,500,000 shares at a par value of RMB1 each to Zhaojin Group.
- (ii) Shanghai Fosun Industrial Investment Co., Ltd., Shanghai Yuyuan Tourist Mart Co., Ltd., Shenzhen Guanxin Industrial Investment Co., Ltd., and Shanghai Lao Miao Gold Co., Ltd. (collectively the "Other Promoters") injected cash into the Company in an aggregate amount of RMB361,517,600 as paid-up capital in consideration for 238,500,000 shares at a par value of RMB1 each of the Company upon its incorporation.

As a result of the above, 55% and 45% of the share capital of the Company were owned by Zhaojin Group and the Other Promoters respectively.

On 8 December 2006, the Company issued 172,800,000 new H shares to the public at a price of HK\$12.68 per share (equivalent to approximately RMB12.74 per share) and the H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the IPO").

On 19 December 2006, as a result of the over-allotment option as detailed in the Company's prospectus dated 24 November 2006, the Company issued 25,915,000 new H shares to the public at a price of HK\$12.68 per share (equivalent to approximately RMB12.73 per share) and these H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, 19,871,500 H shares converted from certain domestic shares held by Zhaojin Group were transferred to the National Council for the Social Security Fund.

During the period, the Company and its subsidiaries were principally engaged in the exploration, mining, processing and smelting of gold and sale of gold products in the PRC. The registered office of the Company is located at 2 Wenhua Road, Zhaoyuan, Shandong, China.

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

2. Basis of presentation and accounting policies

The condensed interim consolidated financial information are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed interim consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2006.

Significant accounting policies and basis of preparation

The accounting policies and basis of preparation adopted in the preparation of the condensed interim consolidated financial information are the same as those used in the annual financial statements for the year ended 31 December 2006, except for the adoption of new standards and interpretations as noted below. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

HKAS 1 Amendment *Capital Disclosures*

The Group adopted HKAS 1 as of 1 January 2007, which requires an entity to disclose qualitative information about the entity’s objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 *Financial Instruments: Disclosures*

The Group adopted HKFRS 7 as of 1 January 2007, which requires disclosures that enable users of the financial statements to evaluate the significance of an entity’s financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC) – Int 8 *Scope of HKFRS 2*

The Group adopted HK(IFRIC) – Int 8 as of 1 January 2007, which requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.

HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives*

The Group adopted HK(IFRIC) – Int 9 as of 1 January 2007, which requires that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

HK(IFRIC) – Int 10 *Interim Financial Reporting and Impairment*

The Group adopted HK(IFRIC) – Int 10 as of 1 January 2007, which states that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

3. Seasonality of operations

The Group operations are not subject to seasonality and cyclicity.

4. Segment information

Business segments

The following tables present revenue and profit information regarding the Group's business segments for the six month periods ended 30 June 2007 and 2006 respectively.

Six month period ended 30 June 2007 (unaudited)

	Mining RMB'000	Smelting RMB'000	Inter- segment elimination RMB'000	Unallocated RMB'000	Consolidated RMB'000
Revenue					
Revenue from external customers	420,933	109,010	–	–	529,943
Inter segment revenue	–	3,652	(3,652)	–	–
Other revenue	6,312	–	–	60,875	67,187
Total	427,245	112,662	(3,652)	60,875	597,130
Segment result	203,740	71,467	–	(82,237)	192,970
Interest income					60,875
Share of loss of an associate	(1,065)	–	–	–	(1,065)
Finance costs					(11,275)
Income tax expense					(84,985)
Profit for the period					156,520

Six month period ended 30 June 2006 (audited)

	Mining RMB'000	Smelting RMB'000	Inter- segment elimination RMB'000	Unallocated RMB'000	Consolidated RMB'000
Revenue					
Revenue from external customers	431,336	97,376	–	–	528,712
Inter segment revenue	–	3,432	(3,432)	–	–
Other revenue	2,449	899	–	740	4,088
Total	433,785	101,707	(3,432)	740	532,800
Segment result	199,003	57,461	–	(9,635)	246,829
Interest income					740
Share of loss of an associate	(602)	–	–	–	(602)
Finance costs					(23,575)
Income tax expense					(76,342)
Profit for the period					147,050

Total segment assets

The following table presents the information of total segment assets as at 30 June 2007 and as at the date of the last annual financial statements (31 December 2006).

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Mining	1,928,849	1,732,967
Smelting	406,060	396,368
Segment assets	2,334,909	2,129,335
Other unallocated assets	2,099,842	2,778,223
Total consolidated assets	4,434,751	4,907,558

5. Dividend paid

	For the six month period ended 30 June 2007 RMB'000 (Unaudited)	2006 <i>RMB'000</i> (Audited)
Ordinary:		
2005 final dividend paid of RMB0.1089 per share	–	57,735

The proposed 2006 final dividend was approved and declared by the shareholders on 22 May 2007 and recognised as a liability as at 30 June 2007. There was no dividend paid during the period.

6. Earnings per share

Basic earnings per share is computed by dividing net profit attributable to equity holders of the Company for the six month period ended 30 June 2007 of RMB159,334,000 (for the six month period ended 30 June 2006: RMB147,186,000) by ordinary shares in issue during the period of 728,715,000 (for the six month period ended 30 June 2006: 530,000,000).

Diluted earnings per share for the six month periods ended 30 June 2007 and 2006 have not been disclosed as no diluting events existed during these periods.

