



Interim Report 2010

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1818)

* 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

(*President and Chief Executive Officer*)

Non-executive Directors

Mr. Liang Xinjun (*Vice Chairman*)

Mr. Cong Jianmao

Mr. Weng Zhanbin

Mr. Wu Zhongqing

Mr. Chen Guoping

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*)

Ms. Jin Ting

Mr. Chu Yushan

Secretary to the Board

Mr. Wang Ligang

Company Secretary

Mr. Ngai Wai Fung

Qualified Accountant

Mr. Ma Ving Lung Nelson

Authorized Representatives

Mr. Lu Dongshang (*Chairman*)

Mr. Wang Peifu

(*President and Chief Executive Officer*)

Board Committees

Audit Committee Members

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

Mr. Chen Guoping

Mr. Choy Sze Chung Jojo

Strategic Committee Members

Mr. Lu Dongshang (*Chairman of Strategic Committee*)

Mr. Liang Xinjun

Mr. Weng Zhanbin

Nomination and Remuneration Committee Members

Mr. Liang Xinjun (*Chairman of Nomination and Remuneration Committee*)

Mr. Lu Dongshang

Mr. Yan Hongbo

Mr. Ye Tianzhu

Ms. Chen Jinrong

Geological and Resources Management Committee Members

Mr. Ye Tianzhu (*Chairman of Geological and Resources Management Committee*)

Mr. Weng Zhanbin

Mr. Yan Hongbo

**Safety and Environmental Protection
Committee Members**

Mr. Yan Hongbo (*Chairman of Safety and
Environmental Protection Committee*)

Mr. Wang Peifu

Mr. Cong Jianmao

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 Legal Adviser

King & Wood PRC Lawyers

28-29/F

Huai Hai Plaza

1045 Huaihai Road (M)

Shanghai 200031

China

Hong Kong Legal Adviser

Stephen Mok & Co

in association with Eversheds LLP

21/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 H Share Registrar and Transfer
Office**

Computershare Hong Kong Investor Services
Limited

Shops 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 2010 (the "Period"), Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the exploration, mining, ore processing, smelting and sale of gold products and other metallic products in the People's Republic of China (the "PRC"). The principal products include Au9999 and Au9995 standard gold bullions and other gold products under the brand name of "Zhaojin".

II. INTERIM RESULTS

Revenue

During the Period, the Group generated revenue of approximately RMB1,675,854,000 (corresponding period of 2009: approximately RMB1,063,102,000), representing an increase of approximately 57.64% as compared to the corresponding period of last year.

Net profit

During the Period, the net profit of the Group was approximately RMB572,108,000 (corresponding period of 2009: approximately RMB316,030,000), representing an increase of approximately 81.03% as compared to the corresponding period of last year.

Gold production

During the Period, the Group had attained an aggregate gold production of approximately 10,229 kg (approximately 328,874 ozs), representing an increase of approximately 4.26% as compared to 9,811 kg (approximately 315,431 ozs) in the corresponding period of last year. Of which, gold output from the Group's mines accounted for 6,799 kg (approximately 218,593 ozs), representing an increase of approximately 20.89% as compared to 5,624 kg (approximately 180,816 ozs) in the corresponding period of last year and gold output from smelting and tolling arrangement accounted for approximately 3,430 kg (approximately 110,277 ozs), representing a decrease of approximately 18.08% as compared to 4,187 kg (approximately 134,615 ozs) in the corresponding period of last year.

Profit attributable to shareholders of the Company

During the Period, the consolidated profit attributable to shareholders of the Company was approximately RMB561,192,000 (corresponding period of 2009: approximately RMB319,708,000), representing an increase of approximately 75.53% as compared to the corresponding period of last year.

Earnings per share

During the Period, earnings per share of the Group amounted to approximately RMB0.39 (corresponding period of 2009: approximately RMB0.22), representing an increase of approximately 77.27% as compared to the corresponding period of last year.

Net assets per share

As at 30 June 2010, the consolidated net assets per share of the Company was approximately RMB3.61 (30 June 2009: approximately RMB3.11), and the yield to net assets was approximately 10.87% (corresponding period of 2009: approximately 6.97%) during the Period.

III. INTERIM DIVIDEND

The board of directors (the “Board”) of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2010 (corresponding period of 2009: nil).

IV. ACQUISITIONS

- (1) On 5 March 2010, the Company entered into an equity transfer agreement with two vendors (being independent third parties) to acquire 80% equity interest of Qinghe County Jindu Mining Development Company Limited (清河縣金都礦業開發有限公司) (“Qinghe Mining”) at a consideration of RMB185,000,000.

Qinghe Mining is located in Qinghe County, Xinjiang and is engaged in the mining and sale of gold. Qinghe Mining owns the mining rights to one gold mine, Yemaquan – Kubusu gold mine, with a mining area of approximately 2.2118 km². Currently, the owned gold resources reserves were approximately 22,978 kg (approximately 738,760 ozs) with an average grade of 5.55 g/ton. Of which, the acquired gold resources reserves were 14,205 kg (approximately 456,701 ozs) and the additional reserves were approximately 8,773 kg (approximately 282,058 ozs).

The acquisition does not constitute a 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 a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

- (2) On 5 March 2010, the Company entered into an equity transfer agreement with a vendor (being independent third party) to acquire 80% equity interest of Hezheng Xinyuan Mining Co., Ltd. (和政鑫源礦業有限公司) (“Hezheng Mining”) at a consideration of RMB48,000,000.

Hezheng Mining is located in Hezheng County, Gansu Province and is engaged in the exploration, development, operation and sale of mining resources. Hezheng Mining owns the mine exploration right of the project in Hezheng County, Gansu Province with an exploration area of 5.89 km². The gold resources reserves were approximately 4,425 kg (approximately 142,267 ozs).

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.

- (3) On 28 May 2010, the Company entered into an equity transfer agreement with seven vendors (being independent third parties) for the transfer to the Company 100% equity interest of Fengcheng City Xinfengyuan Mining Co., Ltd. (鳳城市鑫豐源礦業有限公司) (“Xinfengyuan Mining”) legally held by them at a consideration of RMB47,600,000.

Xinfengyuan Mining currently owns the exploration right to one gold mine with an area of approximately 104.15 km² situated at Hongqi Town, 40 km south of Fengcheng City, Liaoning Province. The mine has a superior geographical location surrounded by mature gold mines, providing a direction for the long-term prospecting of the mines in the area. Meanwhile, there are placer mines (砂金礦) in the area, indicating the approximate location of the gold ore belt. This further highlights the target region for exploration.

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.

V. BUSINESS REVIEW

Active implementation of mergers and acquisitions and accelerated integration of regional resources

During the Period, capitalizing on the opportunities arising from the integration of mining resources in the PRC, the Group further strengthened the development of key gold mines and achieved the integration and enhancement of regional resources.

In Xinjiang region, the Group entered into the “Framework Agreement on Integration of Gold Resources” and “Agreement on Integration and Development of Gold Resources” with Aletai Municipal Government and Qinghe County Government respectively. Such agreements further stepped up the efforts of full-scale integration of the gold resources in the local area, laying a foundation for the Group to expand its gold reserve in Xinjiang. Moreover, the Group invested RMB185,000,000 in the acquisition of 80% equity interest of Qinghe Mining adding additional gold resources reserves of approximately 14,205 kg (approximately 456,701 ozs).

In Gansu region, the Group acquired Hezheng Mining at RMB48,000,000, generating an additional exploration area of approximately 5.89 km² and additional gold resources of approximately 4,425 kg (approximately 142,267 ozs).

In Guangxi region, the Group invested RMB47,000,000 in the acquisition of 100% equity interest of Longxin Mining. Upon completion of the acquisition, it will generate an additional mining area of approximately 0.65 km² and additional gold resources of approximately 2,400 kg (approximately 77,162 ozs) to the Group.

In Liaoning region, the Group entered into an agreement with Fengcheng Gold (Group) Co., Ltd. (“Fengcheng Gold Group”) to acquire 55% equity interest of Baiyun Gold Mine held by Fengcheng Gold Group at RMB200,000,000 and jointly established Liaoning Zhaojin Baiyun Gold Mining Co., Ltd. (遼寧招金白雲黃金礦業有限公司) (“Zhaojin Baiyun”) (55% equity interest is held by the Group). Upon completion of the acquisition and establishment of the company, it will generate an additional mining area of approximately 5.99 km², additional gold resources of approximately 22,800 kg (approximately 733,037 ozs) and an annual additional gold output of approximately 10,000 ozs to the Group. Subsequently, the Group acquired 100% equity interest of Xinfengyuan Mining at a consideration of RMB47,600,000, generating an additional exploration area of approximately 104.15 km². The acquisition in Liaoning Province made up the deficiency of the Company’s acquisition of mines in the northeastern region, representing a platform for the Group to commence external development and acquisition in the northeastern region and to expand its mining resources.

