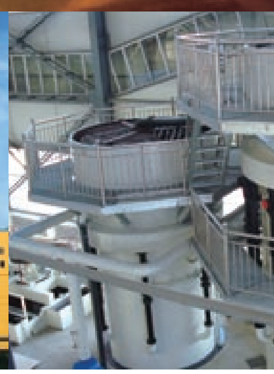
ZHAOJIN

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

2009

*For identification purposes only


金脈承千年 仁義結天下

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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
(President and Chief Executive Officer)
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

Supervisory Committee Members

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
(President and Chief Executive Officer)

Board Committee

Audit Committee Members

Ms. Chen Jinrong *(Chairman of Audit Committee)*
Mr. Liu Gendong
Mr. Yan Hongbo
Mr. Choy Sze Chung Jojo

Remuneration and Appraisal Committee Members

Mr. Yan Hongbo (*Chairman of Remuneration and Appraisal Committee)*
Mr. Liang Xinjun
Ms. Chen Jinrong

Nomination Committee Members

Mr. Ye Tianzhu
(Chairman of Nomination Committee)
Mr. Wu Ping
Ms. Chen Jinrong

Strategic Committee Members

Mr. Lu Dongshang
(Chairman of Strategic Committee)
Mr. Liang Xinjun
Mr. Liu Gendong
Mr. Yan Hongbo
Mr. Ye Tianzhu

Safety and Environmental Protection Committee Members
Mr. Yan Hongbo *(Chairman of Safety and Environmental Protection Committee)*
Mr. Wang Peifu
Mr. Cong Jianmao
Mr. Ye Tianzhu

Auditors

International Auditors
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Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRC Auditors
Shulun Pan Certified Public Accountants
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Shanghai
PRC

Legal Advisers

PRC Legal Adviser
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Registered Office

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Shandong, PRC

Principal Place of Business in Hong Kong

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Gloucester Tower
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15 Queen's Road Central
Hong Kong

Hong Kong H 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 2009 (the "Period"), Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the exploration, mining, ore processing, smelting and sale of gold products and other metallic products in the People's Republic of China ("PRC"). The principal products include Au9999 and Au9995 standard gold bullions and other gold products under the brand name of "Zhaojin".

II. INTERIM RESULTS

Revenue

During the Period, the Group generated revenue of approximately RMB1,063,102,000 (corresponding period of 2008: approximately RMB751,394,000), representing an increase of approximately 41.48% as compared to the corresponding period of last year.

Net profit

During the Period, the net profit of the Group was approximately RMB316,030,000 (corresponding period of 2008: approximately RMB201,646,000), representing an increase of approximately 56.73% as compared to the corresponding period of last year.

Gold production

During the Period, the Group had attained an aggregate gold production of 9,811 kg (approximately 315,431 ozs), representing an increase of approximately 16.48% as compared to 8,423 kg (approximately 270,806 ozs) in the corresponding period of last year. Of which, gold output from the Group's mines accounted for 5,624 kg (approximately 180,816 ozs), representing an increase of approximately 34.26% as compared to 4,189 kg (approximately 134,679 ozs) in the corresponding period of last year and gold output from smelting and tolling arrangement accounted for 4,187 kg (approximately 134,615 ozs), representing a decrease of approximately 1.11% as compared to 4,234 kg (approximately 136,126 ozs) in the corresponding period of last year.

Profit attributable to shareholders of the Company

During the Period, the Group's profit attributable to shareholders was approximately RMB319,708,000 (corresponding period of 2008: approximately RMB214,404,000), representing an increase of approximately 49.11% as compared to the corresponding period of last year.

Earnings per share

During the Period, earnings per share of the Group amounted to approximately RMB0.22 (corresponding period of 2008: approximately RMB0.15), representing an increase of approximately 46.67% as compared to the corresponding period of last year.

Net assets per share

As at 30 June 2009, the consolidated net assets per share of the Company was approximately RMB3.11 (corresponding period of 2008: approximately RMB2.55), and the yield to net assets was approximately 6.97% (corresponding period of 2008: approximately 5.77%).

III. INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of interim dividend for the six months ended 30 June 2009 (corresponding period of 2008: nil).

IV. ACQUISITIONS

(1) On 19 January 2009, the Company entered into an equity transfer agreement with three independent third parties to acquire 52% equity interest in Gansu Hezuo Zaozigou Gold Mine Co. Ltd. (甘肅省合作早子溝金礦有限公司) ("ZGM"). The Company successfully bidded for 52% equity interest in ZGM at a price of RMB55,000,000 in a public tender in the PRC on 21 November 2008. Such acquisition was completed on 9 April 2009.

ZGM is based in Gannan Tibetan Autonomous Prefecture in Gansu Province and is engaged in exploitation of gold mines and associated mineral resources, processing and sales of mineral products. ZGM currently owns the mining rights to one gold mine with an area of 2.53 km^2. According to the on-site investigation carried out by the Company and the evaluation conducted by the Mineral Resources Reserves Assessment Center of the State Ministry of Land and Resources of Gansu Province (甘肅省國土資源廳礦山儲量評審中心), the owned resources comprise gold ore of approximately 2,471,800 tons and gold metal of approximately 9,789 kg (approximately 314,724 ozs) with an average grade of 3.96 g/ton. The production scale is 72,000 tons/year and the mining method adopted is underground mining. A good prospect of finding mine reserves at the depth and periphery of the Zaozigou Gold Mine is expected.

By acquiring 52% equity interest in ZGM, the Company has an opportunity to increase its investment in the gold mine resources in Gansu Province, which is strategically important in terms of further consolidating the gold resources in the southern area of Gannan and the periphery of Qinghai and Ningxia. It will also help the Company to generate more returns from the investment in ZGM.

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

(2) On 18 February 2009, Tuoli Zhaojin Beijiang Mining Co., Ltd (托里縣招金北疆礦業有限公司) ("Tuoli Zhaojin"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with four vendors (being independent third parties) to acquire 100% equity interest in Tuoli Tianshanze Mining Co., Ltd (托里縣天山澤礦業有限公司) ("Tianshanze Company") at a consideration of RMB10,000,000.

Tianshanze Company is based in the south-eastern area of Tuoli, Xinjiang and is engaged in the mining, ore processing and sale of gold and copper. Tianshanze Company currently owns the mining rights to one gold mine with an area of 0.1009 km^2. The gold resources were approximately 233 kg (approximately 7,491 ozs) with an average grade of 22 g/ton.

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

(3) On 18 February 2009, Tuoli Zhaojin, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with four vendors (being independent third parties) to acquire 100% equity interest in Tuoli Tianyun Gold Mining Co., Ltd (托里縣天蘊黃金礦業有限公司) ("Tianyun Company") in Tuoli at a consideration of RMB20,000,000.

Tianyun Company is based in the south-eastern area of Tuoli, Xinjiang and is engaged in the processing and sale of gold. Tianyun Company currently owns one gold mining rights with an area of approximately 0.1777 km^2, and one exploration rights with an exploration area of 4.82 km^2. The gold resources were 491 kg (approximately 15,786 ozs) with an average grade of 9.97 g/ton. Tianyun Company owns two production areas, each with mine processing plant with capacities of 120 tons/day and 300 tons/day, respectively. The processing method adopted is flotation and the primary product is gold concentrates.