7. Property, plant and equipment and intangible assets

During the six months ended 30 June 2007, the Group acquired property, plant and equipment with a cost of RMB83,143,000 (2006: RMB218,612,000) and intangible assets with a cost of RMB10,920,000 (2006: RMB28,501,000). Depreciation for property, plant and equipment is RMB69,068,000 (2006: RMB94,639,000) and amortisation for intangible assets is RMB10,263,000 (2006: RMB21,954,000) during the period. No property, plant and equipment were acquired through a business combination.

Property, plant and equipment with a net book value of RMB5,868,000 (2006: RMB6,205,000) were disposed of by the Group during the six months period ended 30 June 2007, resulting in a net loss on disposal of RMB4,439,000 (2006: RMB726,000).

8. Deferred tax

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. This reduction in enterprise income tax rate will directly reduce the Group's effective tax rate prospectively from 2008.

According to HKAS 12, the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, such change in the corporate income tax rate impacted the financial position of the Group at 30 June 2007 as follows:

	30 June 2007
Decrease: income tax expense of current period	881,000
Decrease: deferred tax assets	20,081,000
Decrease: deferred tax liabilities	20,962,000

As at the date that these condensed interim consolidated financial information are approved for issue, detailed measures of the New Corporate Income Tax Law have yet to be issued. Subject to the detailed measures and other related regulations concerning computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions, the Group will further evaluate the impact to its operating results and financial positions of future periods as more detailed measures and other related regulations are announced.

9. Trade and notes receivables

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Trade receivables	11,346	893
Notes receivable	230	300
	11,576	1,193

The ageing analysis of trade and note receivables is as follows:

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Outstanding balances due within 90 days	11,576	1,193

Trade and notes receivables are non-interest bearing. The Group has no significant credit risk with customers as all gold and silver sales are made through the Shanghai Gold Exchange, or through physical delivery of gold and silver in settlement of liabilities to concentrate suppliers, or for cash.

10. Derivative financial instruments

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Forward currency contracts	21,294	–

Forward currency contracts are stated at their fair values.

During the period, the Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to RMB21,294,000 were charged to the consolidated income statement during the period (2006: Nil).

11. Interest-bearing bank and other borrowings

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Unsecured:		
Bank loans	203,500	723,500
Other borrowings	9,690	9,690
	213,190	733,190
Portion classified as:		
Current	105,900	125,400
Non-current	107,290	607,790

The bank loans bear an effective interest rate of 6.20% (2006: 5.47%) per annum. The other borrowings bear an effective interest rate of 2.25% (2006: 2.76%) per annum. During the period, the Group settled bank loans of RMB585,000,000.

12. Trade payables

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Trade payables	44,486	44,211
Payable under tolling arrangements	73,026	119,385
	117,512	163,596

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

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Outstanding balances with ages:		
Within one year	113,814	160,466
Over one year but within two years	1,770	1,484
Over two years but within three years	639	973
Over three years	1,289	673
	117,512	163,596

13. Commitments

Capital commitments

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Land and buildings	23,986	11,141
Plant and machinery	9,707	6,914
	33,693	18,055
Authorised, but not contracted for:		
Land and buildings	37,070	144,903
Plant and machinery	74,658	51,437
Exploration and evaluation assets	246,319	260,370
	358,047	456,710

Operating lease commitments

Future minimum lease payments under non-cancellable operating leases for each of the following periods:

Within one year	1,174	2,506
In the second to fifth years, inclusive	3,592	4,224
Over five years	–	790
	4,766	7,520

The Group leases certain of its land under operating lease arrangements. Leases for properties are negotiated for terms ranging between one and three years.

14. Contingent liabilities

(a) At the balance sheet date, contingent liabilities not provided for in the financial information were as follows:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Guarantees provided to a bank for loan facilities granted to a subsidiary	203,500	153,500

(b) The Group has received an indemnity from Zhaojin Group in respect of certain state levies (mineral resource compensation levies) totalling RMB45.6 million for the period from 24 December 1999 to 8 December 2006 (listing date), and certain government funding arrangements amounting to RMB49.3 million, which pre-dated the Company's formation on 16 April 2004. The directors are of the opinion that the Group does not have any financial liability in respect of these arrangements.

15. Related party transactions

(a) During the period, the Group had the following material transactions with related parties:

	For the six month period ended 30 June	
	2007 RMB'000 (Unaudited)	2006 <i>RMB'000</i> (Audited)
Nature of relationships/transactions		
(i) Company in a position to exercise significant influence over the Group, Zhaojin Group		
Recurring transactions expenses:		
Payment of rental	79	71
Payment of ground rent	1,500	2,033
Gold exchange commission fee	214	134
Non-recurring transactions		
Capital transactions:		
Purchase of property, plant and equipment	–	3,725
Disposal of property, plant and equipment	–	1,447
(ii) Fellow subsidiaries, subsidiaries of Zhaojin Group		
Recurring transactions expenses:		
Fees for refining services	1,192	1,175
Fees for entertainment	103	–
Fees for mining construction activities	–	1,770

The above transactions were with Zhaojin Group and entities under the control of Zhaojin Group and they were conducted at commercial prices based on market rates, except for the following:

The Company holds an option from Zhaojin Group to purchase certain businesses, if and when certain defects in legal titles are remedied. The Company is exercising the option in the current period as explained in more detail in note 16 to the financial information. The Company did not pay any consideration for this option. The directors are of the view that the option does not have any significant value.