Remarkable performance in geological exploration and significant increase in gold resources

During the Period, in adherence to its guiding principle of “focusing on technology, choosing the best of the best and achieving breakthroughs”, the Group stepped up its efforts in the implementation of geological research and development and geological exploration projects. Such projects highlighted and strengthened the fundamental research on the pattern for the formation of deep geological deposits in the Zhaoping fracture zone and the research on the deposits in the Gansu Min County and Li County fracture zones and the deposits in the deep and large-scale Xinjiang East Junggar fracture zone in order to expand its geological resources and provide resource protection for the expansion of the Company.

During the Period, the Company planned and implemented a total of five geological research and development projects and invested approximately RMB56,510,000 in geological exploration with an accumulated tunneling of 24,450 meters and completed drilling of 93,195 meters. The additional gold resources amounted to approximately 46,748 kg (approximately 1,502,982 ozs).

Within the Zhaoyuan region, the Group commenced the geological exploration project focusing on Xiadian Gold Mine in the deep deposits in the Zhaoping fracture zone and achieved significant breakthrough in the ultra-deep geological prospecting of the Zhaoping fracture zone. Of which, gold resources explored in Xiadian Gold Mine amounted to approximately 15,155 kg (approximately 487,244 ozs) for the first half of the year.

Outside the Zhaoyuan region, the Group commenced the geological exploration project focusing on Gansu Hezuo Zaozigou Gold Mine Co., Ltd (“Zaozigou Gold Mine”) and Qinghe Mining in the Gansu Min County and Li County fracture zones and the deep and large-scale Xinjiang East Junggar fracture zone and made significant achievements. During the Period, the gold resources explored in Zaozigou Gold Mine amounted to approximately 7,775 kg (approximately 249,972 ozs); whereas the gold resources explored in Qinghe Mining amounted to approximately 8,773 kg (approximately 282,058 ozs).

Leveraging on the geological exploration achievements and experience accumulated during the Period, three mining enterprises, namely Xiadian Gold Mine, Zaozigou Gold Mine and Qinghe Mining are expected to possess large gold deposits with an annual additional resources reserve of over 20 tons for the year.

Strengthened production, operation and sales management and achieved steady growth in efficiency and effectiveness

During the Period, the Group made a detailed analysis on the production and operating objectives and implemented such in its units, individuals and workplaces. It also established a three-tier control system across the headquarters, mines and workshops which conducts daily analysis on the production progress of each unit and makes timely adjustments, thereby ensuring the smooth operation of the production units. In particular, in view of the low level of corporate management and high costs outside Zhaoyuan, the Group focused on rolling out assistance (包幫結對) activities in the management of mines outside Zhaoyuan to provide all-round assistance from the Company’s senior management, key functions under the headquarters and mines within Zhaoyuan to the mines outside Zhaoyuan in respect of management, technology and staff with a one-on-one basis. This resulted in substantial enhancement in the management and technology level, as well as economies of scale of the mines outside Zhaoyuan.

Meanwhile, during the Period, capitalizing on its extensive experience in the sale of gold, the Group has strengthened the management of gold sales and, through implementing a unified sales policy inside and outside Zhaoyuan, fully utilized the advantages of the gold sales platform under the headquarters to accurately capture the market trends of gold price and better assess the sales of gold. During the first half of the year, the selling price of gold was RMB263.89/gram, surpassing the average price quoted on the Shanghai Gold Exchange of RMB253.80/gram, thus maximizing the Group’s sales benefits.

Swift project development with fruitful achievements in technological innovation

During the Period, in view of output expansion and acceleration of project development, the Group commenced a series of “Project Enhancement Year” (項目優化年) activities, implemented 30 technology upgrade and infrastructure projects and invested RMB387,440,000 for project development. In order to ensure that each project will be completed and will commence production as scheduled, the Group outlined the estimated project schedules and timelines and formulated different project development proposals to shorten the project preparation time and enhance work efficiency. At the same time, all project development units adhered to the project control practice to ensure speedy progress of the projects. The construction of the selection project of Liangdang Zhaojin Mining Industry Co., Ltd. (“Liangdang Zhaojin”) with a daily capacity of 1,000 tons was completed for trial production. The multi-element refinery project of Xinjiang Xinhui Copper Limited produced the first batch of raw copper ingots on 25 June 2010. The selection and cyanidation expansion project of Jinchiling Gold Mine, vertical shaft construction project of Xiadian Gold Mine and the selection expansion project of Zaozigou Gold Mine with a daily capacity of 2,000 tons were also under construction as scheduled.

During the Period, the Group’s expenditure on project development amounted to approximately RMB16,530,000. The Group has implemented 43 new scientific research and technological innovation projects and has been granted 22 patents. Of which, the “Analysis on the structure, magma and mineralization network as well as deposit forecast in Hedong Gold Mine” was granted the Second Prize of Shandong Province Science and Technology Award; and the “Fractal structure of tailing dam of Xiadian Gold Mine and its dynamic imbalance mechanism as well as monitoring and pre-warning system” was granted the First Prize of Scientific Technology from the China Gold Association. The “sulfuric acid residual heat and residual pressure utilization” project has been included as an investment project within the central government’s budget for energy saving and environmental protection by National Development and Reform Commission.

During the Period, scientific research and technological innovation activities have contributed to an increase of approximately RMB25,000,000 to the Group’s revenue.

Strengthening of on-site safety management and development of digital mines

During the Period, the Group followed the work direction of “safety first; precaution-oriented and integrated management”, and through performing the safety and environmental responsibilities, strengthening the safety management of key systems and weak areas, the Group regulated the “three simultaneous constructions” (三同時) project in respect of safety and environment and persisted to drive the development of “Safety Production Fundamentals Year” (安全生產基層基礎年) and “Safety Production Cornerstones Year” (安全生產基石工程年). It also pushed ahead the development of digital mines and was the only mining enterprise being recommended for the application of “the State’s Model Enterprise of Protection Safety Culture” in Shandong Province and passed the relevant preliminary testing. Meanwhile, the Group also reinforced the on-site safety monitoring and safety management in the following areas: mine manager’s mine inspection system; external mine shafts and mechanical & electrical equipment; mine hoist, ventilation and drainage system; mechanical & electrical equipment and power usage; crushing, residual mining and tailing dam, emergency rescue and mines outside Zhaoyuan, etc.

During the Period, the safety production conditions were stable. No material production safety accidents and environmental pollution incidents occurred within the Group, achieving the target of zero fire accident, explosion accident, material insurance claim and environmental accident.

Conscientious performance of social responsibilities and acting as outstanding corporate and social citizen

Apart from production and operation, the Group also attaches great importance to social responsibilities. During the Period, the Group made donation in the total amount of approximately RMB3,533,000 for the snow disaster in the Xinjiang region, the drought in the southwestern region, education services in the slum region in Gansu province, earthquake in Yushu, Zhaoyuan loving charity and facilitating a green Zhaoyuan City. In addition, the Biguo Town Elderly Home in Zhaoyuan donated by the Group also commenced operation during the Period to serve the community.

VI. GEOLOGICAL EXPLORATION AND MINING OF ORES

Geological exploration

During the Period, the Company invested in a total of exploration expenses approximately RMB56.51 million and completed major physical tasks as follows: tunneling of 24,450 meters; drilling of 93,195 meters; additional gold resources reserves of 46,748 kg. Mining in the interiors and peripherals of mines namely Xiadian Gold Mine, Dayinge Gold Mine, Zaozigou Gold Mine and Qinghe Mining attained satisfactory results. The mine resources reserves are expected to achieve a greater growth.

Since the Company-led exploration of Xiadian Gold Mine, located in the south of the Zhaoping fracture zone, the Company has made substantial breakthroughs in the prospecting and exploration in the ultra-deep deposits in the Zhaoping fracture zone. During the Period, the mine completed 9 holes and completed drilling of 9,973 meters with additional gold resources reserves of 15,155 kg (approximately 487,244 ozs). Some of the holes have a mine horizontal depth of 40.92 meters for a 550 intersection and a mine depth of 20.74 meters for a 547 intersection. Based on the current exploration conditions, the deposits deep down were not closed.