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

V. BUSINESS REVIEW

Promote outward expansion and acquisition

During the Period, the Group has adhered to its strategy of acquiring large-scale mines, focusing on regional developments, expanding at low cost and further collaboration. The Group has sent 15 resource investigation teams to various provinces, including Inner Mongolia, Hebei, Liaoning, Guangdong, Xinjiang etc, to carry out on-site investigations, findings and researches on 15 gold mines located at those provinces and Shandong province. Having investigated a total area of over 10 km^2 with mining rights and areas of 2,090 km^2 with exploration rights, the Group has further attained progress for its outward expansion works.

During the Period, the Group has successfully acquired 52% equity interest in ZGM, 100% equity interest in Tianyun Company and Tianshanze Company and subsequently acquired 80% equity interest in Xinyuan Gold Mining Industry Co. Ltd. (鑫源黃金礦業有限公司) ("Xinyuan Gold Company") by way of increasing share capital through cash contributions.

Significant achievement in geological exploration and resources development

During the Period, the Group has raised its gold resources by 34,744 kg (approximately 1,117,045 ozs) through acquisitions and geological explorations, among which the increase in gold resources through exploration amounted to 24,231 kg (approximately 779,045 ozs), and gold resources acquired amounted to 10,513 kg (approximately 338,001 ozs):

During the Period, in respect of geological exploration, the Group adhered to the principle of "integration of planning, management, technology and research, prospecting and survey, and development" and focusing on technological research of geology through practices, which enabled the Group to explore two mines within and outside Zhaoyuan. The Group has maintained its effort in exploring in-depth deposits and surrounding areas of Dayingezhuang Gold Mine, Xiadian Gold Mine, Hedong Gold Mine, Minxian Tianhao Gold Co., Ltd. (岷縣天昊黃金有限責任公司) ("Minxian Tianhao"), Liangdang Zhaojin Mining Industry Co., Ltd. (兩當縣招金礦業有限公司) ("Liangdang Zhaojin"), ZGM and Tuoli Zhaojin and has achieved remarkable increase in reserves. During the Period, the Group has invested RMB33,780,000 in exploration with an accumulated tunneling of 23,954 meters, drilling of 38,566 meters and estimated gold metal volume of 24,231 kg (approximately 779,045 ozs).

Xiadian Gold Mine raised the gold resources by 8,404 kg (approximately 270,195 ozs), with huge potential to further increase, especially for areas at depth with ore bodies facing north-east.

Being an important mining area for the increase in mineral resources during this year, Dayingezhuang Gold Mine raised the gold resources by 7,598 kg (approximately 244,281 ozs).

The Group has conducted large-scale drilling during the Period which mainly discovered unidentified reserves and resources. It is expected that we will accomplish breakthroughs in exploration of Zhaoping fault-line area in the second half of 2009.

In respect of external resources development, relying on Kuogeshaye Gold Mine in Xinjiang and focusing on integration and acquisition of resources in its periphery for achieving synergies, Tuoli Zhaojin acquired the mining rights to one gold mine from Tianshanze Company, and one gold mining right and one exploration right from Tianyun Company, and the additional gold resources acquired were 724 kg (approximately 23,277 ozs). Tuoli Zhaojin will become the platform for the Group to carry out external acquisitions and increase mineral resources.

As at the date of this report, the Group possessed 56 exploration rights with exploration areas of 1,259.82 km^2 and 22 mining rights with mining areas of 57.54 km^2.

Strengthen gold sales management to maximize results

Due to global financial crisis, the gold prices have been fluctuating more frequently and significantly. In order to achieve maximum "selling results", the sales personnel of the Group have been analyzing the gold prices everyday around the clock and extensively collecting information to make accurate judgment for the trend of gold prices. During the Period, the average selling price of gold sold by the Group was RMB206.99 per gram, which is higher than the average price of Shanghai Stock Exchange of RMB201.59 per gram by RMB5.40 per gram. Accordingly, the sales income was increased by approximately RMB21,162,000.

Fruitful achievements in research and development and technological innovation

During the Period, the Group had invested a total of approximately RMB8,300,000, implemented 24 research and development and technological innovation projects, applied for 11 patents and obtained approval for 16 patents.

During the Period, the revenue of the Group have been increased by approximately RMB10,500,000 through the commencement of various research and development and technological innovation projects. The Group was recognized as the State's Model Enterprise for Information Management.

Satisfactory progress in safety and environmental protection

During the Period, the Group has participated in several activities, namely "National safety production year", "Implementation of safety production responsibility year" of Shandong province and "Safety production foundation year" of Yantai City, and fully promoted the technology and safety works. Therefore, digital construction works of mines have attained remarkable results. The live conference for digital construction works of non-coal mines in Shandong province and the live conference for digital construction works of gold mines in Yantai City have been convened in Dayingezhuang Gold Mine and Xiadian Gold Mine. The attending officers have given high value and recognition on the digital mine construction adopted by the Group to enhance safety and environmental protection management. During the first half of the year, the Group recorded no production safety incidents resulting in serious injuries, and realized its target of having zero industrial deaths, fire, explosion, material accidents and environmental pollution accidents.

Emphasis on nurturing and enhancing corporate culture

During the Period, the Group has highly emphasized the cultivation and enhancement of corporate culture and adhered to "cooperation and gathering strengths in our business operation" as the principle for its major corporate culture cultivation and training activities. The Group has commenced various corporate cultural events to strengthen its corporate culture and create new momentum for the Group's development.

Social responsibilities

During the Period, the Group has fulfilled its social responsibility and donated RMB647,952 via charity programs to establish a good corporate image.

VI. FINANCIAL AND RESULTS ANALYSIS

Revenue

During the Period, the Group's revenue amounted to approximately RMB1,063,102,000 (corresponding period of 2008: approximately RMB751,394,000), representing an increase of approximately 41.48% as compared to the corresponding period of last year. During the Period, the increase in revenue was primarily due to: (1) the gold production of the Group's mines increased by approximately 34.26% as compared to the corresponding period of last year; (2) the revenue from silver and other by-products recorded an increase as compared to the corresponding period of last year.

Net profit

During the Period, net profit of the Group amounted to approximately RMB316,030,000 (corresponding period of 2008: approximately RMB201,646,000), representing an increase of approximately 56.73% as compared to the corresponding period of last year. The increase in net profit was due to: (1) the gold production of the Group's mines increased by approximately 34.26%; (2) the Group's integrated cost per gram decreased by approximately 6.52% due to the significant effects of the Group's cost control measures; (3) the Group's returns on investments during the Period increased as compared to the corresponding period of last year.

Gold production

During the Period, the Group has attained an aggregate gold production of 9,811 kg (approximately 315,431 ozs) of gold, representing an increase of approximately 16.48% as compared to 8,423 kg (approximately 270,806 ozs) in the corresponding period of last year. The increase in gold production was mainly due to: (1) the increase in production capacity resulting from the completion of the expansion and transformation of Dayingezhuang Gold Mine and Xiadian Gold Mine; (2) the increase in production capacities of the Group's enterprises outside Zhaoyuan, namely Minxian Tianhao, Tuoli Zhaojin and Aletai Kunhe Zhaojin Mining Co. Ltd. (阿勒泰市招金昆合礦業有限公司), during the Period.