(b) Transactions with other state-owned enterprises in the PRC:

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-owned Enterprises"). During the six months period ended 30 June 2007, the Group had transactions with State-Owned Enterprises including, but not limited to, sales of products and purchases of raw materials.

The directors consider that transactions with other State-Owned Enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the State-Owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-Owned Enterprises. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(c) Outstanding balances with related parties:

The Group had the following outstanding advances receivable/payable from/to related parties at 30 June 2007. The advances are unsecured, interest-free and have no fixed terms of repayment.

	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i> (Audited)
Amount due from related parties:		
Zhaojin Group	3,907	2,908
Amount due to related parties:		
Fellow subsidiaries, subsidiaries of Zhaojin Group	678	-

(d) Compensation of key management personnel of the Group:

	For the six month period ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Short term employee benefits	1,744	1,341
Post-employment benefits	-	-
Total compensation paid to key management personnel	1,744	1,341

16. Significant events during the period

- (a) On 16 May 2007, the Company has incorporated a wholly owned subsidiary, Sparky International Trade Co., Ltd. ("SIT"), in Hong Kong with paid-up capital of HKD70 million. SIT is principally engaged in purchasing gold concentrate from sources outside China for processing by the Group's smelters and investment holding.
- (b) On 25 June 2007, the Company established a wholly owned subsidiary, Beijing Jindu Zhaojin Mining investment Co., Ltd. ("Jindu") in the PRC with paid-up capital of RMB50 million. The principal activity of Jindu is that of investment holding, exploration for gold and sale of gold products and consulting services for mining.
- (c) On 22 June 2007, the Company entered into various acquisition agreements with Zhaojin Group.

Pursuant to these agreements, the Company conditionally agreed to acquire from Zhaojin Group its 51%, 90%, and 80% equity interests in Xixia Zhaojin Mining Co., Ltd. ("Xixia"), Tuoli Zhaojin Beijiing Mining Co., Ltd. ("Tuoli") and Min Tianhao Gold Co., Ltd. ("Tianhao") at considerations of RMB9,965,300, RMB66,870,000 and RMB52,313,400 respectively. The acquisition prices were determined based on independent valuation reports and negotiations between the parties.

For the consideration for the above acquisitions will be funded from the Group's cash balances and will be satisfied in full within five business days after obtaining the approval of the independent shareholders at the extraordinary general meeting which will be held on 28 August 2007.

- (d) On 22 June 2007, the Company entered into three agreements separately with three independent third parties to conditionally acquire the remaining 49%, 10% and 20% equity interests in Xixia, Tuoli and Tianhao, respectively, at consideration of RMB9,574,500, RMB7,430,000 and RMB13,078,400 respectively. The acquisition prices were determined based on independent valuation reports and negotiations between the parties. Completion of these acquisitions is dependent upon completion of the acquisitions of the interests held by Zhaojin Group.

17. Events after the balance sheet date

On 25 July 2007, the Group's wholly owned subsidiary, SIT, entered into a Share Transfer Agreement ("the Agreement") with a third party to acquire a 100% equity interest in Starry Limited ("Starry"), a company incorporated in the British Virgin Islands, for a purchase consideration of RMB8,200,000 (the "Transaction"). The Transaction is conditional on the satisfactory results of the due diligence being performed by the Group on Yunnan Sparton Minerals Co., Ltd. ("Sparton Mineral"), a company in which Starry holds a 51% equity interest. Starry acquired this interest from Sparton International Resources Inc. ("Sparton") and Yunnan Nuclear Geological Exploration Brigade 201 ("the Brigade") pursuant to a share sale agreement dated 20 November 2006. Upon execution of the Agreement, SIT warrants to undertake all of the obligations of Starry to make any payment due to Sparton and the Brigade in accordance with the share sale agreement in respect of the above acquisition of the 51% equity interest in Sparton Mineral. The outstanding obligation upon the execution of the Agreement is RMB19,788,000.

The purchase consideration was determined based on independent valuation reports and negotiations between the parties. The above transaction has not been finalised as at the date of this condensed interim consolidated financial information.

18. Approval of the condensed interim consolidated financial information

The condensed interim consolidated financial information was approved and authorised for issue by the board of directors on 8 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESS

During the Period, the Group is mainly engaged in the exploration, mining, ore processing, smelting and sale of gold products and other metallic products in the PRC. Our principal products include Au9999 and Au9995 standard gold bullions and other gold products under the brand name of "Zhaojin". Currently, sales of gold products represent approximately 90% of the revenues of the principal business.

II. INTERIM RESULTS

Revenue

During the Period, the Group generated revenues of approximately RMB529,943,000, representing an increase of approximately 0.23% as compared to the corresponding period of last year.

Net profit

During the Period, net profit was approximately RMB156,520,000, representing an increase of approximately 6.44% as compared to the corresponding period of last year.

Profits attributable to shareholders of the Company

For the six months ended 30 June 2007, the Group's profits attributable to shareholders was approximately RMB159,334,000, representing an increase of approximately 8.25% from approximately RMB147,186,000 as compared to the corresponding period of last year.

Net profits margin for the six months ended 30 June 2007 was 29.54%, representing an increase of approximately 1.73% from approximately 27.81% as compared to the corresponding period of last year.

Earnings per share

During the Period, earnings per share of the Group amounted to RMB0.22.

III. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2007.

IV. RESULTS ANALYSIS

During the Period, the Group had attained an aggregate gold production of 9,360kg (approximately 300,931ozs), representing an increase of 26.11% as compared to the corresponding period of last year, among which mine-produced gold (including self-produced gold, purchased gold and by-product gold) accounted for 4,590kg (approximately 147,572ozs), representing an increase of 29.37% as compared to the corresponding period of last year, and smelting and processing gold accounted for 4,770kg (approximately 153,359ozs), representing an increase of 23.13% as compared to the corresponding period of last year. Meanwhile, in order to realize a higher selling price of gold and to maximize the profitability, the Company adopted measures to keep part of its gold in stock and not to sell towards the end of the Period when gold price dropped.

The increase in profit attributable to shareholders during the Period was mainly due to the effective costs control and higher average selling price of gold.

During the Period, earnings per share decreased as compared to the corresponding period of last year because earnings per share were diluted by share capital increase after its share offering in Hong Kong in December last year.

V. BUSINESS REVIEW

Outbound expansion

The implementation of outbound expansion was the Company's important strategic move for its leap-forward development and its first priority task this year. During the Period, the Company deployed much of its available resources and put enormous efforts in its outbound expansion campaign. As a result, Beijing Jindu Zhaojin Mining Investment Co., Ltd. (北京金都招金礦業投資有限責任公司) ("Beijing Jindu Zhaojin") and Sparky International Trade Co., Ltd. (斯派柯國際貿易有限公司) ("Sparky International", a company incorporated in Hong Kong) were established, and Gansu Zhaojin Mining Industry Company (甘肅招金礦業有限公司) ("Gansu Zhaojin") and a Xinjiang office were proposed to be established. These new setups will carry out mergers and acquisitions in the Northern, the Northeastern and the Northwestern regions of the PRC and serve as a bridgehead to expand to overseas markets, and lay a foundation for the Company to make strategic acquisition and development in the three major regions in the PRC as well as in overseas markets in the second half year. During the Period, the Company acquired two exploration rights in Gansu province with an area of approximately 38.26 km². Meanwhile, the Company also finished reviewing more than 30 projects in Inner Mongolia Region, Shanxi province, Hebei and Gansu province.

In addition, the controlling shareholder of the Company continued to inject mining resources to the Company and transfer its entire equity interests in Min Tianhao Gold Co., Ltd (岷縣天昊黃金有限責任公司) ("Min Tianhao"), Tuoli Zhaojin Beijiing Mining Co., Ltd (托里縣招金北疆礦業有限公司) ("Tuoli Zhaojin") and Xixia Zhaojin Mining Co., Ltd. (西峽招金礦業有限責任公司) ("Xixia Zhaojin") to the Company. The announcement and circular in respect of the acquisition of these three enterprises have been published. The acquisition of these three enterprises is subject to the approval of the independent shareholders.

Exploring ore deposits through technical modification

In order to maintain stable development of gold output, the Company has, during the Period, put more efforts in technical modification and geological exploration and, in the meantime, expanded its production scale, increased its resource reserve and sustained the development momentum.

During the Period, the expansion of Xiadian Gold Mine and Dayingezhuang Gold Mine, which were designated as key projects, progressed smoothly with aggregate investments of RMB93,210,000 and RMB30,860,000, respectively, were completed. The Company invested RMB8,216,556 in exploration and the newly added mining resources was 4.31 tons. As at 30 June 2007, based on the JORC Code, the Company had remaining gold reserves of approximately 132.13 tons (approximately 4,248,000ozs) and remaining gold resources of 187.65 tons (6,033,000ozs).

Comparison management

During the Period, the Company implemented the internal comparison management system (the "System") in ten areas, including materials consumption, energy saving, management of work force and technical standard. The System brought improvement to the quality of economic operation of the Company.

The System improved the Company's overall management level. Though exploration progressed deeper and material prices kept rising, the per unit cost of gold maintained stable as compared to the corresponding period of last year, while material and electricity consumption and excavation cost per ton of ore decreased 5.64%, 4.49% and 5.23%, respectively, as compared with those of last year, and the technical indices maintained stable or increased slightly, as the recovery rates of ore processing and cyanidation improved 0.16% and 0.23%, respectively, evidencing that the management efficiency of the Company improved significantly.

Production safety and environmental protection

In order to reinforce the management of safety production, the Company placed production safety and environmental protection as its first priority. As a result, the Company had successively revised seven sets of rules and regulations and strictly implemented on-site safety management, in particular to the safety of workers. Meanwhile, the Company also launched the campaign of enhancing safety standard, and rigorously enforced production safety through science and technology, increased hardware investment to enhance the safety level. For environmental protection, the Company, abided by its strong social commitment, had not only enhanced environmental investment but also expedited the deployment of safety environmental equipment and replacement of old equipment, thereby enhancing the overall environmental safety standard of the Company. The Company also achieved economic development and environmental improvement through reclamation of tailing reservoir and plantation.

VI. FINANCIAL ANALYSIS

Revenue

For the period ended 30 June 2007, the Group's revenue amounted to approximately RMB529,943,000, representing an increase of approximately 0.23% as compared to the corresponding period of last year. Such increase was attributable primarily to the following factors: firstly, the average selling price of gold bullion rose to RMB161.65/g during the Period, representing an increase of approximately 7.2% as compared with RMB150.79/g in the corresponding period of last year; secondly, the increase of sales of multi-element concentrates and silver from Jinchiling Gold Mine and the increase of processing fees received by it.