As at 30 June 2010, the Group had 66 mining rights with an area of 1,270.02 km² and 28 mining rights with an area of 68.59 km².

Mining of ores

During the Period, the Company completed a total tunneling of 127,815 standard meters, as to 25,885 standard meters in the geological exploration project; 20,872 standard meters in the production exploration project; 28,003 standard meters in the production expansion project; 48,397 standard meters in the mining preparation project; 4,056 standards meters in the construction of auxiliary lanes; and 602 standard meters in other projects respectively.

During the Period, the Company completed an accumulated gold ores output of 2,268,000 tons, as to 1,823,000 tons from the primary mines and 445,000 tons from the by-products of the mines. The grade of gold in the ores was 2.64 g/ton, containing a gold content of approximately 5,988 kg (approximately 192,517 ozs).

VII. FINANCIAL AND RESULTS ANALYSIS

Revenue

During the Period, the Group's revenue amounted to approximately RMB1,675,854,000 (corresponding period of 2009: approximately RMB1,063,102,000), representing an increase of approximately 57.64% as compared to the corresponding period of last year. During the Period, the increase in revenue was primarily due to: (1) the marked increase in gold production as compared to the corresponding period of last year, resulting in an increase in the Group's sales volume of gold; (2) the increase in gold price during the first half of 2010; (3) the higher sale price of gold of the Group.

Net profit

During the Period, net profit of the Group amounted to approximately RMB572,108,000 (corresponding period of 2009: approximately RMB316,030,000), representing an increase of approximately 81.03% as compared to the corresponding period of last year. The increase in net profit was due to the substantial growth of gold output and sale price of gold as compared to the corresponding period of last year.

Integrated cost

During the Period, the Group's integrated cost was approximately RMB102.73 per gram (corresponding period of 2009: approximately RMB88.90 per gram), representing an increase of approximately 15.56% as compared to the corresponding period of last year. The increase in integrated cost was due to the increase in staff costs, increase in depreciation and amortization, higher costs of newly acquired enterprises and increase in finance costs.

Sale price of gold

During the Period, the average sale price of gold of the Group traded at Shanghai Gold Exchange was RMB263.89 per gram (corresponding period of 2009: RMB206.99 per gram), representing an increase of RMB56.90 per gram and approximately 27.49% as compared to the corresponding period of last year. The average sale price was RMB10.09 per gram higher than the average sale price of RMB253.80 per gram traded at Shanghai Gold Exchange.

Cost of sales

During the period, the Group's cost of sales amounted to approximately RMB650,805,000 (corresponding period of 2009: approximately RMB484,836,000), representing an increase of approximately 34.23% as compared to the corresponding period of last year. The increase was primarily attributable to the rise of the gold sales quantity and integrated cost of the Group.

Gross profit and gross profit margin

During the Period, the Group's gross profit was approximately RMB1,025,049,000, representing an increase of approximately 77.26% as compared to RMB578,266,000 of the corresponding period of last year. The Group's gross profit margin increased from approximately 54.39% in the corresponding period of last year to approximately 61.17% for the Period. The increase in gross profit margin was primarily due to the increase in gold price during the first half of 2010.

Other revenue and gains

During the Period, the Group's other revenue and gains were approximately RMB54,468,000 (corresponding period of 2009: approximately RMB47,044,000), representing an increase of approximately 15.78% as compared to the corresponding period of last year. The increase was mainly due to the increase in revenue from the sale of scrap materials.

Selling and distribution costs

During the Period, the Group's selling and distribution costs were approximately RMB11,594,000 (corresponding period of 2009: approximately RMB12,560,000), representing a decrease of approximately 7.69% as compared to the corresponding period of last year. The decrease was mainly due to the decrease in transportation expenses of the Group's products.

Administrative and other operating expenses

During the Period, the Group's administrative and other operating expenses were approximately RMB224,528,000 (corresponding period of 2009: approximately RMB162,350,000), representing an increase of approximately 38.30% as compared to the corresponding period of last year. Such increase was due to the consolidation of the mines acquired in 2009 and 2010 into 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 2010, the Group had cash and cash equivalents of approximately RMB1,128,744,000, representing a decrease of approximately 48.91% as compared to approximately RMB2,209,396,000 as at 31 December 2009. The decrease was mainly due to the acquisition of mines and the repayment of borrowings in the first half of 2010.

As at 30 June 2010, the balance of cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK\$") amounted to RMB149,660 (31 December 2009: RMB20,712,672) and those denominated in United States dollars ("USD") amounted to RMB774,691 (31 December 2009: RMB24,586,269). 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 authorized to conduct foreign exchange business.

Borrowings

As at 30 June 2010, the Group had outstanding bank loans and other borrowings of RMB313,250,000 (31 December 2009: RMB668,846,000), of which RMB275,460,000 (31 December 2009: RMB611,056,000) was repayable within 1 year, RMB30,000,000 (31 December 2009: RMB50,000,000) was repayable within 2 to 5 years and RMB7,790,000 (31 December 2009: RMB7,790,000) was repayable after 5 years.

All bank loans and other borrowings held by the Group are denominated in RMB. Interest bearing bank borrowings were in fixed rates.

Corporate bonds

On 28 December 2009, the Group agreed to raise a net amount of approximately RMB1,488,000,000 through issuing corporate bonds. During the Period, the net proceeds amounted to RMB1,142,600,000 have been used. The main usage of the net proceeds was: (1) the deposits paid for the acquisition of projects amounted to approximately RMB400,600,000; (2) the repayment of bank loans amounted to approximately RMB355,000,000; and (3) the infrastructure rehabilitation expenditures paid amounted to approximately RMB387,000,000.

As of 30 June 2010, the remaining balance of the net proceeds was approximately RMB345,400,000.

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 25% (corresponding period of 2009: approximately 25%).

Total assets

As at 30 June 2010, the total assets of the Group were approximately RMB8,788,111,000, representing an increase of approximately 2.41% as compared to approximately RMB8,581,632,000 as at 31 December 2009, among which total non-current assets amounted to approximately RMB6,464,489,000, accounting for approximately 73.56% of the total assets, representing an increase of approximately 16.19% as compared to approximately RMB5,563,890,000 as at 31 December 2009. As at 30 June 2010, total current assets were approximately RMB2,323,622,000, accounting for approximately 26.44% of the total assets, representing a decrease of approximately 23.00% as compared to approximately RMB3,017,742,000 as at 31 December 2009.

Net assets

As at 30 June 2010, the net assets of the Group were approximately RMB5,263,005,000, representing an increase of approximately 5.95% as compared to approximately RMB4,967,417,000 as at 31 December 2009.

Total liabilities

As at 30 June 2010, the total liabilities of the Group were approximately RMB3,525,106,000, representing a decrease of approximately 2.47% as compared to approximately RMB3,614,215,000 as at 31 December 2009. As at 30 June 2010, the gearing ratio (i.e. the total liabilities divided by the total assets) was approximately 40.11%, which had decreased by approximately 2.01% as compared to approximately 42.12% as at 31 December 2009.

Contingent liabilities

As at 30 June 2010, the contingent liabilities of the Group did not have any change as compared to those as at 31 December 2009.

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.

In order to partially finance its dividend payments, the Group had borrowed RMB59,396,000 (denominated in Hong Kong dollars), which was repaid in May 2010.

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

Gold price and other commodities price risks

The Group's exposure to price risk relates principally to 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

As at 30 June 2010, the Group had not pledged its assets. As at 31 December 2009, except for the pledged deposit of RMB59,396,000, the Group had not pledged other assets.

Substantial acquisitions

During the Period, details of the substantial acquisitions of the Group are set out in notes 18 and 20 to the condensed interim consolidated financial statements on pages 47 and 48 of this report.

VIII. BUSINESS OUTLOOK

During the Period, through closed cooperation and stringent organization of various departments and subsidiaries of the Group, the stated production plans and targets were all achieved in the first half of the year. Looking into the second half of the year, we will continue to maintain the growth momentum in the first half of the year in adherence to the scientific development and regulated management in an effort to push ahead the steady and yet fast growth of various business segments of the Company.

