



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)



ZHAOJIN

INTERIM REPORT 2008

* 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 (*Chairman*)

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 and Members of the Supervisory Committee

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

Mr. Cheng Binghai

Mr. Chu Yushan

Secretary to the Board

Mr. Wang Ligang

Company Secretary

Mr. Ngai Wai Fung

Qualified Accountant

Mr. Ma Ving Lung Nelson

Authorised Representatives

Mr. Lu Dongshang (*Chairman*)

Mr. Wang Peifu

Audit Committee Members

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

Mr. Liu Gendong

Mr. Yan Hongbo

Mr. Choy Sze Chung Jojo

Auditors

International Auditors

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

PRC Auditors

Shulun Pan Certified Public Accountants
4/F, New Whampoa Finance Building
No. 61 Nanjing Road East
Shanghai
PRC

Legal Advisers

PRC Law

King & Wood PRC Lawyers
28-29/F
Huai Hai Plaza
1045 Huaihai Road (M)
Shanghai 200031
China

Hong Kong Law

Huen Wong & Co.
in association with Fried, Frank, Harris,
Shriver & Jacobson LLP
9/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

Registered Office

No. 299 Jinhui Road
Zhaoyuan City
Shandong, PRC

Principal Place of Business in Hong Kong

8th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
Rooms 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of China
78 Fuqian Road
Zhaoyuan City
Shandong
PRC

Agricultural Bank of China
298 Wenquan Road
Zhaoyuan City
Shandong
PRC

Website of the Company

www.zhaojin.com.cn

Stock Code

1818

MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESS

For the six months ended 30 June 2008 (the "Period"), Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is 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 ("PRC"). Our 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 RMB751,394,000, representing an increase of 41.79% as compared to RMB529,943,000 in the corresponding period of last year.

Net profit

During the Period, net profit was RMB201,646,000, representing an increase of 28.83% as compared to RMB156,520,000 in the corresponding period of last year.

As at 30 June 2008, the Group held 784 kg (approximately 25,206 ozs) of gold bullion in stock which was not sold. If all the gold bullion held in stock was sold out, based on the average sale price of Shanghai Gold Exchange of the first half of 2008, which was RMB206.98 per gram, the revenue and net profit would increase by RMB162,272,000 and RMB68,300,000 respectively.

Gold production

During the Period, the Group had self-produced gold of 3,444 kg (approximately 110,727 ozs), representing an increase of 7.29% as compared to 3,210 kg (approximately 103,204 ozs) in the corresponding period of last year, and processing and purchased gold of 4,979 kg (approximately 160,078 ozs), representing a decrease of 19.04% as compared to 6,150 kg (approximately 197,727 ozs) in the corresponding period of last year. The Group had attained an aggregate gold production of 8,423 kg (approximately 270,805 ozs), representing a decrease of 10.01% as compared to 9,360 kg (approximately 300,931 ozs) in the corresponding period of last year.

Profits attributable to shareholders of the Company

For the six months ended 30 June 2008, the Group's profits attributable to shareholders was RMB214,404,000, representing an increase of 34.56% from RMB159,334,000 in the corresponding period of last year.

Earnings per share

During the Period, earnings per share of the Group amounted to RMB0.15, representing an increase of 36.36% as compared to RMB0.11 in the corresponding period of last year.

Net assets per share

As at 30 June 2008, the net assets per share attributable to equity holders of the Company was RMB2.55 (based on the adjusted total of 1,457,430,000 issued shares after passing the resolution relating to the distribution of 728,715,000 new bonus shares on the annual general meeting held on 16 May 2008), the yield to net asset was 5.77%.

III. INTERIM DIVIDEND

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2008.

IV. ACQUISITIONS

1. On 2 January 2008, the Company entered into an equity transfer agreement with two vendors, being independent third parties to the Company. Pursuant to the equity transfer agreement, the Company acquired 52% equity interest of Fengningjinlong Mining Limited ("FNJL") at a total cash consideration of RMB310,000,000, plus bearing the responsibilities for the settlement of certain debts of approximately RMB23,000,000 for the vendors, resource certification fees of approximately RMB5,000,000, exploration expense due to the acquisition of approximately RMB6,616,000 and audit and valuation fees of approximately RMB3,000,000 incurred by the vendors in respect to the acquisition. The consideration for the acquisition was satisfied in cash.

FNJL is based in Fengning Manchu Autonomous County in Hebei Province of the PRC. It possesses three mining areas. The total area with mining rights and exploration rights amount to approximately 1.1693 km² and approximately 19.41 km² respectively. The gold resources amount to approximately 21 tons (approximately 675,165 ozs). FNJL is principally engaged in mining, processing and/or smelting of gold.

FNJL possesses one processing mill, with daily processing capacity of approximately 800 tons of ores and one smelting plant, with daily processing capacity of approximately 200 tons of gold concentrates. The ores are processed to the end product of gold concentrates and finished gold.

The acquisition does not constitute a connected transaction for the Company under Chapter 14A of the Rules Governing the Listing ("Listing Rules") of Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange"), nor any notifiable transaction for the Company under Chapter 14 of the Listing Rules.

2. On 1 January 2008, the Company entered into an equity transfer agreement with an independent third party to acquire 51% equity interest in Xinjiang Tonghui Copper Mining Limited ("TCM"), 51% equity interest in Kashi Xinxin Copper Mining Limited ("XXM") and 51% equity interest in Xinjiang Xinhui Copper Limited ("XCM"). TCM, XXM and XCM are all limited liability companies established in the PRC. Under the equity agreement and based on the valuation reports prepared by the independent PRC valuer and negotiations between the parties, the consideration for the acquisition of the above three companies was agreed as RMB265,200,000, which would be satisfied in cash from the proceeds raised by the listing.

TCM is located in the southwestern region of Xinjiang Uygur Autonomous of the PRC, it possesses three mining rights of Xinjiang Payzawat Xikeer Copper, Xinjiang Artux Dashankou Copper and Xinjiang Payzawat Tianyuanteng Copper, with mining areas of 6.26 km². Exploration method used is underground mining.

XXM is located in the western region of Xinjiang Payzawat County Xikeer Township of the PRC, possessing the mining rights of Xinjiang Payzawat Baishitamu Copper, with a mining area of 3 km². Exploration method used is underground mining.