Cost of sales

For the period ended 30 June 2007, the Group's cost of sales amounted to approximately RMB194,882,000, representing a decrease of approximately 8.0% as compared with approximately RMB211,843,000 in the corresponding period of last year. Such decrease was attributable primarily to the adoption of measures to keep part of its gold in stock and not to sell when gold price dropped in June in order to realize higher selling price of gold and to maximize the profitability, where sales decreased as compared to the corresponding period of last year.

Gross profit and gross profit margin

For the period ended 30 June 2007, the Group's gross profit and gross profit margin were approximately RMB335,061,000 and 63.2%, respectively, representing an increase of approximately 5.74% and 3.3%, respectively, as compared to the corresponding period of last year. The increase was mainly due to the increase of spot gold price during the Period.

Other revenues

For the period ended 30 June 2007, the Group's other revenues were approximately RMB67,187,000, representing an increase of approximately 1,543.5% as compared to the corresponding period of last year. The increase was mainly due to the significant increase in interest income derived from the newly raised fund during the Period.

Selling and distribution costs

For the period ended 30 June 2007, the Group's selling and distribution costs was approximately RMB3,162,000, representing an increase of approximately 20.09% as compared to the corresponding period of last year. The increase is mainly due to the increase of processing fees and advertising expenses.

Administrative and other operating expenses

For the period ended 30 June 2007, the Group's administrative expenses and other operating expenses were approximately RMB145,241,000, representing an increase of 105.27% as compared with approximately RMB70,755,000 in the corresponding period of last year. Such increase was due to (i) the additional foreign exchange loss of approximately RMB58,020,000 during the Period; (ii) during the Period, additional payments of mineral resources compensation levy and water resources fees, which increased RMB7,096,400 and RMB1,100,000, respectively, as compared to the corresponding period of last year; and (iii) the increase in agency fees and the expenses of the Board.

Liquidity and financial resources

The Group has sufficient cash surplus to fund its operation through internal generated cash flows. The Group achieved stable business growth with its financial position remained at a satisfactory level. As at 30 June 2007, the Group held a cash of approximately RMB2,028,981,000, representing a decrease of approximately 24.73% as compared with approximately RMB2,695,397,000 as at the end of last year.

Income tax

The statutory rate of income tax in the PRC is 33%. As calculations for accounting purpose and tax purpose were different, the effective tax rate (i.e. the total tax divided by its profit before tax) payable by the Group for the period ended 30 June 2007 was 35.19%.

At the 5th Session of the 10th National People's Congress held on 16 March 2007, the PRC Corporate Income Tax Law (hereinafter referred to as the "New Corporate Income Tax Law") was approved and will come into effect on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes, including but not limited to the unification of income tax rate for domestic and foreign enterprises at 25%. As at the date of this announcement, the condensed consolidated interim financial statements have been approved for publication, but the implementation rules, the specific calculation method and the preference policies of the New Corporate Income Tax Law are yet to be published. Upon publication of the implementation rules, the Group will assess the effect of changes in tax rate on the Group's operating results.

Total assets

For the period ended 30 June 2007, the total assets of the Group was approximately RMB4,434,751,000, representing a decrease of approximately 9.63% as compared with approximately RMB4,907,558,000 as at the end of last year, among which total non-current assets was approximately RMB1,877,868,000 accounting for approximately 42.35% of the total assets and representing a decrease of approximately 0.4% as compared with approximately RMB1,885,481,000 as at the end of last year. For the period ended 30 June 2007, total current assets was approximately RMB2,556,883,000, accounting for approximately 57.65% of the total assets and representing a decrease of approximately 15.39% as compared with approximately RMB3,022,077,000 as at the end of last year.

Net assets

For the period ended 30 June 2007, the net assets of the Group was approximately RMB3,511,637,000, representing an increase of approximately 1.36% as compared with approximately RMB3,464,424,000 as at the end of last year.

Total liabilities

For the period ended 30 June 2007, the total liabilities of the Group was approximately RMB923,114,000, representing a decrease of approximately 36% as compared with approximately RMB1,443,134,000 as at the end of last year. The gearing ratio was 20.82%, representing a decrease of 8.59% as compared with 29.41% as at the end of last year among which bank loans due within one year was approximately RMB105,900,000, representing a decrease of approximately 15.55% as compared with approximately RMB125,400,000 as at the end of last year.

Market risks

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

Gold price and other commodities price risks

The Group's revenues and profit in the first half year are influenced by the fluctuations in the gold prices and prices of other commodities. This is due to the fact that the Group generates substantially all of its revenues and profit from the PRC. The Company does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of gold and other commodities or for trading purposes. Therefore, fluctuations in the prices of gold and other commodities may have a material effect on the Group's revenues and profit.

Pledge

The Group did not have any pledge during the six months ended 30 June 2007.

VII. BUSINESS OUTLOOK

Continuous expansion

In view of the abundant mining resources in the western and northwestern regions of the PRC, the Company will set up Gansu Zhaojin Mining Industry Company Limited in Gansu and a representative office in Xinjiang in the second half of the year to expedite the exploration of gold resources in those areas.

In the second half of the year, the Company will further improve the process of external development, and at the same time it will focus on the implementation of the work in negotiation in the first half of the year and carry out practical operation of the projects for which cooperation intention has been reached.

