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# 2008

中期報告  
INTERIM REPORT



**紫金礦業集團股份有限公司**  
ZIJIN MINING GROUP COMPANY LIMITED\*

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

(在中華人民共和國註冊成立的股份有限公司)

(Stock Code 股份代號: 2899)

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# Operation Overview

## MARKET REVIEW

In the first half of 2008, the adverse influence of subprime mortgage crisis in the United States, the devaluation of the US Dollar and the upsurge of crude oil prices contributed to the high price of gold. The international opening price of gold was US\$841 per ounce (1 January 2008) and the closing price was US\$924.99 per ounce (30 June 2008). During the reporting period, the gold price reached the highest of US\$1,011.50 per ounce. The average trading price at the Shanghai Gold Exchange was RMB206.98 per gramme, which increased by RMB43.60 per gramme when compared with the same period last year, representing a 26.7% increase. The average selling price of gold of Zijin Mining Group Company Limited (the "Company") and its subsidiaries (the "Group") during the first half year was RMB204.75 per gramme (approximately US\$910 per ounce) representing a net increase of RMB41.58 per gramme or 25.48% when compared to the same period last year (RMB163.17 per gramme).

In the first half of 2008, production of gold in the People's Republic of China (the "PRC") was noticeably increased. The domestic gold production was 129.089 tonnes, representing a 5.63% growth when compared with the same period last year, among which, 104.794 tonnes of gold were ore-produced gold, representing a 6.93% growth. The gold industry realised RMB60,177,900,000 of industrial production value and RMB6,610,000,000 of profit, representing 88.9% and 90.61% growth respectively when compared with the same period last year. The profit of gold has risen more than its volume of production. The ore-produced gold and its profit of the Group represented 13.12% and 29.62% respectively of the PRC total production from ore-produced gold and the PRC's total profits.

In the first half of 2008, the price of copper fluctuated but went up despite various market factors. The three-months opening middle copper price of London Metal Exchange ("LME") was US\$6,705 per tonne, which was also the lowest price of the first half of the year and the closing price was US\$8,584.75 per tonne. During the period, it reached its highest price of US\$8,805 per tonne. The trend of Shanghai copper price was similar to that of the LME copper price.

In the first half of 2008, there was a substantial reduction in the price of zinc. The three-months opening middle zinc price of LME was US\$2,403 per tonne, the closing price was US\$1,911 per tonne. During the period, it reached its highest price of US\$2,840.25 per tonne, and its lowest of US\$1,857 per tonne. The price of zinc fell significantly when compared with the same period last year. The Group's selling price for zinc bullion represents a 38.08% decrease when compared with the same period last year.

1 troy ounce = 31.1035 grammes

# Operation Overview

## Production and Operation Status

During the reporting period, the Group produced 26,709kg (858,714 ounces) of gold in total, representing a 19.93% growth when compared with the corresponding period last year (22,271kg), among which, 13,758kg (442,330 ounces) was ore-produced gold and 12,951kg (416,384 ounces) was refinery gold, representing a 33.99% and a 7.91% growth respectively when compared with the corresponding period last year (10,268kg and 12,002kg). The Group produced 23,995 tonnes of copper, representing a 12.34% growth over the same period last year (21,358 tonnes). The Group produced 69,182 tonnes of zinc, which decreased by 12.15% when compared with the same period last year (78,754 tonnes), among which, 52,053 tonnes was zinc bullion (same period in 2007: 55,825 tonnes), and 17,129 tonnes was zinc concentrates (same period in 2007: 22,929 tonnes). The Group produced 383,564 tonnes of iron concentrates, representing a 14.08% growth over the same period last year (336,222 tonnes). The Group produced 51,605kg of silver, which represents a 100% growth over the same period last year (25,740kg), among which, 41,321kg was ore-produced silver and 10,284kg was processed silver.

During the reporting period, the Group generated a turnover of RMB8,212,654,000 (2007: RMB6,673,418,000) and realised a net profit of RMB1,742,397,000 (2007: RMB1,201,833,000), representing 23.07% and 44.97% growth respectively when compared with the corresponding period last year.

### 1. Gold Mine Business

During the reporting period, the Group produced 13,758kg (442,330 ounces) of ore-produced gold representing a 33.99% growth over the same period last year, among which Zijinshan Gold Mine produced 8,431kg (271,063 ounces); Guizhou Shuiyindong Gold Mine produced 1,455kg (46,779 ounces); Hunchun Shuguang Gold Copper Mine produced gold concentrates containing 789kg (25,366 ounces) gold. In total, the above-mentioned three mines produced about 77.60% of the Group's total ore-produced gold. Other mines produced 3,083kg (99,121 ounces) gold and gold associated with other metals, representing approximately 22.40% of the Group's total ore-produced gold, among which, the mines in Tajikistan ZGC produced 441kg (14,178 ounces), with a profit of US\$660,000, which ends more than 10 years loss making status of that company in the past.