Propel external development and realize sizable expansion

As a resource-related enterprise, resources are essential to the enterprise. In the second half of the year, the Group will capture favorable opportunities and actively propel the proposed acquisition projects with matured conditions based on the active and sound strategies for external development. At present, the Company has entered into resource integration agreements in Tuoli County of Xinjiang, Chongli County of Hebei, Fengcheng City of Liaoning, Aletai City and Qinghe County of Xinjiang. The Company will fully utilize such platform to speed up the regional resource integration in the regions in which agreements have been entered into (including Xinjiang) in an effort to establish industry clusters and highlight the growth advantages in the region.

Further improve geological exploration and expand reserve

In strict compliance with the “five unified (五統一) requirements”, namely unified planning, unified management, unified scientific research, unified exploration and unified development, the Group will conscientiously strengthen the exploration and reserve expansion strategies, meanwhile commence the development of the Fengnan exploration area of the newly acquired Xinfengyuan Mining in the northeastern region to strive for greater breakthrough.

The Company will continue to develop Xiadian Gold Mine (within Zhaoyuan), Zaozigou Gold Mine and Qinghe Mining (outside Zhaoyuan) into three mining enterprises with an additional resources reserve of over 20 tons and endeavor to achieve significant exploration breakthroughs in the ultra-deep exploration within Zhaoyuan and in the exploration in the blank areas outside Zhaoyuan.

Stringent controlled production and ensure smooth completion of project development

The Company expects that, in the second half of the year, the Group will fully utilize the favorable opportunities in gold production and focus on two major areas: firstly, the Group will effectively organize on-site production and kick off the “high output season” activities based on the objectives stated at the beginning of the year. The Group will invite positive participation of all employees and focus on time, progress and active participation in order to complete the annual production target. The Group will endeavor so as to enhance the production efficiency of underground tasks as well as mining and output quality and efficiency with a view to completing the stated objectives.

Secondly, the Group will effectively organize its project development. By focusing on the expansion of production capacity, the Company will continue to conduct the “Project Enhancement Year” (項目優化年) activities and adopt effective measures such as providing assistance, on-site office and tracking services on key projects that affect output so as to resolve the problems arising in the course of project construction. The Company will also speed up the mining, processing and cyanidation expansion project of Jinchiling Gold Mine, vertical shaft construction project of Xiadian Gold Mine, the mining and processing expansion project of Zaozigou Gold Mine, the mining and processing expansion project of Tonghui Copper Mining Co., Ltd. of Jiashi County and the construction of the smelting plant of Xinjiang Xingta Mining Co. Ltd. and strive to commence production during the year. The Company will also accelerate the project development of Qinghe Mining, Zaozigou Gold Mine and newly acquired mines with a view to generating production capacity as soon as possible.

Enhance safety and environmental protection work and develop green and safe mines

In strong adherence to the Company’s safety concept of “gold is precious but life is priceless” and the environmental protection concept of “building a harmonious relationship between gold/silver mining and the environment”, the Company will commit its efforts in safety and environmental protection and strengthen various safety and environmental protection standards in an effort to build green and safe mines.

In the second half of the year, the Company will focus on improving the development of safety standards and further regulate the corporate safety management in accordance with the safety standards. The Company will effectively operate the occupational health and safety and environmental management systems and continue to improve the safety performance in compliance with the relevant systems and procedures. The Company will vertically push ahead the development of digitalized mine safety and gradually develop itself as an intrinsic safety enterprise alongside with the development of digital safety. The Company will establish a safety culture and drive the safety management across the Company to new levels in the capacity of a model enterprise of safety culture. The Company will endeavor to pass the test for the “the State’s Model Enterprise of Safety Culture” in one-time by the end of the year. The Company will also strengthen environmental protection management and strive to develop green mines, creating harmony between human and nature.

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 2010, 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 of members as at 30 June 2010 are as follows:

Classification	Number of shareholders
Domestic share	5
Overseas listed foreign share – H share	2,270
Total number of shareholders	2,275

3. Substantial shareholders

To the best knowledge of the Directors, supervisors and chief executives of the Company, as at 30 June 2010, the interests and short positions of substantial shareholders in the issued share capital of the Company which were required, pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"), to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which were required to be notified to the Company were as follows:

	Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long/Short/Lending Pool
1	Shandong Zhaojin Group Company Limited	Domestic shares	Beneficial owner	543,257,000 (Note 1)	37.27	53.25	-	Long
		H shares	Beneficial owner	16,112,500 (Note 1)	1.11	-	3.69	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	43,714,500 (Note 4)	3.00	-	9.99	Long

Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long/Short/Lending Pool
10 Liu Yang	H shares	Investment manager	43,714,500 (Note 4)	3.00	-	9.99	Long
11 JP Morgan Chase & Co	H shares	Beneficial owner	814,500 (Note 5)	0.06	-	0.19	Long
	H shares	Beneficial owner	810,000 (Note 5)	0.06	-	0.19	Short
	H shares	Custodian corporation/ approved lending agent	38,587,204 (Note 5)	2.65	-	8.83	Lending pool
	H shares	Custodian corporation/ approved lending agent	38,587,204 (Note 5)	2.65	-	8.83	Long
12 FIL Limited	H shares	Investment manager	30,678,500	2.10	-	7.02	Long
13 Ameriprise Financial Inc	H shares	Interest of controlled corporation	31,232,409 (Note 6)	2.14	-	7.14	Long
14 Hang Seng Bank Trustee International Limited	H shares	Trustee	21,861,500 (Note 7)	1.50	-	5.00	Long
15 Cheah Company Limited	H shares	Interest of controlled corporation	21,861,500 (Note 7)	1.50	-	5.00	Long
16 Cheah Capital Management Limited	H shares	Interest of controlled corporation	21,861,500 (Note 7)	1.50	-	5.00	Long
17 Value Partners Group Limited	H shares	Interest of controlled corporation	21,861,500 (Note 7)	1.50	-	5.00	Long
18 Value Partners Limited	H shares	Investment manager	21,861,500 (Note 7)	1.50	-	5.00	Long

Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long/Short/Lending Pool
19 Cheah Cheng Hye	H shares	Founder of discretionary trust	21,861,500 (Note 7)	1.50	-	5.00	Long
20 To Hau Yin	H shares	Interest of spouse	21,861,500 (Note 7)	1.50	-	5.00	Long

Notes:

- (1) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless certain criteria are fulfilled, therefore substantial shareholders' latest shareholding in the Company may be different to the shareholding 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) The 43,714,500 shares represent the same block of shares.
- (5) JP Morgan Chase & Co holds equity interest in shares of the Company through companies controlled or indirectly controlled by it.
- (6) Ameriprise Financial Inc holds equity interest in shares of the Company through companies controlled or indirectly controlled by it.
- (7) The 21,861,500 shares represent the same block of shares.

As at 30 June 2010, 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. 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.

III. 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 2010, 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).

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

At no time during the six months ended 30 June 2010 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. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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

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

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

VII. EMPLOYEES

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

VIII. IMPORTANT EVENTS

1. Change of Session of the Board and Supervisory Committee

At the 2010 first extraordinary general meeting of the Company held on 26 February 2010, Mr. Lu Dongshang, Mr. Wang Peifu, Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Weng Zhanbin, Mr. Wu Zhongqing, Mr. Chen Guoping, Mr. Yan Hongbo, Mr. Ye Tianzhu, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo were elected as members of the 3rd session of the Board of the Company; Mr. Wang Xiaojie and Ms. Jin Ting were elected as members of the 3rd session of the Supervisory Committee of the Company; and Mr. Chu Yushan was elected as staff supervisor at the staff representatives' meeting of the Company to form the 3rd session of the Supervisory Committee of the Company.

Both Directors and supervisors of the Company have a term of three years with effect from 26 February 2010.

Relevant details were set out in the announcement of the Company dated 26 February 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. Composition of Senior Management

The first meeting of the 3rd session of the Board of the Company was held on 26 February 2010 at which Mr. Lu Dongshang was elected as chairman of the 3rd session of the Board of the Company and legal representative of the Company; Mr. Liang Xinjun as vice chairman; Mr. Wang Peifu was appointed as chief executive officer and president of the Company; Mr. Zhang Banglong as chief financial officer; Mr. Li Xiuchen as senior vice president; Mr. Shi Wenge as vice president; Mr. Zhang Shantang as vice president; Mr. Sun Xiduan as vice president; Mr. Li Shanren as vice president; Mr. Wang Ligang was appointed as secretary to the Board; Mr. Ngai Wai Fung as company secretary; Mr. Lu Dongshang (chairman) and Mr. Wang Peifu (director) as authorized representatives of the Company.