Integrated cost

During the Period, the Group's integrated cost was approximately RMB88.90 per gram (corresponding period of 2008: approximately RMB95.1 per gram), representing a decrease of approximately 6.52% as compared to the corresponding period of last year. The decrease in integrated cost was due to the adoption by the Group of scientific and effective cost-control measures. Considerable effective works had been done on responsibility verification, tender procurement, cost control through utilizing different electricity pricing systems during on-peak and off-peak hours, and the control on unit price of production team. In addition, there was a drop in price level as compared to last year.

Sale price of gold

During the Period, the average sale price of gold of the Group traded at Shanghai Gold Exchange was RMB206.99 per gram (corresponding period of 2008: RMB209.35 per gram), representing a decrease of RMB2.36 per gram and approximately 1.13% as compared to the corresponding period of last year. The average sale price was RMB5.40 per gram higher than the average sale price of RMB201.59 per gram traded at Shanghai Gold Exchange.

Cost of sales

During the period, the Group's cost of sales amounted to approximately RMB484,836,000 (corresponding period of 2008: approximately RMB345,970,000), representing an increase of approximately 40.14% as compared to the corresponding period of last year. The increase was primarily attributable to the increase in the Group's sales volume of gold.

Gross profit and gross profit margin

During the Period, the Group's gross profit was approximately RMB578,266,000, representing an increase of approximately 42.63% as compared to RMB405,424,000 of the corresponding period of last year. The Group's gross profit margin increased from approximately 53.96% for the six months ended 30 June 2008 to approximately 54.39% for the Period. The increase in gross profit margin was primarily due to the significant achievement of the cost control measures adopted by the Group, as reflected by the decrease in the gold integrated cost per gram by approximately 6.52% as compared to the corresponding period of last year.

Other revenues and gains

During the Period, the Group's other revenues and gains were approximately RMB47,044,000 (corresponding period of 2008: approximately RMB16,459,000), representing an increase of approximately 185.83% as compared to the corresponding period of last year. The increase was mainly due to the considerable increase in government subsidies and revenue from securities investment obtained by the Group during the Period as compared to the corresponding period of last year.

Selling and distribution costs

During the Period, the Group's selling and distribution costs were approximately RMB12,560,000 (corresponding period of 2008: approximately RMB8,610,000), representing an increase of approximately 45.88% as compared to the corresponding period of last year. The increase was mainly due to the increase in the Group's gold production, which resulted in the increase in gold refinery costs and transaction costs.

Administrative and other operating expenses

During the Period, the Group's administrative and other operating expenses were approximately RMB182,673,000 (corresponding period of 2008: approximately RMB137,934,000), representing an increase of approximately 32.44% as compared to the corresponding period of last year. Such increase was due to (1) the increase in administrative expense due to expansion in the scale of the Group; (2) the increase in the Group's gold production, hence leading to a simultaneous increase in various payments to the government; (3) the rise in employees' remuneration and benefit expenses of the Group.

Liquidity and capital resources

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

As at 30 June 2009, the Group had cash and cash equivalents of approximately RMB615,621,000, representing a decrease of approximately 10.62% as compared to approximately RMB688,764,000 as at the end of last year. The decrease was mainly due to investment and acquisition.

As at 30 June 2009, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to RMB38,956 (31 December 2008: RMB23,737) and those denominated in United States dollars ("US$") amounted to RMB5,320,309 (31 December 2008: RMB5,751,501). All other cash and cash equivalents held by the Group are denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies, however, pursuant to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulation, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Borrowings

As at 30 June 2009, the Group had outstanding bank loans and other borrowings of RMB707,696,000 (31 December 2008: RMB478,980,000), of which RMB593,906,000 (31 December 2008: RMB471,190,000) was repayable within 1 year, RMB106,000,000 (31 December 2008: nil) was repayable within 2 to 5 years and RMB7,790,000 (31 December 2008: RMB7,790,000) was repayable after 5 years.

As at 30 June 2009, the Group had borrowings in excess of its cash balance, and hence had gearing ratio of approximately 1.99%, which is net debt divided by total equity plus net debt. Net debt is bank and other borrowings, net of cash and cash equivalents.

As at 30 June 2009, the Group had outstanding borrowings of RMB707,696,000 with fixed interest rate, RMB648,503,275 is denominated in RMB and remaining equivalent RMB59,192,725 is denominated in Hong Kong dollors.

__Income tax__

The effective income tax rate (i.e. the total income tax divided by profit before tax) of the Group during the Period was approximately 24.80% (corresponding period of 2008: approximately 25.11%).

__Total assets__

As at 30 June 2009, the total assets of the Group were approximately RMB6,339,825,000, representing an increase of approximately 6.89% as compared to approximately RMB5,930,985,000 as at the end of last year, among which total non-current assets amounted to approximately RMB4,720,582,000, accounting for approximately 74.46% of the total assets, representing an increase of approximately 7.18% as compared to approximately RMB4,404,555,000 as at the end of last year. As at 30 June 2009, total current assets were approximately RMB1,619,243,000, accounting for approximately 25.54% of the total assets, representing an increase of approximately 6.08% as compared to approximately RMB1,526,430,000 as at the end of last year.

__Net assets__

As at 30 June 2009, the net assets of the Group were approximately RMB4,533,570,000, representing an increase of approximately 2.83% as compared to approximately RMB4,408,669,000 as at the end of last year.

__Total liabilities__

As at 30 June 2009, the total liabilities of the Group were approximately RMB1,806,255,000, representing an increase of approximately 18.65% as compared to approximately RMB1,522,316,000 as at the end of last year. As at 30 June 2009, the debt ratio (i.e. the total liabilities divided by the total assets) was approximately 28.49%, representing an increase of approximately 2.82% as compared to approximately 25.67% as at the end of last year, primarily due to higher bank loans as explained above.

__Contingent liabilities__

As at 30 June 2009, the contingent liabilities of the Group do not have any change as compared to those as at 31 December 2008.

__Market risks__

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

Interest rate risk

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

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

Foreign exchange risk

All of the 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 in turn affects the Group's operating results. Fluctuations in exchange rates may have an adverse effect on the Group's net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

In order to partially finance its dividend payments, the Group has borrowed RMB59,192,725 denominated in Hong Kong dollars, repayable in May 2010. The Group has entered into a forward currency contract to effectively fix the exchange rate on this loan.

Gold price and other commodities price risks

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

Pledge

Except for the pledged deposit of RMB59,396,000 (2008: nil), the Group had not pledged its assets during the six months ended 30 June 2009.

Substantial acquisitions

The details of substantial acquisitions conducted by the Group during the Period are set out in note 17 on page 42 to the condensed consolidated financial statements of this report, and are set out on page 5 to page 6 under the section headed "Acquisitions".

VII. BUSINESS OUTLOOK

During the Period, the Group has accomplished its production plans and operation targets with the efforts made by all of our staff. In the second half of the year, the Group will focus on achieving the following aspects:

Striving for integration of resources and enhancing our leading position in gold industry

Resources have always been the major focus of mining industry and the Group's development. In the second half of the year, the Group will strive for becoming a "leading domestic and international gold mining company", continue to focus on fighting for resources, development and construction works with an aim to attain satisfactory results and also strengthen the outward expansion and integration of resources. Firstly, the Group will emphasize the integration of resources near two of the bases, namely Xinjiang and Gansu, in order to establish Zhaojin Mining group in the western regions. Secondly, the Group will fully utilize the regional advantages and the integration of resources to strengthen the efforts made towards integration of gold resources in Zhaoyuan in order to enhance gold reserves and the leading position.