XCM is located in the Industry Park of Xinjiang Payzawat County, the PRC. XCM is the only non-ferrous metal metallurgical enterprise in the southern Xinjiang area focusing on copper smelting. It can also recycle valuable non-ferrous metal such as gold and silver. The annual production volume is expected to be 10,000 tons for electrolyzed copper and 15,000 tons for sulfuric acid.

During the Period, the Company completed the acquisition of 51% equity interest in TCM and XXM, at the considerations of RMB110,000,000 and RMB14,200,000 respectively. The Company had also paid RMB91,000,000, as a deposit for acquiring 51% equity interest in XCM, for which consideration was agreed to be RMB141,000,000.

After the completion of all acquisitions, the mining rights possessed by TCM and XXM will be consolidated; XXM will be deregistered and its assets will be consolidated to TCM.

The acquisition does not constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, nor any notifiable transaction for the Company under Chapter 14 of the Listing Rules.

3. On 9 May 2008, the Company entered into an exploration rights transfer agreement with Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a promoter and substantial shareholder (as defined in the Listing Rules) of the Company which beneficially interested in approximately 37.3% of the issued share capital of the Company. Pursuant to the transfer agreement, the Company agreed to conditionally acquire four exploration rights from Zhaojin Group at a total consideration of RMB158,940,700. After considering the previous exploration results, the Company expects its gold resources to be increased by approximately over 10,000 kg (approximately 321,507 ozs) as a result of the acquisition.

The aforesaid transaction constitutes a connected transaction of the Company under the Listing Rules. An announcement and a circular dated 9 May 2008 and 30 June 2008 respectively in relation to the connected transaction were published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn. The acquisition of the four exploration rights was approved by independent shareholders by poll at the extraordinary general meeting held on 15 August 2008 and the transfer of the four exploration rights from Zhaojin Group to the Company has to be approved by Shandong Provincial Department of Land and Resources, in order to complete the acquisition.

The four exploration rights will belong to the Company upon the completion of the acquisitions.

4. On 10 January 2008, the Company entered into an equity transfer agreement with Zhaoyuan City Gold Geological Team, being an independent third party to the Company, to acquire the gold mine exploration right of Loulitou at Zhaoyuan City ("Loulitou Exploration Right"), with a cash consideration of approximately RMB8,326,000. The consideration has been determined based on the arm's length negotiation between the parties after taking into account the potential of Loulitou Exploration Right and the valuation of such exploration right made by the PRC valuers. The consideration was paid in cash.

Loulitou Exploration Right is located in the southern area of Zhaoyuan City, Shandong Province, the PRC, with an exploration area of approximately 31.77 km². The area possesses good ore-forming conditions and development prospects as well as good infrastructure and facilities. Loulitou Exploration Right is currently at the prospecting stage and no revenue has been generated so far.

Loulitou Exploration Right was first granted by Shandong Provincial Department of Land and Resources on 12 February 2007 and will expire on 11 February 2009. In March 2008, Shandong Provincial Department of Land and Resources granted the transfer of Loulitou Exploration Right and exploration licence of Loulitou from Zhaoyuan City Gold Geological Team to the Company.

The acquisition does not constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, nor any notifiable transaction for the Company under Chapter 14 of the Listing Rules.

V. BUSINESS REVIEW

Geographical expansion

From the Period till the date of this interim report, the Group has completed investments amounting to approximately RMB480,142,000, whereby it has newly acquired 11 exploration rights thereby increasing its area of exploration right by approximately 439.38 km², newly acquired 6 mining rights, thereby increasing its total area of mining right by approximately 10.42 km². Through these investments, the Group has acquired gold resources of approximately 31 tons (approximately 996,672 ozs), and acquired 5,031,128 tons of copper resources.

During the Period, the Group had also completed the registration of the four exploration areas including the Toudaogoujinduo metal mine in Dongning County of Heilongjiang province, with a total area of 324.33 km². This represented a breakthrough in newly registered exploration rights in the outside Zhaoyuan, and made Heilongjiang province an important exploration and reserve back-up base of the Group.

Geological exploration and mining rights management

During the Period, the Group invested a total of approximately RMB36,990,000 in geological exploration, completed aditing projects of 18,340 meters and drilling projects of 67,194 meters. The newly added gold resources amounted to 18.97 tons (approximately 609,899 ozs), which was the highest level among the corresponding periods in history.

On 30 June 2008, the Group possessed 23 mining rights, with mining areas of 54.02 km².

As at the date of this interim report, the Group possessed 59 exploration rights, with exploration areas of 1,443.73 km².

Infrastructure and technology upgrade

During the Period, the Group had invested approximately RMB281,363,000 in infrastructure and technology upgrade to accelerate the construction of the key construction projects, including completion of the main shaft of Xiadian Gold Mine with a daily capacity of 2,000 tons, milling plant and fine ore warehouse. The capacity expansion projects for low-grade are utilization and milling facilities at Dayingezhuang had completed an aggregated digging volume of 22,500 m³ and a construction area of 2,868 m².

R&D and technology innovation projects

During the Period, the Group had invested a total of approximately RMB25,070,000, implemented 27 R&D and technology innovation projects, applied for 5 patents and obtained approval for 7 patents.

During the Period, the comprehensive minor innovation and technology reform carried out by the Group was a great success and delivered remarkable results in energy and expense savings which in turn increased the Company's profit by approximately RMB9,800,000.

Safety and environmental protection

During the Period, the Group had further enhanced the management of safety and environmental protection, signed a safety and environmental protection responsibilities statement, reinforced the construction of the safety system, policy system and responsibility system. An intensive and multi-stage production safety check had been thoroughly performed within the Company. The Group has further devoted itself to environmental protection. During the Period, the Group had generally prevented the happening of any work injury, and achieved the goal of zero accidental death, fire, explosion, significant crisis and environmental pollution.

Social responsibilities

The Company acknowledges our position as a corporate citizenship and bears social responsibility, which donates money and materials to the disaster areas and support their reconstruction. During the Period, the Group and our staff raised RMB60,000 for southern region suffering from blizzard and RMB2,600,000 for the relief for the victims of earthquake in Wenchuan, Sichuan.