In addition, the Company will do good work for the Yangshan project in Wen county, Gansu province, actively participate the auction of the mining right and strive to achieve breakthrough in the second half of the year. Meanwhile, subject to the approval of the independent shareholders and upon completion of acquisition of three mining companies from Zhaojin Group, it will strengthen the management of acquired companies to enhance operating results, striving to increase its gold deposits to approximately 30 tonnes and increase its added area of exploration right to approximately 300 sq.km..

Comparison management

In the second half of the year, the Company will enhance the quality of economic operation thoroughly and, in the meantime, it will continue to promote implementation of the comparison management system on investment return management, material procurement control, production and business operation management and finance management, set up the working process, lock up the objective and increase the overall economic effectiveness of the Company.

Production safety and environmental protection

In the second half of the year, we will further enhance our safety production management, strictly implement all safety measures, engage safety experts to conduct training, set up safety management team and extend such measures to overseas branches and reinforce safety management of overseas branches. A group-wide campaign on mining (workshop) safety will be launched, aiming at arousing people's safety awareness through competition, sharing and learning from experiences and ultimately elevate the overall safety management standard of the Company. Meanwhile, we will continue to increase our investment on environmental protection, in particular on the tackling of integrative retrieve from cyanided slay tails, with an aim to achieve a win-win result on both economic and environmental aspects.

Saved as disclosed, there has been no material change from the information disclosed in the "Management Discussion and Analysis" section as described in the annual report of the Company for the year ended 31 December 2006.

OTHER INFORMATION

I. CHANGES IN SHAREHOLDERS AND SHARE CAPITAL STRUCTURE

1. Change in Shares

As at 30 June 2007, the Company has not made any arrangements for bonus issue, placing of shares or issue of new shares of the Company.

During the Period, there was no change in the Company's total number of shares and share capital structure.

2. Substantial Shareholders

To the best knowledge of the Directors, supervisors, and senior management personnel of the Company, as at 30 June 2007, the interest and short positions of substantial shareholders in the shares and underlying shares of the Company which will be required, pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"), to be entered into the register referred to therein, or holding 5% or above in the shares and underlying shares of the Company which will be required to be notified to the Company are as follows:

Name of Shareholders	Classification of shares	The number of shares held	Approximate percentage of shareholding in the registered capital of the Company	Approximate percentage of shareholding in the total amount of issued domestic shares of the Company	Approximate percentage of shareholding in the total amount of issued H shares of the Company	Long/short positions
Zhaojin Group	Domestic	271,628,500	37.3	53.2	-	Long
Shanghai Fosun Industrial Investment Co., Ltd ("Shanghai Fosun")	Domestic	106,000,000	14.5	20.8	-	Long
Shanghai Fosun	Domestic	79,500,000 (note 1)	10.9	15.6	-	Short
Shanghai Yuyuan Tourist Mart Co., Ltd ("Shanghai Yuyuan")	Domestic	79,500,000 (note 1)	10.9	15.6	-	Long
Shanghai Yuyuan	Domestic	5,300,000 (note 2)	0.7	1.0	-	Long
Shanghai Yuyuan	Domestic	106,000,000	14.5	20.8	-	Long
Merrill Lynch & Co., Inc	H share	21,925,700 (note 3)	3.0	-	10.03	Long
Credit Agricole Asset Management	H share	12,258,000 (note 3)	1.7	-	5.60	Long
NSSF Council	H share	19,871,500 (note 3)	2.7	-	9.1	Long
Mirae Asset Global Investment Management Limited	H share	11,099,000 (note 3)	1.5	-	5.08	Long

Notes:

- (1) As disclosed in the Prospectus of the Group dated 24 November 2006, Shanghai Yuyuan and Shanghai Fosun entered into a share transfer agreement dated 23 September 2004, pursuant to which Shanghai Fosun has agreed to transfer to Shanghai Yuyuan 79,500,000 shares legally held by Shanghai Fosun, therefore the 79,500,000 shares is shown as long position for Shanghai Yuyuan and short position for Shanghai Fosun.
- (2) Shanghai Yuyuan holds 95% equity interest in Laomiao Gold, therefore the shares of 5,300,000 held by Laomiao Gold in the Company is shown as long position of Shanghai Yuyuan.
- (3) Pursuant to Section 336 of the SFO, shareholders of the Company are required to file DI forms when certain criteria is fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's holding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless certain criteria is fulfilled, therefore substantial shareholders' latest holdings in the Company may be different to what is filed with the Company and the Stock Exchange.

Saved as disclosed above, the Directors are not aware of any person who was, as at 30 June 2007, directly or indirectly, interested or had short position in the shares and underlying shares of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the shares and underlying shares of the Company which will be required to be notified to the Company.

II. DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 30 June 2007, none of the directors, supervisors, senior management personnel of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under Part XV of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (for this purpose, the relevant provisions of the SFO were interpreted as also applicable to supervisors).

III. 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 latest practicable date of this Interim Report, sufficient public float was maintained.

IV. EMPLOYEES

For the period ended 30 June 2007, the Group has employed a total of 4,345 employees. The Group offered competitive remuneration package to its employees. The Group will also take the prevailing market condition and legislation into account when reviewing employees' remuneration each year.

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 BONDS, SHARE OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

During the Period, the Company has not issued any convertible bonds, share options, warrants or similar rights.