Emphasizing geological exploration and facilitating future developments

By adhering to "focusing on technology, choosing the best of the best and achieving breakthroughs" as its principle, the Group improves the exploration potentials of the existing mining areas and commences geological exploration works. Firstly, with Zhaoping fault-line area as the target region, the Group will focus on the in-depth exploration of Dayingezhuang Gold Mine and Xiadian Gold Mine to strive for additional gold resources in these two mining areas. Secondly, the Group will strengthen the exploration works of mines with exploration rights outside Zhaoyuan. The Group will emphasize Minxian Tianhao, Liangdang Zhaojin, Tuoli Zhaojin and ZGM, which possess good ore-forming conditions to explore for new and potential mines outside Zhaoyuan. Thirdly, the Group will strive for obtaining exploration funds from the government. According to the confirmed exploration projects in the first half of the year, the Group will provide suitable information and prepare for the answering session in a prudent manner, communicate and liaise with relevant authorities in order to obtain exploration funds from the government.

Organizing production activities prudently and ensuring successful project construction

In the second half of the year, the Group will further consolidate and promote "time is efficiency" as its concept and adhere to timely production and technology reform as its principle. The Group will also adopt a system by determining its targets, responsibilities and person in charge of the projects with an aim to achieve the annual production goal and to complete planned targets of each project construction at the same time. The Group will focus on the construction of north ventilation shaft and excavation works of -496 meters in Dayingezhuang Gold Mine, system upgrade and shaft installation of Hedong Gold Mine, and exploiting system setup and partial optimization projects of Jinchiling Gold Mine. In the second half year of 2008, the Group undertook to engage a professional engineering company to address the underground water issue in Jintingling Gold Mine. As of 30 June 2009, the Group has made certain progress in this regard. The Group will continue its hydraulic project to address underground water issues which are limiting the expansion of production scale of Jintingling Gold Mine.

Enhancing the management level and reinforcing cost control

The Group will emphasize on enhancing the management level of each subsidiary, especially on the cost control of the subsidiaries outside Zhaoyuan. The Group will also analyze the costs of each production unit and factors affecting the costs to formulate specific measures to lower the costs and set up marginal cost. By using integrated cost of gold per gram as its indicator, the Group will continue strengthen its cost awareness so as to control its cost effectively and further enhance its profitability.

Emphasizing safety and environmental protection to pursue safe and green mines

On the basis on the Group's safety and environmental protection, the Group will strive to accumulate experiences from digital construction of Xiadian Gold Mine and Dayingezhuang Gold Mine and implement digital construction works for the whole Group in the second half of the year. Through mechanization and automation, the Group is committed to establish safe and modern mines. The Group will continue to implement security systems, such as "mine managers going into mines as foremen" and examination of safety indicators as well as to improve its management of external construction units by implementing localized management principles and "safety permission" systems for the external construction teams.

Strengthening the cultivation of corporate culture and Zhaojin brand image

The Group will continue to launch various corporate cultural events to enhance the sense of glory and honor of the staff as well as their loyalty in order to unify the corporate values, entrepreneurship and operation concepts. By enhancing the working motive of the staff, their efficiency can be improved, and in turn further enhance its internal coherence and competitiveness.

OTHER INFORMATION

I. CHANGES IN SHAREHOLDINGS OF SHAREHOLDERS AND SHARE CAPITAL STRUCTURE

1. *Changes in total share capital*

For the six months ended 30 June 2009, the Company did not arrange any issue of bonus shares, placing or increase in share capital, nor did it offer any new shares of the Company.

During the Period, there were no changes in the total share capital of the Company.

2. *Number of Shareholders*

The details of number of shareholders of the Company recorded in the register as at 30 June 2009 are as follows:

Classification	Number of shareholders
Domestic share	5
Overseas listed foreign share – H share	2,444
Total number of shareholders	2,449

3. *Substantial Shareholders*

To the best knowledge of the Directors, supervisors and chief executives of the Company, as at 30 June 2009, the interests and short positions of substantial shareholders in the issued share capital of the Company which were required, pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"), to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which were required to be notified to the Company were as follows:

	Name of Shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in registered capital of the Company	Approximate percentage of shareholding in the total number of issued domestic shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company	Long/Short/ Lending Pool
1	Shandong Zhaojin Group Company Limited	Domestic shares	Beneficial owner	543,257,000 *(Note 1)*	37.27	53.25	–	Long
2	Shanghai Yuyuan Tourist Mart Co., Ltd.	Domestic shares	Beneficial owner	371,000,000	25.46	36.36	–	Long
		Domestic shares	Interest of controlled corporation	10,600,000 *(Note 2)*	0.73	1.04	–	Long
3	Shanghai Fosun Industrial Investment Co., Ltd.	Domestic shares	Beneficial owner	53,000,000 *(Note 3)*	3.64	5.19	–	Long
4	Shanghai Fosun High Technology (Group) Company Limited	Domestic shares	Beneficial owner	53,000,000 *(Note 3)*	3.64	5.19	–	Long
5	Fosun International Limited	Domestic shares	Beneficial owner	53,000,000 *(Note 3)*	3.64	5.19	–	Long
6	Fosun Holdings Limited	Domestic shares	Beneficial owner	53,000,000 *(Note 3)*	3.64	5.19	–	Long
7	Fosun International Holdings Ltd.	Domestic shares	Beneficial owner	53,000,000 *(Note 3)*	3.64	5.19	–	Long
8	Guo Guangchang	Domestic shares	Interest of controlled corporation	53,000,000 *(Note 3)*	3.64	5.19	–	Long
9	Atlantis Investment Management Ltd.	H shares	Investment manager	78,491,000	5.39	–	17.95	Long
10	JP Morgan Chase & Co	H shares	Beneficial owner	2,000,000 *(Note 4)*	0.14	–	0.46	Long
		H shares	Beneficial owner	2,000,000 *(Note 4)*	0.14	–	0.46	Short

Name of Shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in registered capital of the Company	Approximate percentage of shareholding in the total number of issued domestic shares of the Company	Approximate percentage of shareholding in the total number of issued H shares of the Company	Long/Short/ Lending Pool
	H shares	Beneficial owner	51,063,332 *(Note 4)*	3.50	–	11.68	Lending pool
	H shares	Custodian-corporation/ approved lending agent	51,063,332 *(Note 4)*	3.50	–	11.68	Long
11 NSSF Council	H shares	Beneficial owner	39,743,000 *(Note 1)*	2.73	–	9.09	Long

Notes:

(1) Pursuant to Section 336 of the Securities and Future Ordinance, the shareholders of the Company are required to file interest disclosure forms when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless certain criteria are fulfilled, therefore substantial shareholders' latest shareholding in the Company may be different to the information filed with the Company and the Stock Exchange.

(2) Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") holds 95% equity interest in Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold"), therefore the 10,600,000 domestic shares held by Laomiao Gold in the Company is shown as long position of Shanghai Yuyuan.

(3) The 53,000,000 shares represent the same block of shares.

(4) JP Morgan Chase & Co holds equity interest in shares of the Company through companies controlled or indirectly controlled by it.