VI. FINANCIAL AND RESULTS ANALYSIS

Revenue

For the period ended 30 June 2008, the Group's revenue amounted to RMB751,394,000, representing an increase of 41.79% as compared to the corresponding period of last year. During the Period, increase in revenue was primarily due to: (1) higher sale price of gold and other by-products and hence profit maximization was attained; (2) the price of sulphur ore increased by RMB343.50 per ton as compared to the corresponding period of last year, resulting in an increase in operational income; (3) sales generated by the newly acquired copper mines contributed approximately RMB73 million to the revenue during the Period.

Net profit

During the Period, net profit of the Group amounted to RMB201,646,000 as compared to RMB156,520,000 of the corresponding period of the previous year, representing an increase of 28.83%. Increase in net profit was due to: (1) the increase of gold price even though sales volume decreased; (2) lower income tax rate of 25% while it was 33% in 2007.

Gold production

During the Period, the Group produced a total of 8,423 kg (approximately 270,805 ozs) of gold as compared to 9,360 kg (approximately 300,931 ozs) of the corresponding period of the previous year, representing a decrease of 10.01%. Decrease in gold production was due to: (1) the production in the non-coal mine of Yantai has been suspended for 13 days resulting from local mine safety issue, which in turn affects the Group's domestic gold production; (2) the consolidation of mineral resources in the PRC and temporary restrictions imposed by the local government on explosives and chemicals to strengthen the safety management and other factors causing an abnormal production of the Group's several gold mines and a decrease in concentrates production. As a result, the Group purchased and processed less gold concentrates during the Period.

Aggregate cost

During the Period, the Group's aggregate self-produced cost of gold was RMB95.1 per gram as compared to RMB87.7 per gram of the corresponding period of the previous year, representing an increase of 8.4%. Increase in aggregate cost was due to: (1) increase in production cost due to increase in cost of raw materials used in production, rise in employees' remuneration and fees from third party contractor; (2) relatively high cost for newly acquired mining enterprises due to poor general management before acquisition. However, during the Period, the Group had reduced the cost of those mining enterprises through effective cost control.

Sale price of gold

During the Period, average sale price of gold of the Group traded at Shanghai Gold Exchange was RMB209.35 per gram, representing an increase of RMB47.70 per gram and 29.51% as compared to RMB161.65 per gram in the corresponding period of last year. Our average sale price was RMB2.37 per gram higher than average price of RMB206.98 per gram traded at Shanghai Gold Exchange.

Cost of sales

For the period ended 30 June 2008, the Group's cost of sales amounted to RMB345,970,000, representing an increase of 77.53% as compared with RMB194,882,000 in the corresponding period of last year. The increase was primarily attributable to: (1) during the Period, sales of purchased gold increased significantly as compared to the corresponding period of last year; (2) coverage of the Group's consolidated statements had extended to include higher cost for newly acquired enterprises; (3) increase in the aggregate self-produced unit cost from RMB87.7 per gram to RMB95.1 per gram.

Gross profit and gross profit margin

For the period ended 30 June 2008, the Group's gross profit and gross profit margin were RMB405,424,000 and 53.96% respectively, representing an increase of 21.00% and a decrease of 9.27%, respectively as compared to RMB335,061,000 and 63.23% of the corresponding period of last year. Decrease in gross profit margin was primarily due to (1) higher sales volume of purchased gold during the Period; (2) lower gross profit margin of mining enterprises newly acquired in the last quarter of 2007 and the first half of 2008.

Other revenues

For the period ended 30 June 2008, the Group's other revenues were RMB16,459,000, representing a decrease of 75.50% as compared to RMB67,187,000 of the corresponding period of last year. The decrease was mainly due to the USD fixed deposits and forward foreign exchange contracts were either withdrawn or matured in February 2008 and resulted in lower interest income and no fair value gain during the Period.

Selling and distribution costs

For the period ended 30 June 2008, the Group's selling and distribution costs were RMB8,610,000, representing an increase of 172.30% as compared to RMB3,162,000 of the corresponding period of last year. The increase is mainly due to expansion of the Group's operations through the acquisition of new mines.

Administrative and other operating expenses

For the period ended 30 June 2008, the Group's administrative expenses and other operating expenses were RMB137,934,000, representing a decrease of 5.03% as compared with RMB145,241,000 in the corresponding period of last year. Such decrease was due to the significant loss in foreign exchange resulted from the USD fixed deposits in 2007. The loss was minimised due to withdrawal of such deposits during the Period.

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 remaining at a satisfactory level. As at 30 June 2008, the Group held cash and cash equivalents of RMB589,554,000, representing a decrease of 63.74% as compared with RMB1,625,689,000 as at the end of last year as funds were utilized for acquisition of mining enterprises, exploration rights and mine expansion projects.

As at 30 June 2008, the Group's borrowings and cash and cash equivalents were denominated in RMB. The total borrowings of the Group were RMB190,730,000, among which short-term borrowings were RMB122,940,000 and long-term borrowings were RMB67,790,000. All borrowings of the Group are under fixed interest rates.

Income tax

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 came 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 the PRC and foreign-invested enterprises at 25%.

The effective income tax rate (i.e. the total tax divided by its profit before tax) of the Group for the Period was about 25.11% (corresponding period of 2007: 35.18%).

Total assets

As at 30 June 2008, the total assets of the Group were RMB5,224,301,000, representing an increase of 4.20% as compared with RMB5,013,877,000 as at the end of last year, among which total non-current assets was RMB3,911,238,000, accounting for 74.87% of the total assets and representing an increase of 38.35% as compared with RMB2,827,132,000 as at the end of last year. As at 30 June 2008, total current assets were RMB1,313,063,000, accounting for 25.13% of the total assets and representing a decrease of 39.95% as compared with RMB2,186,745,000 as at the end of last year.

Net assets

As at 30 June 2008, the net assets of the Group was RMB4,072,573,000, representing an increase of 8.51% as compared with RMB3,753,214,000 as at the end of last year.

Total liabilities

As at 30 June 2008, the total liabilities of the Group was RMB1,151,728,000, representing a decrease of 8.64% as compared with RMB1,260,663,000 as at the end of last year. As at 30 June 2008, the gearing ratio (i.e. the total liabilities divided by the total assets) was 22.05%, representing a decrease of 3.09% as compared with 25.14% as at the end of last year, among which bank loans due within one year was RMB122,940,000, representing a decrease of 65.15% as compared with RMB352,800,000 as at the end of last year.

Contingent liabilities

As at 30 June 2008, except as disclosed in note 14 to the interim condensed consolidated financial information on page 31 of this report, the Group and the Company did not have any other contingent liabilities.