VII. SIGNIFICANT EVENTS

1. *Election of the second Board of Directors and Supervisory Committee*

The Company held its first extraordinary general meeting ("EGM") on 16 April 2007, at which Mr. Lu Dongshang, Mr. Wang Peifu, Mr. Ma Yushan, Mr. Liang Xinjun, Mr. Wu Ping, Mr. Liu Gendong, Mr. Cong Jianmao, Mr. Yan Hongbo, Mr. Ye Tianzhu and Ms. Chen Jinrong were elected as members of the second board of directors; and Mr. Wang Xiaojie and Mr. Cheng Binghai were elected as two of the three supervisors of the second supervisory committee of the Company (who, together with Mr. Chu Yushan, the employees' supervisor elected at the meeting of employees' representatives of the Company, form the second supervisory committee of the Company).

The Directors and supervisors were appointed for a term of three years commenced from 16 April 2007 after the approval of the EGM.

The 2006 annual general meeting ("AGM") of the Company was held on 22 May 2007, at which Mr. Choy Sze Chung Jojo was elected as an independent non-executive director of the Company with a term of three years commencing from 22 May 2007 upon approval at the AGM.

2. *Formation of senior management*

The first board meeting of the second board of directors of the Company was held on 16 April 2007, at which Mr. Lu Dongshang was elected as the Chairman of the second board of directors and legal representative of the Company, Mr. Liang Xinjun was elected as the Vice Chairman, Mr. Wang Peifu was appointed as the President and the Chief Executive Officer of the Company, Mr. Ma Yushan was appointed as the Chief Marketing Officer, Ms. Yu Huiling was appointed as the Chief Securities Officer, Mr. Xu Yuanjun was appointed as the Chief Development Officer, Mr. Lin Jizhao was appointed as the Chief Technology Officer (*note 1*), Mr. Zhang Banglong was appointed as the Chief Finance Officer, Mr. Li Xiucheng was appointed as the Deputy General Manager, Mr. Shi Wenge was appointed as the Deputy General Manager, Ms. Yu Huiling was appointed as the Secretary of the Board, Mr. Ngai Wai Fung was appointed as the Company Secretary, and Mr. Lu Dongshang and Mr. Wang Peifu were appointed as the authorized representatives of the Company.

Meanwhile, members of the respective special committees were designated by the board of directors:

- (1) The Strategic Committee of the Board comprises executive director Mr. Lu Dongshang, non-executive directors Mr. Liang Xinjun and Mr. Liu Gendong, and independent non-executive directors Mr. Yan Hongbo and Mr. Ye Tianzhu, and director, Mr. Lu Dongshang was appointed as the Chairman of the Strategic Committee.
- (2) The Remuneration and Appraisal Committee of the Board comprises non-executive director Mr. Liang Xinjun, independent non-executive directors Mr. Yan Hongbo and Ms. Chen Jinrong, and director, Mr. Yan Hongbo was appointed as the Chairman of the Remuneration and Appraisal Committee.
- (3) The Nomination Committee of the Board comprises non-executive director Mr. Wu Ping, independent non-executive directors Mr. Ye Tianzhu and Ms. Chen Jinrong, and Mr. Ye Tianzhu was appointed as the Chairman of the Nomination Committee.
- (4) The Audit Committee of the Board comprises non-executive director Mr. Liu Gendong, independent non-executive directors Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo (*note 2*), and Ms. Chen Jinrong was appointed as the Chairman of the Audit Committee.
- (5) The Safety and Environmental Protection Committee of the Board comprises executive director Mr. Wang Peifu, non-executive director Mr. Cong Jianmao, independent non-executive directors Mr. Yan Hongbo and Mr. Ye Tianzhu, and Mr. Yan Hongbo was appointed as the Chairman of the Safety and Environmental Protection Committee.

Notes:

1. Mr. Lin Jizhao passed away due to illness on 8 July 2007.
2. Mr. Choy Sze Chung Jojo was appointed as member of the Audit Committee at the fourth meeting of the second board of directors held on 8 August 2007.

3. Acquisition of Xixia Zhaojin, Tuoli Zhaojin and Min Tianhao

On 22 June 2007, the Company entered into the Xixia Zhaojin Agreement, the Tuoli Zhaojin Agreement and the Min Tianhao Agreement with Zhaojin Group. Pursuant to these agreements, the Company conditionally agreed to acquire from Zhaojin Group its 51%, 90%, and 80% equity interests in Xixia Zhaojin, Tuoli Zhaojin and Min Tianhao, respectively, at RMB9,965,300, RMB66,870,000 and RMB52,313,400, respectively. The Company also entered into three agreements separately with three Independent Third Parties to conditionally acquire the remaining 49%, 10% and 20% equity interests in Xixia Zhaojin, Tuoli Zhaojin and Min Tianhao, respectively, at RMB9,574,500, RMB7,430,000 and RMB13,078,400, respectively.

The aforesaid transactions constituted connected transactions for the Company under the Listing Rules and were published in both Chinese and English newspapers respectively in Hong Kong on 22 June 2007, and such transactions were subject to the approval of independent shareholders by poll at the EGM. Each of Xixia Zhaojin, Tuoli Zhaojin and Min Tianhao will become a wholly-owned subsidiary of the Company upon completion of such acquisitions.

A circular containing a notice of the EGM was published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn respectively on 12 July 2007.