3. Adjustments to the Special Committees of the Board

The following adjustments to the special committees of the Board were made by the Board:

(1) *Strategic Committee of the Board*

It comprises the executive Director of Mr. Lu Dongshang and the non-executive Directors of Mr. Liang Xinjun and Mr. Weng Zhanbin. Mr. Lu Dongshang acts as chairman of Strategic Committee.

(2) *Nomination and Remuneration Committee of the Board*

It comprises the executive Director of Mr. Lu Dongshang, the non-executive Director Mr. Liang Xinjun and the independent non-executive Directors of Mr. Yan Hongbo, Mr. Ye Tianzhu and Ms. Chen Jinrong. Mr. Liang Xinjun acts as chairman of the Nomination and Remuneration Committee.

(3) Audit Committee of the Board

It comprises the non-executive Director of Mr. Chen Guoping and the independent non-executive Directors of Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. Ms. Chen Jinrong acts as chairman of the Audit Committee.

(4) Geological and Resources Management Committee of the Board

It comprises the non-executive Director of Mr. Weng Zhanbin and the independent non-executive Directors of Mr. Yan Hongbo and Mr. Ye Tianzhu. Mr. Ye Tianzhu acts as chairman of the Geological and Resources Management Committee.

(5) Safety and Environmental Protection Committee of the Board

It comprises the executive Director of Mr. Wang Peifu, the non-executive Director of Mr. Cong Jianmao and the independent non-executive Director of Mr. Yan Hongbo. Mr. Yan Hongbo acts as chairman of the Safety and Environmental Protection Committee.

Relevant details were set out in the announcement of the Company dated 26 February 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Amendments to the Articles of Association

At the 2010 first extraordinary general meeting, resolutions were also proposed to amend Article 3.5, Article 10.1, Article 10.2, Article 13.2 and Article 14.1. Such amendments involve the amendments to the shareholding structure, composition of the Board, term of office and election of Directors, term of office and election of Supervisors, and the limiting conditions for Directors, Supervisor and senior management.

Relevant details were set out in the announcement of the Company dated 26 February 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

- 5.** On 19 May 2010, the Company established a wholly-owned subsidiary, Xinjiang Zhaojin Mining Development Co., Ltd. (新疆招金礦業開發有限公司) (“Xinjiang Zhaojin”) in Urumqi, Xinjiang with a registered capital of RMB30,000,000 and which is engaged in mining investment, mining technology advisory services and sale of mining products. The purpose of the establishment of Xinjiang Zhaojin is to ensure an in-depth and long-term mining development of the Group in Xinjiang and to capitalize on advantageous resources and potential mining resources for the Group’s smooth exploration and prospecting of mines in Xinjiang.
- 6.** On 3 June 2010, the 2009 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 2009 of a cash dividend of RMB0.22 (before taxation) per share to all shareholders. On 21 June 2010, the Company distributed the 2009 cash dividend of RMB0.22 (before taxation) per share to all shareholders;

- (2) Authorizing the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution; and
- (3) Authorizing the Board to repurchase 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 3 June 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. On 3 June 2010, 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 the issued H shares of the Company 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 7.(2) above was approved at the H shares class meeting, yet the proposal set out in 7.(1) above was not approved at the H shares class meeting.

Relevant details were set out in the announcement of the Company dated 3 June 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

IX. EXTRAORDINARY GENERAL MEETING

During the Period, the Company held one extraordinary general meeting in relation to the amendment to the articles of association, election of members of the 3rd session of the Board and members of the 3rd session of the Supervisory Committee.

Relevant details were set out in items numbered (1) and (4) under the section headed "Important Events" in this interim report and the announcement of the Company dated 26 February 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

X. 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.

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

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

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

XII. AUDIT COMMITTEE

The Audit Committee of the 3rd session of the Board of the Company comprises two independent non-executive directors, namely Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo, and one non-executive director Mr. Chen Guoping. 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 2010, and the committee is of the view that the unaudited interim report for the six months ended 30 June 2010 is prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

XIII. INVESTOR RELATIONS

The Company's Investor Relations Division endeavors to provide the most efficient and effective means of communication for the shareholders and investors to enhance investors' understanding of the business development, operating strategy, industry conditions and prospects of the Company.

During the Period, in addition to the publication of annual report, the Company also organized large-scale press conference following the results announcement and met with fund managers and analysts. The Company also carried out a series of roadshow activities in countries and regions such as Hong Kong, Singapore, the United Kingdom and Australia under the leadership of our Chairman, Mr. Lu Dongshang, to visit the shareholders and investors of the Company. Through one-on-one meetings, the Company explained the development of the Company to the shareholders in details, and at the same time, understand the opinions and advice of the shareholders on the development of the Company. Moreover, press releases are regularly published through the Company's website and other media to maintain the Company's coverage in various media bodies so that the investors can obtain the latest updates on the Company in a timely manner. In addition, during the Period, the management of the Company actively participates in the local and global investor conferences and forums held by a number of investment banks such as UBS, BOCI, CLSA and The Royal Bank of Scotland to explain to overseas and local investors on the business development and financial conditions of the Company through the conferences.

The Company has established and maintained intensive communication with institutional investors and research analysts on a regular basis through emails, telephone conferences or meetings, and reminds the analysts by email following the publication of announcements. In addition, the Company also arranges analysts and fund managers to make site visits to mine enterprises under the Group to enhance their understanding on the business operations and production procedures of the Company.

The Investors Relations Division of the Company aims to collect investors' opinions and recommendations on the Company and responds to their queries about the Company for an interactive communication with the investors. During the Period, various local and international research institutions compiled research reports on the Company and had positive comments on the Company.

XIV. POST BALANCE SHEET EVENTS

1. On 28 April 2010, the Company entered into an equity transfer agreement with two vendors (being independent third parties) to acquire 100% equity interest of Guangxi Guigang City Longxin Mining Development Co., Ltd. (廣西貴港市龍鑫礦業開發有限公司) ("Longxin Mining") at a consideration of RMB47,000,000. As at 30 June 2010, such transaction had not yet completed.

Longxin Mining is based in the northern area of Guigang City, Guangxi and is engaged in the wholesaling and retailing of mining products. Longxin Mining owns the mining rights to Tianshanhua gold deposit of Guiguang Longshan gold mine with a mining area of 0.6474 km². The gold resources reserves were 2.4 tons (approximately 77,162 ozs) with an average grade of 4 g/ton.

Guigang Longshan gold mine is situated at the mining belt in Mount Dayao in Guangxi and is one of the key gold mineralization centralized zones in Guangxi. The mine has a superior geological condition for mineralization, with more than 100 mining pits. Of which, there are 127 gold veins with very promising prospecting future and strong post-surveying and reserve potentials. Meanwhile, leveraging on Longxin Mining, the Group intends to acquire the exploration rights to the exterior area occupying 13 km² (such area has a proven gold reserve of approximately 2.3 tons).

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.

2. On 18 May 2010, the Company entered into an asset transfer agreement and an agreement on forming a new company with Fengcheng Gold Group (being independent third party). Pursuant to these agreements, Fengcheng Gold Group transferred 55% assets of the original Baiyun Gold Mine to the Company by way of entering into a transfer agreement. The consideration was RMB200,000,000. After the completion of asset transfer and obtaining approvals from the relevant government authorities of Fengcheng City, the Company and Fengcheng Gold Group contributed 55% and 45% assets of Baiyun Gold Mine respectively and cash of RMB5,500,000 and RMB4,500,000 respectively to set up a new company, Zhaojin Baiyun. The Company and Fengcheng Gold Group will own 55% and 45% equity interest respectively in Zhaojin Baiyun. As at the date of this report, the relevant procedures for change of registration with the industry and commerce authority in relation to the asset transfer and formation of Zhaojin Baiyun are still in progress.

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.

Relevant details were set out in the announcement of the Company dated 24 May 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. On 26 July 2010, Sparky International Trade Company Limited (“Sparky International”), a wholly-owned subsidiary of the Company, has subscribed for 20,000,000 ordinary shares of Citigold Corporation Limited (“Citigold”) at a total consideration of AUD2,000,000 (equivalent to approximately RMB11,500,000). Currently, Sparky International is interested in approximately 2.15% of the outstanding share capital of Citigold and is the fourth largest shareholder of Citigold.

Citigold is a developing gold exploration and mining company listed on Australian Securities Exchange and Frankfurt Stock Exchange in Germany and primarily engaged in gold exploration and mining.