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.

Foreign exchange risk

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

The Group has been monitoring the exchange rate between RMB and Hong Kong dollar closely as the proceeds raised by the Group from the initial public offering are denominated in Hong Kong dollars. Meanwhile, appropriate measures aiming at reducing the risk of fluctuation in exchange rates have been taken to minimize such risks. During the Period, the Group has settled the exchange of all of the proceeds raised and had no foreign currency hedging contract.

Gold price and other commodities price risks

The Group's revenues and profit in the first half of the year are influenced by the fluctuations in the prices of gold and 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 2008.

VII. BUSINESS OUTLOOK

The increase of raw material prices and prevailing high price of gold bring us both challenges and opportunities, regarding our production operation in the second half of the year. We will focus on achieving the following aspects:

Persist in geographical expansion and advance "No. 1 Project"

In the second half of the year, the Company has established a leading organization for geographical expansion in order to ensure smooth expansion and acquisition projects. The organization comprises of members of senior management, district companies (offices) and the investment and development department. The organization will enforce a "person-in-charge" system for every undergoing geographical expansion and investment project. In terms of the projects, the organization is mainly responsible for procedures such as observation, proof with evidence, negotiation and acquisition. For key projects where a common view has been reached or purpose has been identified, the organization will put extra effort on negotiation and aim for advance observation, negotiation and acquisition, in order to ensure the materialization of the Group's plan of geographical expansion.

Stringent and organized production to ensure successful achievement of production volume target

In the second half of the year, the expansion projects of ore processing plants of Dayingezhuang Gold Mine and Xiadian Gold Mine will soon commence production. The Company will further accelerate the exploration of middle section of the deep-underground of the two mines, increase ore volume and ensure the supply of ore after the expansion of the ore processing plants are completed.

Jinchiling Gold Mine and Xinjiang Xingta Mining Company Limited (the "Xingta Mining") will further strengthen the research on customer relations. They will, by every possible means, utilize the Company's influence and capital strength to acquire more gold concentrates with high quality to increase cyaniding volume.

Powering up the geological exploration and expanding the ore resource

Geological exploration at mines will continue to be the focus of the Company in the second half of the year. Mine exploration in old Zhaoyuan districts will be focused on Xiadian Gold Mine, deep-underground of Hedong Gold Mine and the deep-underground of Northern Dayingezhuang Gold Mine, which are all located on the key ore mineralisation area, with emphasis on drilling and ditch exploration and increase in gold resource. For the new districts, focus will be on exploration of the Northern area of Zhaoyuan, Li Zhuang and the areas from Guojiabu to Banbidian, speed up scientific research and testing and aim for a breakthrough within the year. For areas outside of Zhaoyuan or newly registered exploration rights, development is the key project, we expect to have a breakthrough to ensure a boost of 35 tons (approximately 1,125,275 ozs) new resources per year.

Strengthen technology management and promote "infrastructure construction and technology reform" activities

Technology management has to be further strengthened within Zhaoyuan to ensure the quality and schedule of the projects. Infrastructure construction and technology reform projects such as "2,000 tons per day expansion project" of Xiadian Gold Mine, "low grade ore deep exploration and processing project" at Dayingezhuang Gold Mine and multifactor integrated expansion project are expected to be completed and put into trial production within this year.

Construction projects regarding production outside Zhaoyuan have also to speed up, in order to complete the construction as planned. We have to transfer the technology outcome of "Recycle sulphur bed project" to productivity as soon as possible. Xingta Mining's "Recycle sulphur bed project" had been categorized as one of the National 863 Projects, it is also one of the significant technology research and industrial development projects of the State.

Striving for a safe and environmental friendly working environment and ensure safe production

Launching different kinds of "create a safe mine" activities to extend safety management measures to the families of the mine workers besides normal 8-hour working hours. Continuous strengthening of the on site management to enhance the management level and standardized safety level will be passed on to different groups and individuals. We are to promote safe construction, digitalize mines and establish a practical, advance, reliable and open "integrated monitor and control center for safe production information". During the Period, underground water at Zhaoyuan Jintingling Mining Industry Company Limited (the "Jintingling Mine") is still unfavourable for exploitation and normal production. In the second half of the year, the Group will continue to expand research on corresponding measures in relation to Jintingling Mine to strive for early resume of normal production.

Strengthen internal management to enhance the Group's profitability

We aim at establishing a competition between cost indications, technology indications and profitability indications. In order to reduce energy consumption, continuous effort will be focused on tasks such as electricity consumption at a time-sharing basis, harmonic wave treatment, adaptor utilization and adaptation of new technologies and equipments. In addition, we will closely monitor the management of goods purchase, consumption, and recycling, to lower the cost and enhance efficiency.

Save as disclosed above, for the period ended 30 June 2008, there is no material changes in the information disclosed in section titled "Management Discussion and Analysis" of the 2007 Annual Report of the Company.

OTHER INFORMATION

I. CHANGES IN SHAREHOLDERS AND SHARE CAPITAL STRUCTURE

1. Changes in Shares

On 16 May 2008, the 2007 annual general meeting, domestic shares class meeting, H shares class meeting of the Company respectively considered and approved that based on 728,715,000 ordinary shares of RMB1.00 each issued by the Company at the end of 2007, the Company issued 728,715,000 bonus shares to the Shareholders on the basis of one bonus share to be issued (0.25 of which is to be made by way of capitalization of retained profits and 0.75 of which is to be made by way of capitalization of the capital reserve fund) for every one share held by such Shareholders (i.e., one bonus H share and one bonus domestic share to be issued in respect of every one H share and one domestic share held by the Shareholders respectively), a total of 728,715,000 bonus shares were distributed.

The distribution of the bonus shares was completed on 30 May 2008 and the listing and trading of the bonus H share was commenced on the Stock Exchange on 3 June 2008. The registration of bonus domestic shares relating to the non-foreign listing shareholders at the China Securities Depository and Clearing Corporation Limited was completed.

On 30 June 2008, the Group had 1,457,430,000 ordinary shares in issue with a nominal value of RMB1.00 each.

During the Period, due to the issue of bonus share mentioned above, the total issued share capital of the Company increased from 728,715,000 shares to 1,457,430,000 shares, but there was no change in the share capital structure.