As at 30 June 2009, apart from the above disclosure and to the best knowledge of the Directors, supervisors and chief executives of the Company, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or held 5% or above in the issued share capital of the Company which was required to be notified to the Company.

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

As at 30 June 2009, none of the Directors, supervisors and chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in the Part XV of the SFO, Chapter 571 of the laws of Hong Kong) which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which they were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (for such purposes, the relevant provisions in the SFO were also construed as applicable to the supervisors).

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

At no time during the six months ended 30 June 2009 had the Directors or supervisors held any shares of the Company. None of the Directors and supervisors had any interests in the share capital or debt securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors, supervisors and their spouses and children below eighteen years old was granted rights to subscribe for the interests in the share capital or debt securities of the Company or any of its associated corporations and there was no exercise of any of such rights by any of such persons.

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

V. EMPLOYEES

As at 30 June 2009, the Group had employed a total of 5,213 (30 June 2008: 4,285) employees. During the Period, the total staff costs of the Group were approximately RMB128,708,000 (corresponding period of 2008: approximately RMB119,536,000). The Group remunerates its employees according to their performance, experience and prevailing industry practices. Other benefits offered to the employees include retirement benefits plans, medical benefits plans and housing fund plans. The Group also provides opportunities for further education and training to its employees. The Group offers competitive remuneration packages to its employees and reviews employee remuneration annually with reference to the prevailing labour market and human resources market trends and laws.

VI. 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.

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

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

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

VIII. IMPORTANT EVENTS

1. On 15 May 2009, the 2008 annual general meeting reviewed and passed, among other things, the following resolutions:

   (1) The Company's profit distribution proposal for the year ended 31 December 2008 of a cash dividend of RMB0.166 (before taxation) per share to all shareholders. On 18 June 2009, the Company distributed the 2008 cash dividend of RMB0.166 (before taxation) per share to all shareholders;

   (2) Amendments to Articles 3.5 and 8.9 of the Articles of Association. Such amendments related to alterations of shareholding structure and despatch of corporate communications of the Company by way of electronic means;

   (3) Authorizing the Board to issue of the corporate bonds in the PRC with an aggregate principal amount of not more than RMB1.5 billion to satisfy the medium-to-long-term financing requirements by the Group, in order to perfect the capital structure of the Company and to enhance the cash flow of the Company;

   (4) Authorizing the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of each class of the issued Domestic Shares and H Shares as at the date of passing such resolution; and

   (5) Authorizing the Board to repurchase up to a maximum of 10% of the aggregate nominal value of the issued H Shares of the Company as at the date of passing such resolution.

   Relevant details were set out in the announcement of the Company dated 15 May 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

2. On 15 May 2009, the domestic shares class meeting and H shares class meeting respectively reviewed the following proposals:

   (1) Authorizing the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of each class of the issued Domestic Shares and H Shares at the date of passing such resolution; and

   (2) Authorizing the Board to repurchase up to a maximum of 10% of the aggregate nominal value of the issued H Shares of the Company as at the date of passing such resolution.

Both proposals were approved at the domestic shares class meeting. The proposal set out in 2.(2) above was approved at the H shares class meeting, yet the proposal set out in 2.(1) above was not approved at the H shares class meeting.

Relevant details were set out in the announcement of the Company dated 15 May 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

3. The Board decided to readjust the remaining proceeds received by the Company from the Global Offering of approximately HK$526,000,000 for other purposes to carry out acquisition of domestic and overseas gold mines. The Board considers the above readjustment to the intended use of the net proceeds received by the Company from the Global Offering is in the best interest of the Company and its shareholders as a whole. The readjustment was passed by way of ordinary resolution at 2009 second extraordinary general meeting.

   Relevant details were set out in the announcement of the Company dated 10 July 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

4. On 25 February 2009, Tuoli Zhaojin, a wholly-owned subsidiary of the Company, established a wholly-owned subsidiary, Hami Zhaojin Taihe Mining Industry Company Limited (哈密市招金泰合礦業有限公司) ("Zhaojin Taihe"), in the Hami City of Xinjiang, with a registered capital of RMB20,000,000. The purpose of establishing Zhaojin Taihe is to ensure the Group's extensive and long-term development in Xinjiang's mining industry, the ability to obtain advantageous resource and mines with high potential, and to guarantee a smooth progress in exploring new mines in Hami City.

IX. CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions during the Period are as follows:

1. On 5 March 2009, the Company and Shandong Zhaojin Group Company Limited ("Shandong Zhaojin") entered into the Framework Agreement in relation to the sale of silver by the Group to Shandong Zhaojin and its subsidiaries. Pursuant to the agreement, the annual caps in relation to the sale of silver by the Group to Shandong Zhaojin and its subsidiaries from 1 January 2009 to 31 December 2011 are RMB77,000,000, RMB85,000,000 and RMB94,000,000, respectively.

   Shandong Zhaojin is a promoter and the controlling shareholder of the Company and the transactions constitute continuing connected transactions of the Company under the Listing Rules. As the relevant percentage ratios in respect of the proposed annual caps are more than 2.5% and each of the proposed annual caps is more than HK$10 million, the transactions and the proposed annual caps are subject to the reporting and announcement requirements and the approval of the independent shareholders by poll at the extraordinary general meeting under the Listing Rules. Shandong Zhaojin and its associates abstained from voting at the extraordinary general meeting.

On 15 May 2009, independent shareholders approved the continuing connected transactions and proposed annual caps at the extraordinary general meeting.

Relevant details were set out in the announcements of the Company dated 5 March 2009 and 15 May 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

2. On 24 June 2009, the Company entered into the following agreements:

   (i) the Land Lease Agreement with Shandong Zhaojin in relation to the leasing of land use rights by Shandong Zhaojin to the Company;

   (ii) the Gold Refinery Agreement with Shandong Zhaojin Gold and Silver Refinery Company Limited (山東招金金銀精煉有限公司) ("Zhaojin Refinery", a 80.5% owned subsidiary of Shandong Zhaojin) in relation to the provision of gold refining services by Zhaojin Refinery to the Company; and

   (iii) the Digital Mine Construction Technology Services Agreement with Shandong Goldsoft Technology Company Limited (山東金軟科技有限公司) ("Goldsoft Technology", a 50% owned associate of Shandong Zhaojin) in relation to the provision of digital mine construction technology services by Goldsoft Technology to the Group.

   As Shandong Zhaojin is a promoter and the major shareholder of the Company, while Zhaojin Refinery and Goldsoft Technology, which are owned as to 80.5% and 50% respectively by Shandong Zhaojin, are associates of Shandong Zhaojin. Accordingly, Shandong Zhaojin, Zhaojin Refinery and Goldsoft Technology are connected persons of the Company and the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement and the Digital Mine Construction Technology Services Agreement constitute continuing connected transactions for the Company under the Listing Rules. As the relevant percentage ratios in respect of the proposed annual caps of each of the aforesaid transactions for each of the three years ending 31 December 2011 are less than 2.5%, the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement and the Digital Mine Construction Technology Services Agreement and the proposed annual caps thereof are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

   Relevant details were set out in the announcement of the Company dated 24 June 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

Please also refer to the note 15 on page 40 to 41 to the interim condensed consolidated financial statements of this report for the Period headed "Related party transactions" above.