During the reporting period, the Group produced 12,951kg (416,384 ounces) of refinery gold, representing a growth of 7.91% over the same period last year, of which, Luoyang Zijin Yinhui produced 11,986kg (385,359 ounces); Xiamen Zijin Science and Technology produced 285kg (9,163 ounces); and Fujian Jinshan Gold Refinery Plant produced 282kg (9,067 ounces) of refinery gold in its trial production this year.

During the reporting period, sales income generated from gold business of the Group represented approximately 63.79% of the total sales income of the Group and the net profit from the gold business of the Group represented about 63.85% of the total net profit of the Group.

## Operation Overview

### 2. *Copper Mine Business*

During the reporting period, the Group produced 23,995 tonnes of ore-produced copper, representing a 12.34% growth when compared with the same period in the last year, of which, Ashele Copper Mine produced copper concentrates consisting of 11,300 tonnes of copper. Zijinshan Copper Mine produced 4,794 tonnes copper cathodes. Hunchun Shuguang Gold Copper Mine produced copper concentrates consisting of 2,124 tonnes of copper. Qinghai Deerni Copper Mine produced copper concentrates consisting of 4,575 tonnes of copper.

During the reporting period, sales income from copper business of the Group represented approximately 14.67% of the total sales income of the Group and the net profit from the copper business of the Group represented about 24.91% of the total net profit of the Group.

### 3. *Zinc Mine and Lead Mine Business*

During the reporting period, the Group produced 69,182 tonnes of zinc, which decreased by 12.15% when compared with the corresponding period last year. Among which: 52,053 tonnes was zinc bullion, 17,129 tonnes was zinc concentrates (of which, 14,862 tonnes of zinc was sold to Bayannaer Zijin Zinc Refinery Plant); 52,053 tonnes of zinc bullion was produced by Bayannaer Zijin Zinc Refinery Plant; Wulatehouqi Zijin produced zinc concentrates consisting of 10,683 tonnes of zinc, Ashele Copper Mine produced 2,678 tonnes of zinc from other associated metals. During the reporting period, the Group produced lead concentrates consisting of 1,977 tonnes of lead.

During the reporting period, sales income from zinc and lead business of the Group represented approximately 9.79% of the total sales income of the Group, and net profit from the zinc and lead business represented about 1.92% of the total net profit of the Group.

### 4. *Other Business*

During the reporting period, the Group produced 383,564 tonnes of iron concentrates, representing a 14.08% growth when compared with the same period last year; and produced 51,605kg of silver (among which, 41,321kg was ore-produced silver), representing a 100% growth when compared with the same period last year; and produced 105,334 tonnes of associated vitriol products. Xinjiang Fuyun, which commenced production this year, produced 16,181 tonnes of reduction iron; Zijin Copper produced 3,335 tonnes of copper alloys.

During the reporting period, sales income from the Group's iron ore and other business represented approximately 11.75% of the total sales income of the Group, and net profit of iron ore and other business of the Group represented about 9.32% of the total net profit of the Group.

## Operation Overview

### 5. *Investment*

In the first half of 2008, the Group evaluated 36 projects in the PRC and abroad. More emphasis was put on to the mines that could commence production and have return as soon as practicable according to the adjusted strategy and resources evaluation. Currently, acquisition of Gansu Li County Dujiagou gold mine has been completed. It is expected that two acquisition projects will be completed in the second half of 2008. Further, the Group is in the course of following up with the gold mines project overseas and seeking approval.

### 6. *Projects Construction*

During the reporting period, in relation to the projects in the PRC, Zijinshan Gold Copper Mine joint mining project has achieved good results in the current phase. Project of the second gold refinery plant was basically completed. Hunchun Shuguang Gold Copper Mine technological renovation project and gold mine and tin mine of Xinyi Zijin are expected to commence trial production by the end of the year and the production of Deerni Copper Mine is gradually improving to normal; the construction of a new mine, Duobaoshan Copper Mine, the preparation work of the comprehensive utilisation of tailing project of Ashele Copper Mine and Deerni Copper Mine have been accelerated.

For the overseas projects, the problems of imbalance of exploitation and stripping, and abnormal supply of materials in relation to the ZGC project have been solved. 441kg of gold was produced in the first half of the year, with a profit of US\$660,000. Tuva Lead Zinc Mine project was approved by the responsible department in Russia. The construction is expected to commence in this year pending the granting of the construction permit.