According to the announcement published by Citigold, Citigold is a gold producer who controls the richest and key gold mines in Chaters Towers, North Queensland, Australia and owns higher grade gold deposits with a gold resource of approximately 10,000,000 ozs (approximately 23,000,000 tons ores with an average grade of approximately 14 g/ton). The cost of production for gold was below AUD350/oz in cash. As for gold output, the gold output for 2008 was 17,497 ozs; gold output for the second half of 2009 was 8,100 ozs; gold output for the first quarter of 2010 was 5,600 ozs; and the gold output for the planned year was 50,000 ozs.

Active exploration and capture of new investment opportunities is a basic strategy for the Company to participate in the development of international mining industry. Through the participation in the financing subscription in Citigold, the Company will become one of the important strategic shareholders of Citigold which sets the foundation for the Company to develop overseas projects on a broader and deeper level in the future.

This subscription does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 25 July 2010 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. On 26 July 2010, the Company entered into a comprehensive strategic cooperation agreement with CITIC Mining Technology Development Co., Ltd. (中信礦業科技發展有限公司) (“CITIC Mining”), pursuant to which both parties will enter into a cooperation agreement to fully utilize their respective strengths in areas such as social resources, funding, technology and human resources; push forward and establish major objectives, facilitate major integration and implement major development strategies; to conduct long-term cooperation in an all-round, multi-area and multi-aspect manner in terms of gold mining resources exploration, development and utilization, capital operation, human resources development, infrastructural facilities and scientific research and development so as to achieve a mutually beneficial, win-win and joint development situation; make contribution to the facilitation of industry development and regional economic development.

CITIC Mining is the primary subsidiary of CITIC Group and is principally engaged in the mining related technology marketing and transfer; geological resources control, geological exploration, technology research and development and enquiry in the non-ferrous metal industry; project investment. The company has solid financial capabilities and strong capital operation abilities, and owns a number of gold mine projects under construction and in operation.

CITIC Group is a large-scale international and multi-national corporation which is engaged in a wide range of businesses including finance, energy and resources, real estate, manufacturing, information technology and infrastructural facilities.

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

Zhaoyuan, the PRC, 13 August 2010

INDEPENDENT AUDITOR'S 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 28 to 48 which comprises the condensed consolidated statement of financial position of Zhaojin Mining Industry Company Limited as at 30 June 2010 and the related condensed consolidated statements of comprehensive 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

13 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2010

	Notes	For the six-month period ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
REVENUE	4	1,675,854	1,063,102
Cost of sales		(650,805)	(484,836)
Gross profit		1,025,049	578,266
Other revenue and gains		54,468	47,044
Selling and distribution costs		(11,594)	(12,560)
Administrative expenses		(224,528)	(162,350)
Other operating expenses		(52,769)	(20,323)
Operating profit		790,626	430,077
Finance costs		(45,139)	(11,815)
Share of profit of an associate		2,958	1,991
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		748,445	420,253
Income tax expense	5	(176,337)	(104,223)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		572,108	316,030
DISCONTINUING OPERATION		-	-
PROFIT FOR THE PERIOD		572,108	316,030
Other comprehensive income:			
Exchange differences on translation of foreign operation		408	36
Other comprehensive income for the period, net of tax		408	36
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		572,516	316,066

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the six-month period ended 30 June 2010

	Notes	For the six-month period ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Profit attributable to:			
Equity holders of the Company		561,192	319,708
Minority interests		10,916	(3,678)
		572,108	316,030
Total comprehensive income attributable to:			
Equity holders of the Company		561,600	319,744
Minority interests		10,916	(3,678)
		572,516	316,066
Dividends	6	-	-
Basic earnings per share (RMB)	7	0.39	0.22

The accompanying notes form an integral part of this financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	<i>Notes</i>	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,988,406	2,763,461
Intangible assets	8	2,778,501	2,364,514
Interest in an associate		40,938	37,980
Long term deposits		7,374	6,882
Land lease prepayments		130,814	131,483
Other long term assets	9	392,928	164,646
Deferred tax assets		125,528	94,924
		6,464,489	5,563,890
CURRENT ASSETS			
Cash and cash equivalents		1,128,744	2,209,396
Trade and notes receivables	10	49,198	10,797
Prepayments, deposits and other receivables		369,108	197,556
Equity investments at fair value through profit or loss		60,621	–
Pledged deposits		–	59,396
Inventories		682,668	475,111
		2,290,339	2,952,256
Classified as held-for-sale investments	11	33,283	65,486
Current assets subtotal		2,323,622	3,017,742
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	275,460	611,056
Trade payables	13	594,981	373,295
Other payables and accruals		439,479	460,224
Provisions		17,743	12,966
Tax payable		75,377	66,505
		1,403,040	1,524,046
Liabilities classified as held-for-sale investments	11	6,783	26,986
Current liabilities subtotal		1,409,823	1,551,032
NET CURRENT ASSETS		913,799	1,466,710
TOTAL ASSETS LESS CURRENT LIABILITIES		7,378,288	7,030,600

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2010

	<i>Notes</i>	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	37,790	57,790
Provisions		80,497	62,361
Deferred income		38,620	39,969
Corporate Bond		1,488,770	1,488,036
Other long term liability		34,720	40,000
Deferred tax liabilities		434,886	375,027
		2,115,283	2,063,183
NET ASSETS			
		5,263,005	4,967,417
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		1,457,430	1,457,430
Reserves		3,350,991	2,789,391
Proposed final dividend		–	320,635
		4,808,421	4,567,456
Minority interests		454,584	399,961
TOTAL EQUITY			
		5,263,005	4,967,417

Approved on behalf of the Board of Directors:

Lu Dongshang
Director

Wang Peifu
Director

The accompanying notes form an integral part of this financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2010

	Attributable to equity holders of the Company								
	Issued share capital	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Total comprehensive income/(loss) for the period	-	-	-	36	319,708	-	319,744	(3,678)	316,066
Acquisition of subsidiaries	-	-	-	-	-	-	-	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
At 1 January 2010	1,457,430	1,566,884	226,513	(5,408)	1,001,402	320,635	4,567,456	399,961	4,967,417
Total comprehensive income for the period	-	-	-	408	561,192	-	561,600	10,916	572,516
Acquisition of subsidiaries	-	-	-	-	-	-	-	59,678	59,678
Disposal of a subsidiary	-	-	-	-	-	-	-	(15,971)	(15,971)
Transfer to reserves	-	-	60,137	-	(60,137)	-	-	-	-
Dividends – 2009 final paid	-	-	-	-	-	(320,635)	(320,635)	-	(320,635)
At 30 June 2010 (Unaudited)	1,457,430	1,566,884*	286,650*	(5,000)*	1,502,457*	-	4,808,421	454,584	5,263,005

* These reserve accounts comprise the consolidated reserves of RMB3,350,991,000 (2009: RMB2,789,391,000) in the condensed consolidated statement of financial position.

The accompanying notes form an integral part of this financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six-month period ended 30 June 2010

	For the six-month period ended 30 June	
	2010 <i>RMB'000</i> (Unaudited)	2009 <i>RMB'000</i> (Unaudited)
Net cash inflow from operating activities	451,562	244,745
Net cash outflow from investing activities	(829,301)	(297,625)
Net cash outflow from financing activities	(702,675)	(20,265)
Decrease in cash and cash equivalents	(1,080,414)	(73,145)
Cash and cash equivalents at beginning of period	2,214,111	688,764
Effects of foreign exchange rate changes, net	(400)	2
Cash and cash equivalents at end of period	1,133,297	615,621
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	759,797	344,621
Non-pledged time deposits with original maturity of less than three months when acquired	368,947	271,000
Cash and short-term deposits attributable to a discontinued operation	4,553	–
	1,133,297	615,621

The accompanying notes form an integral part of this financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2010

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 sale of gold and silver products, previously operated by Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC.

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.

During the Period, the Company and its subsidiaries (collectively "the Group") were principally engaged in the exploration, mining, processing, smelting of gold, the sale of gold products and mining, processing and sale of copper products in the PRC. In addition, the Company processed and sold silver and copper in the PRC. 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 Zhaojin Group. 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 2009.

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 2009, except for the adoption of new standards and interpretations noted below.

HKFRS 1 (Revised) *First-time Adoption of Hong Kong Financial Reporting Standards*

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

HKFRS 1 Amendments *Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*

HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

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

Significant accounting policies (continued)

HKFRS 2 Amendments Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The Group adopted the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant financial impact on the Group.