	30 June 2008 shares	31 December 2007 shares
Domestic share	1,020,257,000	510,128,500
H share	437,173,000	218,586,500
Total	1,457,430,000	728,715,000

Save as disclosed above, the Company has not made any other arrangements for bonus issue, placing of shares or issue of new shares of the Company as at 30 June 2008.

2. Number of shareholders

The details of number of shareholders of the Company recorded in the register on 30 June 2008 are as follows:

Classification	Number of shareholders
Domestic share	5
Overseas listed foreign share-H share	2,544
Total number of shareholders	2,549

3. Substantial Shareholders

To the best knowledge of the Directors, supervisors, and chief executive of the Company, as at 30 June 2008, the interest and short positions of substantial shareholders in the shares and underlying shares of the Company which were 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 were required to be notified to the Company were as follows (base on the adjustment made after the passing of distributing 728,715,000 new bonus shares on the annual general meeting held on 16 May 2008):

Name of shareholders	Classification of shares	Capacity	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/ Lending pool
1 Zhaojin Group	Domestic share	Beneficial owner	543,257,000	37.27	53.25	-	Long
2 Shanghai Fosun Industrial Investment Co., Ltd. ("Fosun Investment")	Domestic share	Beneficial owner	212,000,000	14.55	20.78	-	Long
3 Shanghai Yuyuan Tourist Mart Co., Ltd. ("Yuyuan Tourist Mart")	Domestic share	Beneficial owner	212,000,000	14.55	20.78	-	Long
4 NSSF Council	H share	Beneficial owner	39,743,000 (note 1)	2.73	-	9.09	Long
5 Merrill Lynch & Co Inc	H share	Interest of controlled corporation	40,196,400 (notes 1 and 2)	2.76	-	9.19	Long
		Interest of controlled corporation	2,800,000 (notes 1 and 2)	0.19	-	0.64	Short
6 Atlantis Investment Management Ltd.	H share	Investment manager	79,400,000 (note 1)	5.45	-	18.16	Long
7 Mirae Asset Global Investments (Hong Kong) Limited	H share	Investment manager	43,047,500 (note 1)	2.95	-	9.85	Long

Name of shareholders	Classification of shares	Capacity	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/ Lending pool
8 JP Morgan Chase & Co	H share	Beneficial owner	270,000 <i>(notes 1 and 3)</i>	0.02	-	0.06	Long
		Beneficial owner	270,000 <i>(notes 1 and 3)</i>	0.02	-	0.06	Short
		Custodian corporation/ approved lending agent	23,847,500 <i>(notes 1 and 3)</i>	1.63	-	5.46	Long and lending pool
9 HSBC Investments (Hong Kong) Limited	H share	Investment manager	22,611,000 <i>(note 1)</i>	1.55	-	5.17	Long

Notes:

- (1) 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.
- (2) Merrill Lynch & Co Inc was interested in the shares of the Company through its interests on its controlled or indirectly controlled corporations.
- (3) JP Morgan Chase & Co was interested in the shares of the Company through its interests on its controlled or indirectly controlled corporations.

Saved as disclosed above, the Directors are not aware of any person who was, as at 30 June 2008, directly or indirectly, interested or had short position in the shares and 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 holding 5% or above in the shares and underlying shares of the Company which were 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 2008, none of the directors, supervisors, chief executive 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 Issuers (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 date of this Interim Report, sufficient public float of the shares of the Company was maintained.

IV. EMPLOYEES

As at 30 June 2008, the Group had employed a total of 4,285 employees. The Group offered competitive remuneration package to its employees which include retirement benefits plans, medical benefits plans, housing fund plans. The Group also provides training 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 repurchased any listed securities of the Company.

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

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

During the Period and up to the date of this interim report, the Group has no share option scheme.

VII. IMPORTANT EVENTS

1. As approved by the 2007 annual general meeting, the Company amended part of the terms of its articles of association on 16 May 2008 as a result of the issue of bonus shares and the alteration of the Company's address. The scope of amendment includes the alteration of the Company's registered capital, share capital structure and the Company's registered address, whereby:
 - (1) The registered capital of the Company changed from RMB728,715,000 to RMB1,457,430,000.
 - (2) Share capital structure was changed as follows: Zhaojin Group holds 543,257,000 shares, accounting for 37.3% of the total issued ordinary shares of the Company; Fosun Investment holds 212,000,000 shares, accounting for 14.5% of the total issued ordinary shares of the Company; Yuyuan Tourist Mart holds 212,000,000 shares, accounting for 14.5% of the total issued ordinary shares of the Company; Shenzheng Guangxin Investments Company Limited holds 42,400,000 shares, accounting for 2.9% of the total issued ordinary shares of the Company; Shanghai Laomiao Gold Company Limited holds 10,600,000 shares, accounting for 0.7% of the total issued ordinary shares of the Company; holders of the overseas listed foreign shares holds 437,173,000 shares, accounting for 30% of the total issued ordinary shares of the Company.
 - (3) The PRC registered address of the Company has changed to 299 Jinhui Road, Zhaoyuan City, Shandong, PRC.

Due to the above amendments to the articles of association, the Company has obtained the approval from the relevant government authorities, as well as a new certificate of business registration after changing the Company's registered capital and registered address.

2. On 16 May 2008, the annual general meeting of the Company passed the profit allocation resolution of 2007 and decided to distribute a cash dividend of RMB0.25 (not yet deducted for tax) per share to all shareholders. On 30 May 2008, the Company had already distributed the 2007 cash dividend of RMB0.25 (not yet deducted for tax) per share to all shareholders.
3. The 2007 annual general meeting approved the continuous appointment of Beijing Tin Wha Certified Public Accountants ("Tin Wha") as domestic auditor of the Company. Recently, the Company received from Beijing Certified Public Accountants Association a notice in which part of the staff and assets of Tin Wha merged with Shulun Pan Certified Public Accountants Co., Ltd. ("Shulun Pan"). Some of the clients from the original Tin Wha were transferred to Shulun Pan.

In view of the above reasons and according to Article 16.4 of the articles of association, "If there is a vacancy of the office of the accounting firm, the Board of Directors may fill up the vacancy by appointing an accounting firm before convening the shareholders' meeting", the Board therefore agrees to appoint Shulun Pan as the domestic auditor of the Company with the appointment term starting from now until the end of the 2008 annual general meeting.