### 7. *Geological Exploration and Management of Mining Rights*

During the reporting period, the Group has obtained 11 new exploration rights, covering an area of 269.66 sq.km. The Group has also disposed of 6 exploration rights, covering an area of 259.52 sq.km. As at 30 June 2008, the Group owns a total of 177 exploration rights, covering an area of 5,211.79 sq.km.

As at 30 June 2008, the Group has a total of 39 mining rights, covering an area of 88.6026 sq.km. It included 7 mining rights newly acquired in this year, covering an area of 38.4789 sq.km. 1 mining right was cancelled and 1 mining right was transferred out during the period, covering an area of 1.8895 sq.km. The above mining rights covers various mineral resources including gold, copper, zinc, iron, lead, tin, antimony, tungsten and limestone, etc.

As at 30 June 2008, the Group has recorded the following metal (ore) resource/reserves: about 663.25 tonnes of gold (including 97.6 tonnes of gold associated with other metals), about 151 tonnes of platinum and palladium; about 1,475 tonnes of silver; about 9.37 million tonnes of copper, about 3.15 million tonnes of zinc, about 667,500 tonnes of nickel, about 524,700 tonnes of lead, about 385,200 tonnes of molybdenum (including 73,800 tonnes of molybdenum associated with other metals), about 100,000 tonnes of tin, about 167 million tonnes of iron ores; about 300 million tonnes of coal; about 43.97 million tonnes of bauxite; about 135.5 million tonnes of iron sulfate (standard ore) (equivalent to 47.4227 million tonnes sulfate element); and 63.5366 million tonnes iron concentrates (on equity base for non-subsidiaries).

# Management Review and Analysis

## OPERATION RESULTS

For the period ended 30 June 2008, the Group's turnover was RMB8,212,654,000 (six months ended 30 June 2007: RMB6,673,418,000), representing an increased of RMB1,539,236,000 or 23.07% over the corresponding period last year.

The table below sets out details of sales of products for the six months ended 30 June 2008 and 30 June 2007 respectively:

Product	30 June 2008 (Unaudited)			30 June 2007 (Unaudited)		
	Unit price RMB	Volume	Amount RMB'000	Unit price RMB	Volume	Amount RMB'000
Gold products	204.75/g	25,920.13kg	5,307,084	163.17/g	23,926.94kg	3,904,350
Copper concentrates	48,915/t	20,621.98t	1,008,734	46,236/t	19,196.24t	887,556
Copper cathodes	54,539/t	3,882.56t	211,754	51,321/t	2,868t	147,204
Zinc bullion	15,956/t	49,880t	795,866	25,767/t	57,365t	1,478,129
Zinc concentrates	8,764/t	2,117.2t	18,555	17,851/t	3,365t	60,062
Iron concentrates	1,130/t	370,945t	419,302	389.59/t	453,908t	176,837
Others			557,241			84,479
Less: Sales Tax and levies			(105,882)			(65,199)
Total			8,212,654			6,673,418

Note: The sale of gold included 12,940kg refined gold. The sales volume of such product has been off-set by the Group's internal sales volume.

The Group's turnover for the first half of 2008 increased by 23.07% over the same period last year, which was mainly attributable to (i) the increase in sales of gold by 8.3% and (ii) selling prices of major products have increased substantially over the same period last year. The selling prices of gold, iron concentrates, copper concentrates, and copper cathodes have increased by 25.48%, 190%, 5.8% and 6.27% respectively over the same period last year.

# Management Review and Analysis

## ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group is mainly engaged in development of mines. The costs of sales mainly consist of mining cost, processing cost, and refining, transportation, raw material consumption, public administrative expenses, depreciation on fixed assets, and cost of raw materials for producing refined gold. The table below sets out details of the gross profit margin for the two periods ended 30 June 2007 and 30 June 2008.

Product	For the six months ended 30 June	
	2008 %	2007 %
Gold (gold and gold concentrates from mines)	<b>69.62</b>	67.72
Gold (processed gold from refinery)	<b>0.22</b>	0.42
Copper concentrates	<b>75.52</b>	78.50
Copper cathodes	<b>73.65</b>	66.95
Zinc bullion	<b>15.98</b>	27.25
Zinc concentrates	<b>43.86</b>	70.98
Iron concentrates	<b>81.64</b>	58.17
Others	<b>34.23</b>	39.91
Overall (included refined products)	<b>40.45</b>	38.45
Overall (excluded refined products)	<b>73.09</b>	69.26

The Group's overall gross profit margin (included refined products) has increased by 2.03%, whereas the overall gross profit (excluding refined products) has increased by 3.83% respectively when compared with the same period last year.