X. EXTRAORDINARY GENERAL MEETING

During the Period, the Company held one extraordinary general meeting.

On 15 May 2009, the Company held 2009 first extraordinary general meeting, at which independent shareholders reviewed and passed the continuing connected transactions between the Group and Shandong Zhaojin and its subsidiaries and the proposed annual caps thereof in relation to the sale of silver by the Group to Shandong Zhaojin and its subsidiaries.

Relevant details were set out in the announcement of the Company dated 15 May 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

XI. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with all the code 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.

XII. 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 the Model code as its own code of conduct regarding Director's and supervisors' securities dealings.

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

XIII. 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 Company's unaudited interim report for the six months ended 30 June 2009, and the committee is of the view that the unaudited interim report for the six months ended 30 June 2009 is prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

XIV. INVESTOR RELATIONS

The Company maintains communication with investors through various ways to enhance their understanding on the business development, operating strategy, industry conditions and prospects of the Company.

To ensure that investors are able to obtain the latest news from the Company timely, in addition to the annual report and interim report published every year, press releases are regularly published through the Company's website and other media. In addition, the management of the Company actively participates in the local and global investor conferences held by investment banks and securities firms to explain to overseas and local investors on the business development and financial conditions of the Company.

The Company has established and maintained intensive communication with institutional investors and research analysts through telephone conferences and meeting. In addition, the Company also sends analysts and fund managers to visit mine enterprises to enhance their understanding on the business operations and production procedures of the Company.

The investor relations of the Company aim to collect investors' opinions and feedback on the Company and respond to their queries about the Company for an interactive communication with the investors. Currently, various local and international research institutions have compiled research reports on the Company.

XV. POST BALANCE SHEET EVENTS

On 28 June 2009, Tuoli Zhaojin, a wholly-owned subsidiary of the Company, entered into a share capital enlargement agreement with four independent third parties to acquire the shares of Xinyuan Gold Company at a consideration of RMB26,720,000. After the increase in share capital of Xinyuan Gold Company, Tuoli Zhaojin owns 80% equity interest of Xinyuan Gold Company and becomes its controlling shareholder and beneficial controller. This acquisition was completed on 7 July 2009.

The mining area of Xinyuan Gold Company is based in Ha Tu Shan in Western Junggar in Tuoli County of Tacheng area, Xinjiang. Xinyuan Gold Company is engaged in the processing and sale of gold. Xinyuan Gold Company currently owns two mining rights and one exploration right. The mining rights cover a total area of approximately 0.3054 km^2, while the exploration right cover a total area of approximately 0.41 km^2. The gold ore body amounts to 267,389 tons. The gold resources were 2,215 kg (approximately 68,894 ozs) with an average grade of 8.28 gram/ton.

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

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

Zhaoyuan, the PRC, 14 August 2009

AUDITOR'S INDEPENDENT INTERIM REVIEW REPORT

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 25 to 42 which comprises the condensed consolidated statement of financial position of Zhaojin Mining Industry Company Limited and its subsidiaries (the "Group") as at 30 June 2009 and the related condensed interim consolidated income statement, 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

14 August 2009

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2009

	Notes	For the six-month period ended 30 June **2009** ***RMB'000*** **(Unaudited)**	 2008 *RMB'000* (Unaudited)
REVENUE	*4*	**1,063,102**	751,394
Cost of sales		**(484,836)**	(345,970)
Gross profit		**578,266**	405,424
Other revenue and gains		**47,044**	16,459
Selling and distribution costs		**(12,560)**	(8,610)
Administrative expenses		**(162,350)**	(118,997)
Other operating expenses		**(20,323)**	(18,937)
Operating profit		**430,077**	275,339
Finance costs		**(11,815)**	(7,400)
Share of profit of an associate		**1,991**	1,321
PROFIT BEFORE TAX		**420,253**	269,260
Income tax expense	*5*	**(104,223)**	(67,614)
PROFIT FOR THE PERIOD		**316,030**	201,646
Other comprehensive income:			
Exchange differences on translation of foreign operation		**36**	2,157
Other comprehensive income for the period, net of tax		**36**	2,157
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**316,066**	203,803

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT (continued)

For the six-month period ended 30 June 2009

		For the six-month period ended 30 June	
		2009	2008
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Profit attributable to:			
Equity holders of the Company		**319,708**	214,404
Minority interests		**(3,678)**	(12,758)
		316,030	201,646
Total comprehensive income attributable to:			
Equity holders of the Company		**319,744**	216,561
Minority interests		**(3,678)**	(12,758)
		316,066	203,803
Dividends	*6*	**–**	–
Basic earnings per share *(RMB)*	*7*	**0.22**	0.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	**30 June 2009 RMB'000 (Unaudited)**	31 December 2008 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**2,306,849**	2,147,927
Intangible assets	8	**2,010,374**	1,846,860
Interest in an associate		**38,639**	36,649
Long term deposits		**6,724**	5,866
Land lease prepayments		**118,330**	76,340
Other long term assets	9	**159,377**	211,656
Deferred tax assets		**80,289**	79,257
		4,720,582	4,404,555
CURRENT ASSETS			
Cash and cash equivalents		**615,621**	688,764
Trade and notes receivables	10	**45,435**	35,362
Prepayments, deposits and other receivables		**193,944**	218,233
Equity investments at fair value through profit or loss		**84,659**	21,843
Held-to-maturity investments		**–**	140,000
Pledged deposits		**59,396**	–
Inventories		**620,188**	422,228
		1,619,243	1,526,430
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	**593,906**	471,190
Trade payables	12	**283,617**	205,555
Other payables and accruals		**343,163**	327,182
Provisions		**13,151**	12,445
Tax payable		**16,478**	93,824
		1,250,315	1,110,196
NET CURRENT ASSETS		**368,928**	416,234
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,089,510**	4,820,789

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2009

	Notes	**30 June 2009 *RMB'000* (Unaudited)**	31 December 2008 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**113,790**	7,790
Provisions		**63,155**	56,219
Deferred income		**41,697**	49,280
Other long term liability	*17*	**40,000**	–
Deferred tax liabilities		**297,298**	298,831
		555,940	412,120
NET ASSETS		**4,533,570**	4,408,669
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**1,457,430**	1,457,430
Reserves		**2,675,762**	2,356,018
Proposed final dividend		**–**	241,933
		4,133,192	4,055,381
Minority interests		**400,378**	353,288
TOTAL EQUITY		**4,533,570**	4,408,669