Tin Wha confirmed that there are no circumstances relating to the change of auditors that need to be brought to the attention of the shareholders of the Company. The Board confirms that there are no circumstances in respect of the change of auditors which they consider should be brought to the attention of the shareholders of the Company.

VIII. 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.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("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 standards required according to the Model Code during the Period.

X. AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung, Jojo, and one non-executive director Mr. Liu Gendong. Ms. Chen Jinrong acts as the chairman of the Audit Committee.

The Audit Committee has adopted a written terms of reference which is in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. It is mainly responsible for the matters concerning the internal control and financial reporting, reviewing with the management of the accounting principles, accounting standards and methods adopted by the Company. The Audit Committee has discussed internal control affairs and reviewed the unaudited 2008 interim report of the Company, and the committee is of the view that the unaudited 2008 interim report is prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of directors of

Zhaojin Mining Industry Company Limited

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

Introduction

We have reviewed the interim financial information set out on pages 21 to 34 which comprises the condensed consolidated balance sheet of Zhaojin Mining Industry Company Limited as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

18/F, Two International Finance Centre

8 Finance Street, Central

Hong Kong

15 August 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2008

	Notes	For the six-month period ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
REVENUE	4	751,394	529,943
Cost of sales		(345,970)	(194,882)
Gross profit		405,424	335,061
Other revenue and gains		16,459	67,187
Selling and distribution costs		(8,610)	(3,162)
Administrative expenses		(118,997)	(81,636)
Other operating expenses		(18,937)	(63,605)
Finance costs		(7,400)	(11,275)
Share of profit/(loss) of an associate		1,321	(1,065)
PROFIT BEFORE TAX		269,260	241,505
Income tax expense	5	(67,614)	(84,985)
PROFIT FOR THE PERIOD		201,646	156,520
Attributable to:			
Equity holders of the Company		214,404	159,334
Minority interests		(12,758)	(2,814)
		201,646	156,520
Dividend	6	–	–
Basic earnings per share (RMB)	7	0.15	0.11

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,853,413	1,436,135
Intangible assets	8	1,491,848	799,900
Interest in an associate		35,298	33,977
Long term deposits		6,108	4,637
Land lease prepayments		78,039	68,131
Other long term assets	9	377,354	409,864
Deferred tax assets		69,178	74,488
		3,911,238	2,827,132
CURRENT ASSETS			
Cash and cash equivalents		589,554	1,625,689
Trade and notes receivables	10	58,320	33,216
Prepayments, deposits and other receivables		138,975	124,788
Derivative financial instruments		–	38,686
Equity investments at fair value through profit or loss		41,114	30,926
Inventories		485,100	333,440
		1,313,063	2,186,745
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	122,940	352,800
Trade payables	12	195,098	235,292
Other payables and accruals		284,418	238,235
Provisions		11,709	10,447
Tax payable		135,385	176,810
Dividend payable		–	16,695
		749,550	1,030,279
NET CURRENT ASSETS		563,513	1,156,466
TOTAL ASSETS LESS CURRENT LIABILITIES		4,474,751	3,983,598
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	67,790	22,790
Provisions		54,909	50,390
Deferred income		32,316	31,967
Deferred tax liabilities		247,163	125,237
		402,178	230,384
NET ASSETS		4,072,573	3,753,214
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		1,457,430	728,715
Reserves		2,256,123	2,772,591
Proposed final dividend		–	182,179
		3,713,553	3,683,485
Minority interests		359,020	69,729
TOTAL EQUITY		4,072,573	3,753,214

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2008

	Attributable to equity holders of the Company								
	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total owners' equity RMB'000	Minority interests RMB'000	Total equity RMB'000
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
Total income and expense for the period	-	-	-	-	159,334	-	159,334	(2,814)	156,520
Transfer to reserves	-	-	17,747	-	(17,747)	-	-	-	-
Dividends – 2006 final paid	-	-	-	-	-	(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
At 1 January 2008	728,715	2,091,022	96,355	(3,168)	588,382	182,179	3,683,485	69,729	3,753,214
Total income and expense for the period recognised directly in equity –									
Exchange realignment	-	-	-	(2,157)	-	-	(2,157)	-	(2,157)
Profit/(loss) for the period	-	-	-	-	214,404	-	214,404	(12,758)	201,646
Total income and expense for the period	-	-	-	(2,157)	214,404	-	212,247	(12,758)	199,489
Acquisition of subsidiaries	-	-	-	-	-	-	-	297,976	297,976
Contribution of capital from minority interests upon formation of subsidiaries	-	-	-	-	-	-	-	4,073	4,073
Bonus issue	728,715	(546,536)	-	-	(182,179)	-	-	-	-
Transfer to reserves	-	-	23,364	-	(23,364)	-	-	-	-
Dividends – 2007 final paid	-	-	-	-	-	(182,179)	(182,179)	-	(182,179)
At 30 June 2008 (Unaudited)	1,457,430	1,544,486*	119,719*	(5,325)*	597,243*	-	3,713,553	359,020	4,072,573

* These reserve accounts comprise the consolidated reserves of RMB2,256,123,000 (2007: RMB2,772,591,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six month period ended 30 June 2008

	For the six-month period ended 30 June	
	2008 <i>RMB'000</i> (Unaudited)	2007 <i>RMB'000</i> (Unaudited)
Net cash inflow from operating activities	319,579	60,469
Net cash outflow from investing activities	(968,189)	(161,034)
Net cash outflow from financing activities	(381,079)	(531,976)
Decrease in cash and cash equivalents	(1,029,689)	(632,541)
Cash and cash equivalents at beginning of period	1,625,689	2,695,397
Effects of foreign exchange rate changes, net	(6,446)	(33,875)
Cash and cash equivalents at end of period	589,554	2,028,981
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	297,526	660,328
Non-pledged time deposits with original maturity of less than three months when acquired	292,028	1,368,653
	589,554	2,028,981

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, smelting and selling gold and silver products.

In December 2006, the Company issued 198.7 million new H shares to the public and the H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "IPO"). In addition, the 19.8 million H shares converted from certain domestic shares were transferred to the National Council for the Social Security Fund.

The principal activities of the Group are mainly gold exploration and prospecting, mining, refining and processing and the sale of gold related products. In addition, the Group processes and sells silver. During the six-month period ended 30 June 2008, the Group invested in entities which have copper mines and processing facilities. The registered office of the Company is located at 299 Jinhui Road, Zhaoyuan, Shandong, China.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements 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 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 2007.