4. Acquisition of Yunnan Sparton

On 25 July 2007, Sparky International, a wholly-owned subsidiary of the Company, signed an equity transfer agreement in respect of Starry Limited (“STARRY”, a joint stock company incorporated under the laws of the British Virgin Islands with limited liability) with an independent third party in Beijing, pursuant to which Sparky International acquired 100% equity interest of STARRY for a consideration of RMB8,200,000.

On 20 November 2006, STARRY entered into an equity transfer agreement with Yunnan Nuclear Geological Exploration Brigade (“Exploration Brigade”) 雲南省核工業地質調查隊 and Sparton International Resources Inc. (“Sparton International”) 斯帕頓國際資源有限公司 for the acquisition of 51% issued share capital in Yunnan Sparton Minerals Co., Ltd (“Yunnan Sparton”) 雲南斯帕頓礦業有限公司 from Exploration Brigade and Sparton International at a consideration of RMB24,480,000. Pursuant to the terms of payment stipulated under the equity transfer agreement, an amount of RMB4,692,000 was paid by STARRY, while the sum of RMB19,788,000 remained outstanding. Sparky International will, following the acquisition of STARRY, assume the obligation for the payment of such outstanding amount.

Yunnan Sparton was a sino-foreign co-operative joint venture established by Exploration Brigade and Sparton International on 5 April 2004 and was owned by them as to 20% and 80%, respectively. On November 2006, the shareholding of Yunnan Sparton was changed to: 51% by STARRY, 10% by Exploration Brigade and 39% by Sparton International. Following the acquisition, Sparky International will indirectly hold 51% equity interest in Yunnan Sparton.

Yunnan Sparton currently owns eight exploration rights in Luxi City, Yunnan province, with total approximate area of 249 km².

5. Establishment of Subsidiaries

During the Period, the Company established Sparky International and Beijing Jindu Zhaojin Mining Investment Co., Ltd in Hong Kong and Beijing, respectively, to attend to the acquisition of gold mining rights overseas, in northern and the northeastern regions of the PRC.

6. Change of Company Secretary and the Principal Place of Business in Hong Kong

On 16 April 2007, the Board of the Company announced that Ms. Michelle Feng Harnett ("Ms. Harnett") had ceased to act as the company secretary of the Company with effect from 15 April 2007 due to expiry of the term of her employment contract with the Company.

Ms. Harnett confirmed that she has no disagreement with the Board and there are no circumstances which need to be brought to the attention of the Stock Exchange of Hong Kong Limited and the shareholders of the Company.

The Board also announced that Mr. Ngai Wai Fung was appointed as the company secretary of the Company and the principal place of business of the Company in Hong Kong was changed to 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong with effect from 16 April 2007.

The announcement relating to the change of company secretary and change of the principal place of business in Hong Kong was published in Hong Kong Economic Times and South China Morning Post on 17 April 2007.

7. Common Directorship

On 10 July 2007, the Board of the Company announced that Mr. Lu Dongshang ("Mr. Lu"), a director of the Company and a director of Zhaojin Group, had tendered his resignation as a director of Zhaojin Group to the government of Zhaoyuan City, Shandong, the People's Republic of China ("Zhaoyuan City Government") in January 2007 pursuant to the undertaking given by Mr. Lu to the Company.

Since the Zhaoyuan City Government considers that the overlap of Mr. Lu as a director of both the Company and Zhaojin Group will not cause any impairment to the interests of the Company and its shareholders, as the competition between the Company and Zhaojin Group has been significantly reduced. Therefore the resignation of Mr. Lu was not approved.

Each member of the Board (excluding Mr. Lu) considers that since the competition between the Company and Zhaojin Group has been significantly reduced and considering that Mr. Lu will abstain from voting at the Board meeting of the Company in respect of any matter that may give rise to any potential conflict of interest as a result of his common directorship in the Company and Zhaojin Group, the Board does not have any objection to Mr. Lu remaining as a director of the Company whilst being a director of Zhaojin Group.

Further information regarding Mr. Lu's common directorship was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 10 July 2007.

VIII. EXTRAORDINARY GENERAL MEETING

During the Period, the Company convened an extraordinary general meeting for election of the second Board and supervisory committee. For details, please refer to "Election of the second board of directors and supervisory committee" under the section of "Significant Events".

IX. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with all the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the Period. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions on Corporate Governance Practices set out in Appendix 14 of the Listing Rules by the Company during any time of the Period.

X. COMPLIANCE WITH THE CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding Director's securities dealings.

The Board is pleased to confirm, after making specific enquiries with the Directors, that all Directors have fully complied with the code provisions of Model Code during the Period.

XI. AUDIT COMMITTEE OF THE BOARD

The Company re-elected the members of the Board on 16 April 2007 and made adjustments to the composition of the Audit Committee. The Audit Committee currently comprises one non-executive director Mr. Liu Gendong and three independent non-executive directors Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung, Jojo. Ms. Chen Jinrong acts as the chairman of the Audit Committee.

The Audit Committee has adopted the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules with written terms. It is mainly responsible for 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 unaudited 2007 interim results announcement of the Company, and the committee is of the view that the unaudited 2007 interim results announcement is prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

XII. DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the website of HKEx at <http://www.hkex.com.hk> under "Latest Listed Company Information" and the website of the Company at <http://www.zhaojin.com.cn>. The 2007 interim report will be despatched to shareholders and published on the HKEx's website and the Company's website.

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

Zhaoyuan, the PRC, 8 August 2007