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2009

	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 RMB'000	Minority interests RMB'000	Total equity RMB'000
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
Profit for the period	–	–	–	–	214,404	–	214,404	(12,758)	201,646
Other comprehensive income/ (loss)	–	–	–	(2,157)	–	–	(2,157)	–	(2,157)
Total comprehensive income for the period	–	–	–	(2,157)	214,404	–	212,247	(12,758)	199,489
Bonus issue	728,715	(546,536)	–	–	(182,179)	–	–	–	–
Contribution of capital from minority interests upon formation of subsidiaries	–	–	–	–	–	–	–	4,073	4,073
Acquisition of subsidiaries	–	–	–	–	–	–	–	297,976	297,976
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
At 1 January 2009	**1,457,430**	**1,566,884**	**148,778**	**(5,396)**	**645,752**	**241,933**	**4,055,381**	**353,288**	**4,408,669**
Profit for the period	**–**	**–**	**–**	**–**	**319,708**	**–**	**319,708**	**(3,678)**	**316,030**
Other comprehensive income/ (loss)	**–**	**–**	**–**	**36**	**–**	**–**	**36**	**–**	**36**
Total comprehensive income for the period	**–**	**–**	**–**	**36**	**319,708**	**–**	**319,744**	**(3,678)**	**316,066**
Acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50,768**	**50,768**
Transfer to reserves	**–**	**–**	**33,487**	**–**	**(33,487)**	**–**	**–**	**–**	**–**
Dividends – 2008 final paid	**–**	**–**	**–**	**–**	**–**	**(241,933)**	**(241,933)**	**–**	**(241,933)**
At 30 June 2009 (Unaudited)	**1,457,430**	**1,566,884***	**182,265***	**(5,360)***	**931,973***	**–**	**4,133,192**	**400,378**	**4,533,570**

* *These reserve accounts comprise the consolidated reserves of RMB2,675,762,000 (2008: RMB2,356,018,000) in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six-month period ended 30 June 2009

	For the six-month period ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	**244,745**	319,579
Net cash outflow from investing activities	**(297,625)**	(968,189)
Net cash outflow from financing activities	**(20,265)**	(381,079)
Decrease in cash and cash equivalents	**(73,145)**	(1,029,689)
Cash and cash equivalents at beginning of period	**688,764**	1,625,689
Effects of foreign exchange rate changes, net	**2**	(6,446)
Cash and cash equivalents at end of period	**615,621**	589,554
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	**344,621**	297,526
Non-pledged time deposits with original maturity of less than three months when acquired	**271,000**	292,028
	615,621	589,554

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, 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 and copper. The registered office of the Company is located at No. 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 2008.

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 2008, except for the adoption of new standards and interpretations noted below.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statement. The Group adopted the amendments from 1 January 2009. The amendments have no impact on the consolidated financial statements.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into any share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 7 Amendments	Amendments to HKFRS 7 *Improving Disclosure about Financial Instruments*

HKFRS 7 Amendments requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurement is now required, as well as significant transfer between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirement for liquidity risk disclosures. The amendments have no significant impact on the consolidated financial statements.

HKFRS 8	*Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group has determined that its operating segments are different to the business segments previously identified under HKAS 14. Disclosures about the operating segments are set out in Note 4.

HKAS 1 (Revised)	*Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has chosen to present one statement.

HKAS 23 (Revised)	*Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group has applied the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The financial impact of revised HKAS 23 to the Group is minimal.

2. **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

Significant accounting policies (continued)

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Statements: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments did not have any financial impact on the Group.

HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 and HKAS 39 *Embedded Derivative*

Amendments to HK(IFRIC)-Int 9 introduces new condition under which the Group should perform subsequent reassessment on whether embedded derivative should be separated from host contract.

In addition to a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract, the amendments require a subsequent reassessment to be performed when there is a reclassification of a financial asset out of the fair value through profit or loss category, which shall be made on the basis of the circumstances that existed on the later date of: (a) when the entity first became a party to the contract; and a change in the terms of the contract; and (b) a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract. The amendments to the interpretation did not have any financial impact on the Group.

HK(IFRIC)-Int 13	*Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group.

HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation did not have any financial impact on the Group.

HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation did not have any financial impact on the Group.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality and cyclicality.

4. SEGMENT INFORMATION

Business segments

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

(a) Gold operations, comprising gold mining and smelting operations;

(b) Copper operations, comprising copper mining and smelting operations; and

(c) Others, comprising investment and ancillary activities.

Previously, the Group reported information by business segment, namely mining and smelting in accordance with the different operations of each segment. As explained in note 2 above, on 1 January 2009 HKFRS 8 *Operating Segments* became effective. Accordingly, the Group now reports information by the reportable segments set out above, reflecting how senior management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment.

The following tables present revenue and profit information regarding the Group's business segments for the six-month periods ended 30 June 2009 and 2008.

Six-month period ended 30 June 2009 (Unaudited)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Inter-segment elimination *RMB'000*	Consolidated *RMB'000*
Revenue					
Revenue from external customers	1,025,889	37,213	–	–	1,063,102
Inter-segment revenue	–	–	–	–	–
Other revenue	38,769	57	8,218	–	47,044
Total	1,064,658	37,270	8,218	–	1,110,146
Segment profit before tax	417,340	1,108	1,805	–	420,253
Profit before tax					420,253
Income tax expense					(104,223)
Profit for the period					316,030

4. SEGMENT INFORMATION (continued)

Business segments (continued)

Six-month period ended 30 June 2008 (Unaudited)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Inter-segment elimination *RMB'000*	Consolidated *RMB'000*
Revenue					
Revenue from external customers	677,954	73,440	–	–	751,394
Inter-segment revenue	–	–	–	–	–
Other revenue	16,329	105	25	–	16,459
Total	694,283	73,545	25	–	767,853
Segment profit before tax	275,885	2,924	(9,549)	–	269,260
Profit before tax					269,260
Income tax expense					(67,614)
Profit for the period					201,646

Total segment assets

The following table presents segment asset information as at 30 June 2009 and as at the date of the last annual financial statements (31 December 2008).

	30 June 2009 ***RMB'000*** **(Unaudited)**	31 December 2008 *RMB'000* (Re-presented)
Gold operations	**5,614,568**	5,247,317
Copper operations	**633,186**	594,673
Others	**92,071**	88,995
Total consolidated assets	**6,339,825**	5,930,985

5. INCOME TAX

	For the six-month period ended 30 June	
	2009 ***RMB'000*** **(Unaudited)**	2008 *RMB'000* (Unaudited)
Current income tax	**108,496**	75,572
Deferred income tax		
– Relating to origination and reversal of temporary differences	**(4,273)**	(7,958)
Income tax expense	**104,223**	67,614

6. DIVIDENDS

	For the six-month period ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Ordinary:		
2008 final dividend paid of RMB0.166 per share (2007: RMB0.25 per share)	**241,933**	182,179

The proposed 2008 final dividend was approved by the shareholders on 15 May 2009 and paid on 18 June 2009. There was no dividend proposed during the six-month period ended 30 June 2009 (2008: nil).

7. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to equity holders of the Company for the six-month period ended 30 June 2009 of RMB319,708,000 (for the six-month period ended 30 June 2008: RMB214,404,000) by ordinary shares in issue during the period of 1,457,430,000 (for the six-month period ended 30 June 2008: 1,457,430,000).

Diluted earnings per share for the six-month periods ended 30 June 2009 and 2008 have not been disclosed as no diluting events existed during these periods.

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six-month period ended 30 June 2009, the Group purchased property, plant and equipment with a cost of RMB245,162,000 (2008: RMB281,363,000) and intangible assets with a cost of RMB83,497,000 (2008: RMB14,084,000). In addition, the Group acquired property, plant and equipment of RMB17,761,000 (2008: RMB212,108,000) and intangible assets of nil (2008: RMB700,243,000) through business combination and acquired intangible assets of RMB103,769,000 (2008: nil) through an acquisition of a subsidiary during the period.

During the six-month period ended 30 June 2009, depreciation for property, plant and equipment was RMB88,008,000 (2008: RMB76,068,000) and amortisation for intangible assets was RMB27,217,000 (2008: RMB22,379,000).