HKFRS 3 (Revised) *Business Combinations*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group adopted HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting for future acquisitions, loss of control and transactions with minority interests.

HKAS 39 Amendment Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The HKAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group adopted the HKAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 *Distributions of Non-cash Assets to Owners*

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group applied the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. As the Company does not distribute non-cash assets to owners, the interpretation is unlikely to have any material financial impact on the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

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

Significant accounting policies (continued)

Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
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The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group adopted the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
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HK-Int 4 was revised in December 2009 as a consequence of amendment to HKAS 17 made by Improvements to HKFRSs issued in May 2009. The amendment to HKAS 17 removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. The new guidance, paragraph 15A, indicates that entities should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. A lease of land is therefore classified as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the lessee. Following this amendment, the scope of this Interpretation has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of properties accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The adoption of HK-Int 4 has resulted in a change in accounting policy, disclosure and presentation relating to leasehold land. A leasehold land has been re-classified from operating lease to finance lease, and the land lease continues to be amortised over its lease term on straight line basis with no significant financial impact on the Group.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18, the Group adopted the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

4. OPERATING SEGMENT INFORMATION

According to HKFRS 8 *Operating Segments* which became effective on 1 January 2009, the Group now reports information by the reportable segments set out below, reflecting how senior management monitors the operating results of the Group's operating segments for the purpose of making decisions about resources allocation and performance assessment.

Segment performance is evaluated based on reportable segment profit which is a measure of adjusted profit before tax from continuing operation. Adjusted profit before tax is measured consistently with Group's profit before tax except interest income, finance costs, fair value gains/(losses) and foreign exchange loss that are excluded from such measurement.

As over 99% of the assets of the Group are located in the PRC and over 94% of the gold sales of the Group occurred in Shanghai Gold Exchange ("SGE"), no further geographical or customer service segment information has been presented.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, convertible bonds, tax payable, deferred tax liabilities as these liabilities are managed on a group basis.

Consequently, for management purposes, the Group is organised into three reportable operating segments as follows:

- (a) Gold operations segment consists of the operation of Xia Dian, Da Yin Ge Zhuang, He Dong, Jin Ting Ling, Lu Feng, Tuoli Kuo Ge Sha Ye, Sa Re Kuo Bu, Da Xi Gou, Hainan Dong Fang, Liang Dang, Zao Zi Gou, Xin Yuan, Fu Kang, Can Zhuang, Qinghe, Xinfengyuan, Hezheng gold mines and Jin Chi Ling, Xing Ta smelter complex;

The sources of gold produced are as follows:

	For the six-month period ended 30 June 2010 kg (Unaudited)	For the six-month period ended 30 June 2009 kg (Unaudited)
Own mines	5,260	4,351
Purchase and others	1,539	1,273
Tolling	3,430	4,187
Total	10,229	9,811

- (b) Copper operation segment consists of the operations at Tong Hui copper mine and Xinhui smelter complex;

- (c) The "Others" segment consists of the operations at Gansu Zhaojin, Huabei Zhaojin, Beijing Zhongse, Heilongjiang Zhaojin, Guihe, HK Sparky, Xinjiang Zhaojin and ancillary activities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

4. OPERATING SEGMENT INFORMATION (continued)

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

Group

For the six-month period ended 30 Jun 2010 (Unaudited)

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Revenue				
Revenues from external customers	1,628,305	47,549	–	1,675,854
Segment results	790,271	2,708	6,252	799,231
<i>Reconciliation:</i>				
Interest income				11,217
Fair value loss on equity investments at fair value through profit or loss				(16,532)
Finance costs				(45,139)
Foreign exchange loss				(332)
Profit before tax from continuing operations				748,445
As at 30 June 2010				
Assets and liabilities				
Segment assets	6,807,620	385,264	275,782	7,468,666
<i>Reconciliation:</i>				
Unallocated assets				1,319,445
Total assets				8,788,111
Segment liabilities	1,138,286	55,883	18,655	1,212,824
<i>Reconciliation:</i>				
Unallocated liabilities				2,312,282
Total liabilities				3,525,106
For the six-month period ended 30 June 2010				
Other segment information				
Capital expenditure	410,834	56,183	2,109	469,126
Deposit paid for acquisition of subsidiaries and property, plant and equipment	236,800	–	22,119	258,919
Impairment losses recognised in profit or loss	10,308	898	4	11,210
Share of profit of an associate	2,958	–	–	2,958
Depreciation and amortisation	161,309	26,640	8,220	196,169
Exploration assets written off	114	–	–	114

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

4. OPERATING SEGMENT INFORMATION (continued)

Group

For the six-month period ended 30 Jun 2009 (Unaudited)

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Revenue				
Revenues from external customers	1,025,889	37,213	–	1,063,102
Segment results	410,327	1,122	8,236	419,685
<i>Reconciliation:</i>				
Interest income				5,415
Fair value loss on equity investments at fair value through profit or gain				6,965
Finance costs				(11,815)
Foreign exchange gain				3
Profit before tax from continuing operations				420,253

As at 31 December 2009

Assets and liabilities				
Segment assets	5,540,481	626,300	51,135	6,217,916
<i>Reconciliation:</i>				
Unallocated assets				2,363,716
Total assets				8,581,632
Segment liabilities	783,310	94,325	28,052	905,687
<i>Reconciliation:</i>				
Unallocated liabilities				2,708,528
Total liabilities				3,614,215

For the six-month period ended 30 June 2009

Other segment information				
Capital expenditure	463,560	12,795	67	476,422
Deposit paid for acquisition of subsidiaries and property, plant and equipment	115,000	–	–	115,000
Impairment losses reversed in profit or loss	(8,931)	–	–	(8,931)
Share of profit of an associate	1,991	–	–	1,991
Depreciation and amortisation	73,794	14,916	2,131	90,841
Exploration assets written off	1,606	–	–	1,606

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

5. INCOME TAX

PRC corporate income tax ("CIT") has been provided at a rate of 25% (2009: 25%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with PRC GAAP, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the six-month period ended 30 June 2010.

	For the six-month period ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Current income tax	210,079	108,496
Deferred income tax		
– Relating to origination and reversal of temporary differences	(33,742)	(4,273)
Income tax expense	176,337	104,223

6. DIVIDEND PAID AND PROPOSED

The proposed 2009 final dividend of RMB0.22 per share (2008: RMB0.166 per share), RMB320,635,000 (2008: RMB241,933,000) in aggregate, was approved by the shareholders on 3 June 2010 and paid on 21 June 2010. There was no dividend proposed during the six-month period ended 30 June 2010 (2009: 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 2010 of RMB561,192,000 (for the six-month period ended 30 June 2009: RMB319,708,000) by ordinary shares in issue during the period of 1,457,430,000 (for the six-month period ended 30 June 2009: 1,457,430,000).

Diluted earnings per share for the six-month periods ended 30 June 2010 and 2009 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 2010, the Group purchased property, plant and equipment with a cost of RMB312,695,000 (2009: RMB245,162,000) and intangible assets with a cost of RMB154,785,000 (2009: RMB83,497,000). In addition, the Group acquired property, plant and equipment through business combination as amount of RMB56,245,000 (2009: RMB17,761,000) and intangible assets of RMB283,570,000 (2009: nil) during the period. Also the Group acquired intangible assets of RMB37,600,000 (2009: 103,769,000) through the acquisition of a subsidiary accounted for by way of acquisition of an asset during the period.

During the six-month period ended 30 June 2010, depreciation for property, plant and equipment was RMB133,280,000 (2009: RMB88,008,000) and amortisation for intangible assets was RMB59,924,000 (2009: RMB27,217,000).

During the six-month period ended 30 June 2010, property, plant and equipment with a net book value of RMB12,465,000 (2009: RMB15,992,000) were disposed of by the Group resulting in a net loss on disposal of RMB1,446,000 (2009: net loss of RMB9,161,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

9. OTHER LONG TERM ASSETS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Deposit paid for the acquisition of subsidiaries	249,480	114,680
Prepayment for the purchases of property, plant and equipment	143,448	49,966
Total prepayment for long term assets	392,928	164,646

The Company has entered into an equity transfer agreement (the "Agreement") with third parties to acquire a 55% equity interest of Baiyun Gold Mine ("Baiyun") located in the PRC for a total consideration of approximately RMB200 million. Pursuant to the Agreement, the Company paid RMB100 million as deposit during the period ended 30 June 2010.