Significant accounting policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2007, except for the adoption of new standards and interpretations as noted below.

HK(IFRIC)-Int 11

HKFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

HK(IFRIC)-Int 12

Service Concession Arrangements

This interpretation requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 14

HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation provides guidance on how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when minimum funding requirements exist. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

3. SEASONALITY OF OPERATIONS

The Group's 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 2008 and 2007.

Six-month period ended 30 June 2008 (Unaudited)

	Mining RMB'000	Smelting RMB'000	Inter- segment elimination RMB'000	Unallocated RMB'000	Consolidated RMB'000
Revenue					
Revenue from external customers	551,028	200,366	–	–	751,394
Intersegment revenue	–	22,378	(22,378)	–	–
Other revenue	5,071	–	–	11,388	16,459
Total	556,099	222,744	(22,378)	11,388	767,853
Segment result	241,548	77,988	–	(55,585)	263,951
Share of profit of an associate	1,321	–	–	–	1,321
Interest income					11,388
Finance costs					(7,400)
Profit before tax					269,260
Income tax expense					(67,614)
Profit for the period					201,646

Six-month period ended 30 June 2007 (unaudited)

	Mining <i>RMB'000</i>	Smelting <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Consolidated <i>RMB'000</i>
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
Share of loss of an associate	(1,065)	–	–	–	(1,065)
Interest income					60,875
Finance costs					(11,275)
Profit before tax					241,505
Income tax expense					(84,985)
Profit for the period					156,520

Total segment assets

The following table presents segment assets information as at 30 June 2008 and as at the date of the last annual financial statements (31 December 2007).

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Mining	3,832,767	2,769,523
Smelting	691,688	474,565
Segment assets	4,524,455	3,244,088
Other unallocated assets	699,846	1,769,789
Total consolidated assets	5,224,301	5,013,877

5. INCOME TAX

	For the six-month period ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Current income tax	75,572	71,827
Deferred income tax – Relating to origination and reversal of temporary differences	(7,958)	13,158
Income tax expense	67,614	84,985

6. DIVIDEND

	For the six-month period ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Ordinary:		
2007 final dividend paid of RMB0.25 per share (2006: RMB0.15 per share)	182,179	109,307

The proposed 2007 final dividend was approved by the shareholders on 16 May 2008 and paid on 27 May 2008. There is no dividend proposed during the period ended 30 June 2008.

7. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to equity holders of Company for the six-month period ended 30 June 2008 of RMB214,404,000 (for the six-month period ended 30 June 2007: RMB159,334,000) by ordinary shares in issue during the period of 1,457,430,000 (for the six-month period ended 30 June 2007: 1,457,430,000, as adjusted by the bonus issue of 728,715,000 approved by the shareholders on 16 May 2008).

Diluted earnings per share for the six-month periods ended 30 June 2008 and 2007 have not been disclosed as no diluting events existed during these periods.

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six-months period ended 30 June 2008, the Group acquired property, plant and equipment with a cost of RMB281,363,000 (2007: RMB83,143,000) and intangible assets with a cost of RMB14,084,000 (2007: RMB10,920,000). In addition, the Group acquired property, plant and equipment with a cost of RMB212,108,000 (2007: nil) and intangible assets with a cost of RMB700,243,000 (2007: nil) through business combinations during the period.

Depreciation for property, plant and equipment is RMB76,068,000 (2007: RMB69,068,000) and amortisation for intangible assets is RMB22,379,000 (2007: RMB10,263,000) during the period.

Property, plant and equipment with a net book value of RMB125,000 (2007: RMB5,868,000) were disposed of by the Group during the six-month period ended 30 June 2008, resulting in a net gain on disposal of RMB144,000 (2007: net loss of RMB4,439,000).

9. OTHER LONG TERM ASSETS

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Deposit paid for the purchase of unlisted equity investments	140,000	399,981
Unlisted equity investment for share swap transaction	91,000	–
Advance payment for the purchase of property, plant and equipment	96,354	9,883
Deposit paid for the purchase of exploration rights	50,000	–
Prepayment for long term assets	377,354	409,864

The Company has entered into Preliminary Equity Transfer Agreements (the "Agreements") with third parties to acquire a 65% equity interest of Qinghe Mining Limited ("Qinghe") and a 50% equity interest of Changji Mining Limited ("Changji"), both companies incorporated in the PRC. Pursuant to the Agreements, the Company paid a deposit of RMB140 million and has the first right to acquire Qinghe and Changji at considerations that will be determined by independent valuations.

During the period, the Company entered into agreements whereby it subscribed for a 51% interest in an investment holding company ("IC") (the "Deposit Stake") for RMB91 million and at the same time agreed to swap the Deposit Stake for a 51% interest in Xinjiang Xinhui Copper Limited ("Xinhui") (the "Swap Stake"). The remaining 49% interest in IC is held by the same third parties which hold the Swap Stake. As at 30 June 2008 the swap transaction had not been completed. Furthermore, the Company has not had control over the operating and financing policies of IC since subscription and, accordingly, the financial statements of IC have not been consolidated. Consequently the Deposit Stake has been classified as a deposit.

The total consideration for the subscription of 51% equity interest in IC is RMB141 million determined by an independent valuation and negotiation between the parties, based on the fair value of Xinhui.

10. TRADE AND NOTES RECEIVABLES

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Trade receivables	20,670	15,061
Notes receivable	37,650	18,155
	58,320	33,216

The ageing analysis of trade and note receivables based on invoice date is as follows:

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Outstanding balances due within 90 days	58,320	33,216

Trade and notes receivables are non-interest-bearing. There were no receivables that were past due or impaired. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of the receivables as they have no history of default. In addition, substantially all gold sales are made through the Shanghai Gold Exchange, or through physical delivery of gold and silver in settlement of liabilities to suppliers of gold and silver concentrates, or for cash. The credit term given to other customers is 30 days.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Unsecured:		
Bank loans	180,140	365,000
Other borrowings	10,590	10,590
	190,730	375,590
Portion classified as:		
Current	(122,940)	(352,800)
Non-current	67,790	22,790

The bank loans bear an effective interest rate of 6.39% (2007: 6.20%) per annum. The other borrowings bear an effective interest rate of 2.89% (2007: 2.25%) per annum. During the period, the Group borrowed bank loans and settled bank loans of RMB258,500,000 (2007: RMB53,000,000) and RMB452,000,000 (2007: RMB585,000,000) respectively.