During the six-month period ended 30 June 2009, property, plant and equipment with a net book value of RMB15,992,000 (2008: RMB125,000) were disposed of by the Group resulting in a net loss on disposal of RMB9,161,000 (2008: net gain of RMB144,000). In addition, an impairment provision in relation to exploration rights was recorded of RMB9,896,000 (2008: nil).

9. OTHER LONG TERM ASSETS

	30 June 2009 *RMB'000* (Unaudited)	31 December 2008 *RMB'000* (Audited)
Deposit paid for the purchase of subsidiaries	**90,000**	120,000
Deposit paid for the purchase of intangible assets	**25,000**	5,000
Advance payment for the purchase of property, plant and equipment	**44,377**	86,656
Prepayment for long term assets	**159,377**	211,656

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"), a company established in the PRC, for a total consideration of approximately RMB130 million. Pursuant to the Agreements, the Company paid a deposit of RMB80 million as the prepayment of acquisition.

The Company paid a deposit of RMB10 million in relation to the acquisition of an 80% equity interest in Hezheng Mining Limited, incorporated in Gansu.

The Company paid deposits of RMB5 million and RMB20 million to acquire mining rights in Hebei and Xinjiang, respectively.

The outstanding commitments in relation to the above deposits are shown in Note 13.

10. TRADE AND NOTES RECEIVABLES

	30 June 2009 *RMB'000* (Unaudited)	31 December 2008 *RMB'000* (Audited)
Trade receivables	**43,805**	29,112
Notes receivable	**1,630**	6,250
	45,435	35,362

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

	30 June 2009 *RMB'000* (Unaudited)	31 December 2008 *RMB'000* (Audited)
Outstanding balances due within 90 days	**45,435**	35,362

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 2009	31 December 2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unsecured:		
Bank loans	**698,506**	463,700
Other borrowings	**9,190**	15,280
	707,696	478,980
Portion classified as:		
Current	**593,906**	471,190
Non-current	**113,790**	7,790

The bank loans bear an effective interest rate of 4.28% (2008: 4.74%) per annum. The other borrowings bear an effective interest rate of 2.16% (2008: 2.95%) per annum. During the period, the Group borrowed bank loans and settled bank loans of RMB707,396,470 (2008: RMB258,500,000) and RMB496,180,000 (2008: RMB585,000,000) respectively.

As at 30 June 2009, the Group had bank borrowings of RMB59,192,725 (2008: nil), denominated in Hong Kong dollars (HK$). In addition, the Group held a forward exchange contract in relation to the expected repayment of the HK$ loan principal and interest. The terms of the forward currency contract have been negotiated to match the terms of the loan.

12. TRADE PAYABLES

	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**155,448**	78,030
Payable under tolling arrangements	**128,169**	127,525
	283,617	205,555

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

	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within one year	**273,953**	201,599
Over one year but within two years	**6,227**	2,754
Over two years but within three years	**2,369**	134
Over three years	**1,068**	1,068
	283,617	205,555

13. COMMITMENTS

Capital commitments

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracted, but not provided for:		
Land and buildings	**2,287**	5,887
Plant and machinery	**9,325**	9,354
Unlisted equity investments in subsidiaries	**116,720**	15,000
	128,332	30,241
Authorised, but not contracted for:		
Land and buildings	**52,500**	107,300
Plant and machinery	**90,325**	126,900
Exploration and evaluation assets	**161,460**	250,970
	304,285	485,170

Operating lease commitments

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

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

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within one year	**4,265**	3,950
In the second to fifth years, inclusive	**7,695**	–
	11,960	3,950

14. CONTINGENT LIABILITIES

There have been no changes to contingent liabilities since 31 December 2008.

15. RELATED PARTY TRANSACTIONS

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

	For the six-month period ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Nature of relationships/transactions		
(i) Zhaojin Group, a party which can exercise significant influence over the Group		
Recurring transactions		
Expenses:		
– Payment of ground rent	**1,985**	2,963
– Gold exchange commission fee	**32**	168
– Commission fee for purchase of property, plant and equipment	**140**	–
Sales:		
– Sales of silver	**26,817**	–
Non-recurring transactions		
Capital transactions:		
– Purchase of property, plant and equipment	**453**	–
– Deposit for the purchase of exploration rights	**–**	50,000
(ii) Subsidiaries of Zhaojin Group		
Recurring transactions		
Expenses:		
– Fees for refining services	**2,259**	1,241
Non-recurring transactions		
Capital transactions:		
– Purchase of property, plant and equipment	**442**	1,060
– Purchase of software	**284**	202

15. RELATED PARTY TRANSACTIONS (continued)

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. 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.

ii. Guarantees granted by Zhaojin Group for securing the Group's bank loans and an indemnity in relation to certain government levies and funding arrangements predating the Company's IPO were provided free of charge.

16. BUSINESS COMBINATIONS

Acquisitions of subsidiaries during the period are as follows:

On 18 February 2009, the Company completed its acquisition of 100% equity interests in Tuoli Tianshanze Mining Co., Ltd. ("Tianshanze Company") and Tuoli Tianyun Gold Mining Co., Ltd. ("Tianyun Company"), companies established in the PRC, for considerations of RMB10 million and RMB20 million respectively. Tianshanze Company and Tianyun Company are engaged in gold mining, refining, processing and the sale of gold related products. The purchase considerations were fully settled in the form of cash at the date of acquisition.

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 *RMB'000*	**Fair values on acquisition** *RMB'000*
Inventories	442	586
Property, plant and equipment	13,073	17,761
Deferred tax liabilities	–	(1,708)
	13,515	16,639
Goodwill	–	13,361
Satisfied by:		
Cash		30,000

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of Tianshanze Company and Tianyun Company with those of the Group.

16. BUSINESS COMBINATIONS (continued)

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

	2009 *RMB'000*
Cash consideration	**30,000**
Cash and bank balances acquired	**–**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**30,000**

From the date of acquisition, the above subsidiaries have contributed a net loss of RMB2,324,147 to the Group. Had the combinations taken place at the beginning of the period, the net profit and revenue of the Group for the period would have been RMB311,851,792 and RMB1,063,102,000, respectively.

17. SIGNIFICANT ACQUISITION OF SUBSIDIARY

On 9 April 2009, the Company completed its acquisition of a 52% equity interest in Gansu Hezuo Zaozigou Gold Mine Co., Ltd ("ZGM"), a company established in the PRC, for a cash consideration of RMB55 million which was fully settled during the period ended 30 June 2009. At the time of acquisition, ZGM's only asset was a mining licence and it did not have any business operation. Accordingly, this acquisition has been accounted for as an acquisition of assets rather than a business combination. ZGM renewed its mining rights licence which expired in June 2009 at a consideration of RMB52.1 million with reference to an independent appraisal valuation report. This mining right consideration will be settled in cash by instalments over 6 years and the unpaid consideration was recorded in other long-term liabilities.

18. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 7 July 2009, the Company completed the acquisition of 80% equity interest in Xinyuan Gold Mining Industry Co., Ltd. ("Xinyuan Gold Company") at a consideration of RMB26,720,000, which was fully satisfied in cash. Xinyuan Gold Company is involved in gold mining and exploration.

19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 14 August 2009.