The Company paid RMB100 million as deposit of the acquisition of minority interest in Jiashi Tanghui Mining Company Limited, a subsidiary of the Company. The final terms of sales and purchases agreements are expected to be finalised by the end of 2010.

The Company paid a deposit of RMB23 million to a third party to acquire 80% equity of Longkou Cuijia Gold Mining Company Limited. The total consideration of the acquisition is RMB32.8 million.

The outstanding commitments in relation to the above acquisition are disclosed in Note 14.

10. TRADE AND NOTES RECEIVABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables	49,173	3,351
Notes receivable	25	7,446
	49,198	10,797

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Outstanding balances due within 90 days	49,198	10,797

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

10. TRADE AND NOTES RECEIVABLES (continued)

Trade and notes receivables are non-interest-bearing. There were no receivables that were overdue 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. OTHER ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Since December 2009 the Company has been undergoing a negotiation with a third party for the disposal of its 100% equity interest in Fukang Mining Industry Company Limited ("Fukang"), as the gold mining activities in Fukang is limited. The proposed consideration is around RMB26,500,000. The disposal of Fukang has not been completed as at 30 June 2010.

The major classes of assets and liabilities of Fukang classified as held for sale as at 30 June 2010 are as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
<i>Assets</i>		
Property, plant and equipment	6,423	7,659
Intangible assets	22,190	52,134
Cash and cash equivalents	4,553	4,715
Inventories	117	157
Prepayments and other receivables	-	6
Deferred tax assets	-	815
Assets classified as held for sale	33,283	65,486
<i>Liabilities</i>		
Other payables and accruals	(204)	(8,265)
Deferred income	(1,500)	(1,500)
Deferred tax liabilities	(5,079)	(17,221)
Liabilities directly associated with assets classified as held for sale	(6,783)	(26,986)
Net assets directly associated with the disposal group	26,500	38,500

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Unsecured:		
Bank loans	300,000	596,200
Other borrowings	13,250	13,250
	313,250	609,450
Secured:		
Bank loans	-	59,396
Total	313,250	668,846
Portion classified as:		
Current	275,460	611,056
Non-current	37,790	57,790

All bank and other borrowing are demonstrated in Renminbi. The bank loans bear an effective interest rate of 4.83% (2009: 4.06%) per annum. The other borrowings bear an effective interest rate of 4.23% (2009: 4.23%) per annum. During the period, the Group borrowed bank loans and settled bank loans of RMB475,000,000 (2009: RMB707,396,470) and RMB830,596,470 (2009: RMB496,180,000) respectively.

13. TRADE PAYABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade payables	396,510	102,809
Payable under tolling arrangements	198,471	270,486
	594,981	373,295

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Outstanding balances with ages:		
Within one year	587,449	357,431
Over one year but within two years	4,435	14,160
Over two years but within three years	1,806	634
Over three years	1,291	1,070
	594,981	373,295

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

14. COMMITMENTS

Capital commitments

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Contracted, but not provided for:		
Land and buildings	41,249	1,549
Plant and machinery	34,242	6,656
Unlisted equity investments in subsidiaries	160,120	–
	235,611	8,205
Authorised, but not contracted for:		
Land and buildings	655,520	328,450
Plant and machinery	448,180	418,950
Exploration and evaluation assets	543,440	766,400
	1,647,140	1,513,800

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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	4,511	4,526
In the second to fifth years, inclusive	4,053	4,364
	8,564	8,890

15. CONTINGENT LIABILITIES

There have been no changes to contingent liabilities since 31 December 2009.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

16. RELATED PARTY TRANSACTIONS

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

	For the six-month period ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (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	1,964	1,985
– Gold exchange commission fee	458	32
– Commission fee for purchase of property, plant and equipment	–	140
Sales:		
– Sale of silver	–	26,817
Non-recurring transactions		
Capital transactions:		
– Purchase of property, plant and equipment	–	453
– Purchase of land use rights	2,203	–
(ii) Subsidiaries of Zhaojin Group		
Recurring transactions		
Expenses:		
– Fees for refining services	1,498	2,259
Non-recurring transactions		
Capital transactions:		
– Purchase of property, plant and equipment	250	442
– Purchase of software	588	284

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

16. RELATED PARTY TRANSACTIONS (continued)

The above transactions were with Zhaojin Group and entities under the control of Zhaojin Group and they were conducted at terms mutually agreed between Zhaojin Group and the Group.

In addition, certain guarantees were provided 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 by Zhaojin Group.

17. BUSINESS COMBINATIONS

Acquisitions of subsidiaries during the period are as follows:

- (a) On 5 March 2010, the Company has reached an agreement with an independent party to acquire respectively 80% equity interest in Qinghe County Jindu Mining Development Company Limited ("Qinghe Mining"). The total consideration of RMB185 million was fully settled by cash. Qinghe Mining is engaged in the exploration and mining of gold and the sale of related products.

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

	Fair value recognised on acquisition	Previous carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>
Inventories	273	–
Property, plant and equipment	38,625	18,370
Intangible assets	181,365	–
Deferred tax liabilities	(50,473)	–
Minority interest	(33,958)	–
	135,832	18,370
Goodwill	49,168	
Satisfied by:		
Cash	185,000	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

17. BUSINESS COMBINATIONS (continued)

- (b) On 5 March 2010, the Company has reached an agreement with an independent party to acquire 80% equity interests in Hezheng Xinyuan Mining Company Limited (“Hezheng Mining”). The total consideration of RMB48 million was fully settled in cash. Hezheng Mining is engaged in the exploration and mining of gold and the sale of related products.

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

	Fair value recognised on acquisition	Previous carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>
Inventories	204	–
Property, plant and equipment	17,620	7,584
Intangible assets	43,119	–
Deferred tax liabilities	(13,340)	–
Minority interest	(9,521)	–
	<u>38,082</u>	<u>7,584</u>
Goodwill	<u>9,918</u>	
Satisfied by:		
Cash	<u>48,000</u>	

Since the respective dates of acquisitions, the above subsidiaries have had no significant contribution to the Group’s revenue and to the Group’s profit for the six-month period ended 30 June 2010.

18. ACQUISITION OF SUBSIDIARY

On 28 May 2010, the Company entered into an agreement with third party to acquire 100% equity interest in Fengcheng City Xinfengyuan Mining Company Limited (“Xinfengyuan Mining”) at consideration of RMB47.6 million. The acquisition has been completed on 17 June 2010, fully settled in cash.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2010

18. ACQUISITION OF SUBSIDIARY (continued)

The carrying amounts of the identifiable assets and liabilities of the above acquisition as at the date of acquisition was as follows:

	Carrying amounts <i>RMB'000</i>
Intangible assets	37,600
Cash and cash equivalents	10,000
	<u>47,600</u>
Satisfied by:	
Cash	<u>47,600</u>

From the date of acquisition, the results of the new acquired subsidiary has no significant impact on the Group's consolidated revenue or net profit for the period ended 30 June 2010.

19. DISCONTINUED OPERATION

On 6 January 2010, the Company entered into an agreement to dispose its entire interest in Starry Company Limited ("Starry"), a wholly-owned subsidiary of the Company at a consideration of RMB12,000,000 which has been satisfied by cash. The assets and liabilities of Starry were presented as net assets directly associated with the disposal group as at 31 December 2009. Further details are contained in note 9 in the annual financial statements of 2009.

20. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 28 April 2010, the Company entered into an agreement with two vendors (being independent third parties) to acquire 100% equity interest of Guangxi Guigang City Longxin Mining Development Co., Ltd. ("Longxin Mining") at a consideration of RMB47,000,000. The transaction has not been completed as at 30 June 2010.
- (b) On 18 May 2010, the Company entered into certain agreements with Liaoning Fengcheng Gold Group ("Fengcheng Gold Group"), an independent third party. Pursuant to these agreements, Fengcheng Gold Group agreed to transfer 55% interests in Baiyun Gold Mine to the Company at a consideration of RMB200,000,000. The transaction has not been completed as at 30 June 2010.
- (c) On 26 July 2010, Sparky International Trade Company Limited ("Sparky International"), a wholly-owned subsidiary of the Company, has subscribed for 20,000,000 ordinary shares of Citigold Corporation Limited ("Citigold"), an Australian corporation, engaging in gold exploration and mining, at a total consideration of AUD2,000,000 (equivalent to approximately RMB11,500,000). Currently, Sparky International owns approximately 2.15% of the issued share capital of Citigold.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 13 August 2010.