12. TRADE PAYABLES

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Trade payables	82,387	61,632
Payable under tolling arrangements	112,711	173,660
	195,098	235,292

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

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Outstanding balances with ages:		
Within one year	180,601	229,826
Over one year but within two years	10,826	1,719
Over two years but within three years	1,635	1,260
Over three years, inclusive	2,036	2,487
	195,098	235,292

13. COMMITMENTS

Capital commitments

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Contracted, but not provided for:		
Land and buildings	4,569	79,185
Plant and machinery	87,345	98,127
Unlisted equity investments in subsidiaries	50,000	211,000
	141,914	388,312
Authorised, but not contracted for:		
Land and buildings	301,460	200,710
Plant and machinery	219,810	639,940
Exploration and evaluation assets	215,241	136,250
	736,511	976,900

As disclosed in note 9 to the interim condensed consolidated financial statements, the Group has entered into the Agreements with third parties to acquire a 65% equity interest in Qinghe and a 50% equity interest in Changji, for which the considerations will be determined by independent valuations.

Operating lease commitments

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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	642	2,865
In the second to fifth years, inclusive	2,412	2,459
	3,054	5,324

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

At the balance sheet date, contingent liabilities in the interim condensed consolidated financial statements were as follows:

(a) Indemnities from Zhaojin Group

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 (the 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	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
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
Payment of ground rent	2,963	1,500
Gold exchange commission fee	168	214
Non-recurring transactions:		
Capital transactions:		
Deposit paid for the purchase of exploration rights	50,000	–
(ii) Subsidiaries of Zhaojin Group		
Recurring transactions expenses:		
Fees for refining services	1,241	1,192
Fees for entertainment	–	103
Non-recurring transactions:		
Capital transactions:		
Purchase of property, plant and equipment	1,060	–
Purchase of computer parts	202	–

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. In addition, the following transactions took place:

- i. The Company entered into an indemnity agreement with Zhaojin Group on 17 November 2006, as disclosed in note 14 to the interim condensed consolidated financial statements. These indemnities are provided free of charge.
- ii. On 28 February 2008, the Group acquired a property from a wholly owned subsidiary of Zhaojin Group at a purchase consideration of RMB56,840,000 based on an independent valuation report and negotiation between the parties.
- iii. Guarantees granted by Zhaojin Group for securing the Group's bank loans were provided free of charge.

(b) Outstanding balances with related parties:

The Group had the following outstanding advances receivable/payable from/to related parties at 30 June 2008. The advances are unsecured, interest-free and have no fixed terms of repayment.

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 <i>RMB'000</i> (Audited)
Amount due from related parties:		
Zhaojin Group	521	7,059
Amount due to related parties:		
Subsidiaries of Zhaojin Group	1,392	-
Deposit paid for the purchase of exploration rights:		
Zhaojin Group	50,000	-

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

	For the six-month period ended 30 June	
	2008 RMB'000 (Unaudited)	2007 <i>RMB'000</i> (Unaudited)
Short term employee benefits	2,435	1,744
Post-employment benefits	-	-
Total compensation paid to key management personnel	2,435	1,744

16. SIGNIFICANT EVENTS DURING THE PERIOD

- (a) On 16 May 2008, the shareholders approved a bonus issue of 182,179,000 share of RMB1 each, on the basis of 0.25 share for every share held by capitalising retained profits of RMB182,179,000 to share capital. In addition, the shareholders approved a bonus issue of 546,536,000 shares of RMB1 each, on the basis of 0.75 share for every share held by capitalising capital reserve of RMB546,536,000 to share capital.
- (b) On 9 May 2008, the Company entered into a Transfer Agreement with Zhaojin Group to conditionally acquire four exploration rights from Zhaojin Group at total purchase consideration of RMB158,940,700. The transaction has not been completed at 30 June 2008 pending the fulfilment of the conditions precedent stated in the agreement and approval from the independent shareholders at an Extraordinary General Meeting to be held on 15 August 2008.

17. BUSINESS COMBINATIONS

Acquisitions of subsidiaries during the period are as follows:

- (a) On 31 January 2008, the Company completed its acquisition of a 52% equity interest in Fengningjinlong Mining Limited ("FNJL"), a company incorporated in the PRC, for a consideration of RMB347 million. FNJL is engaged in gold exploration and prospecting, mining, refining and processing and the sale of gold related products. The purchase consideration was fully settled in the form of cash at the date of acquisition.

- (b) On 31 January 2008, the Company completed its acquisition of a 51% equity interest in Xinjiang Tonghui Copper Mining Limited ("TCM"), a company incorporated in the PRC, for a consideration of RMB110 million. TCM is engaged in copper mining, and the sale of copper related products. The purchase consideration was fully settled in the form of cash at the date of acquisition.
- (c) On 31 January 2008, the Company completed its acquisition of a 51% equity interest in Kashi Xinxin Copper Mining Limited ("Xinxin"), a company incorporated in the PRC, at a consideration of RMB14 million satisfied with cash. Xinxin is engaged in copper mining, processing and the sale of copper related products.

The above acquisitions have been accounted for using the purchase method of accounting and contributed five months' results to the condensed consolidated financial statements from the acquisition date.

The fair values of the identifiable assets and liabilities of the above acquisitions as at the date of acquisition and the corresponding carrying amounts immediately before the acquisitions were as follows:

	Carrying amounts <i>RMB'000</i>	Fair values on acquisition <i>RMB'000</i>
Property, plant and equipment	212,108	212,108
Intangible assets	–	700,243
Prepayments and other receivables	6,365	6,365
Interest-bearing bank and other borrowings	(13,730)	(13,730)
Deferred tax liabilities	–	(135,194)
Minority interests	–	(297,976)
	204,743	471,816
Satisfied by:		
Cash		471,816

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisitions is as follows:

	2008 <i>RMB'000</i>
Cash consideration	471,816
Deposit paid in 2007	(399,981)
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	71,835

From the date of acquisition, the above subsidiaries have contributed a net loss of RMB10,498,000 to the Group. Had the combinations taken place at the beginning of the period, the revenue and profit of the Group for the period would have been RMB767,929,000 and RMB199,546,000 respectively.

18. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 15 August 2008.