As a result of the inflation in the PRC, the cost of staff and raw materials has increased considerably during the reporting period. Further, the resources tax has been levied according to the new regulation with effect from 1 August 2007 which has resulted in the increase in the cost of major products in the Group. Nevertheless, the increase in selling prices has offset the effect of increase in the production costs, thereby resulting in an increase in the overall gross profit margin.

The major factors of increase in the production costs includes: 1) the increase in the price of supplementary materials like fuel, steel, etc in the PRC which resulted in the increase in the transportation cost and repair and maintenance cost; 2) the increase in the staff cost, travelling expenses and office expenses; and 3) the increase of salary.



## Management Review and Analysis

In the reporting period, the average unit cost of gold was RMB62.30 per gramme, representing an increase of 18% over the same period last year, mainly attributable to the increased use of the lower grade ore. The average selection grade of ore has slightly decreased. The increase in the average cost has resulted in the reduction in the gross profit margin by 5.37%. However, the selling price has increased by 25.67% when compared to the same period last year and hence the overall gross profit margin has increased by 7.1%. And also, the increase in production volume results in the increase in the gross profit margin by 0.17%. On the whole, the increase in selling price has offset the effect of increase in cost, resulting in an increase of 1.9% in the total gross profit margin of the gold produced from mines.

In the reporting period, the average unit cost of copper cathodes from Zijinshan was RMB13,683 per tonne which has decreased by 15.39% when compared to the same period last year. The decrease was mainly attributable to the fact that the selection grade of copper ore in Zijinshan has been improved (selected grade in the reporting period and the same period last year were 0.51% and 0.472% respectively) and the enlargement of the production scale resulted in the reduction in the average fixed cost. Unit cost decreased compared with the same period last year. Owing to the decrease in the costs, increase in selling price, increase in production volume, the gross profit margin increased by 5.55%, 1.57% and 0.83% respectively. The total gross profit margin of copper cathodes was increased by 6.7% in total.

In the reporting period, the Group's average unit cost of copper concentrates is RMB11,980 per tonne representing an increase of 21.36% over the same period last year. The increase was mainly attributable to the change in mining method, the restriction of mining platform and the lowering of the mining grade in the Ashele Copper Mine. The filling cost has increased and the production volume has decreased. In addition, the production costs in Deerni Copper Mine were relatively high. As a result of increase in the production costs, the gross profit margin has decreased by 4.46%. The increase in selling price resulted in an increase in the gross profit margin by 1.45%. The increase in production volume resulted in an increase in the gross profit margin by 0.03%. The gross profit margin for copper concentrates has decreased by 2.98% in total.

The average selling price of iron concentrates was RMB1,130 per tonne during the reporting period which increased considerably by 190% when compared to the average selling price of RMB389.59 per tonne in the same period last year. As a result, the gross profit margin increased by 23.47%.

During the reporting period, the average unit cost of zinc concentrates is RMB4,920 per tonne which represents a decrease of 5% when compared with the same period last year. However, the selling prices of zinc concentrates and zinc bullion have decreased by 50% and 38% respectively when compared with the same period last year. The decrease in costs resulted in an increase in the gross profit margin by 2.81% while the decrease in selling price and production volume resulted in the decrease in gross profit margin by 29.96% and the decrease in production volume resulted in the increase in the gross profit margin by 0.03%. The gross profit margin of zinc concentrates has decreased by 27.12% in total.

# Management Review and Analysis

## SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution cost was RMB131,011,000 and RMB110,278,000 for the period ended 30 June 2008 and 2007 respectively, representing an increase of 18.8%. This was mainly attributable to the increase in sales volume and the increase in the transportation cost which resulted from the increase in the fuel cost.

## ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2008, the Group's administrative expenses was RMB358,411,000 which increased by 56.4% over the same period last year. The increase was mainly attributable to the expansion of the Group. The number of staff has increased accordingly by 14% (mainly related to the technical and management level). Salaries have increased resulting in an increase in the total staff cost by 34% (in Fujian). In addition, the increase in general price level has resulted in the increase in office expenses, travelling cost and entertainment expense which was accounted for the increase in the administrative expenses. The increase in the administrative costs was due to the expansion of the Group, the increase in the land use area, land use tax rate, the unavoidable tax payable, has increased land use expenses, compensation of loss of land and tax, etc.

## FINANCE COSTS

In the first half of 2008, the Group's finance cost was RMB151,707,000 which increased by 15.9% over the same period last year. It was mainly attributable to the resulting from the tightening of the monetary policy of the PRC and the increase in the bank loan interest.

## OTHER OPERATING COSTS

In the first half of 2008, the Group's other operating costs were RMB135,809,000 which decreased by RMB66,180,000 over the same period last year.

During the reporting period, the fair value loss of the Group was RMB35,890,000 which is mainly due to the fair value loss of RMB7,340,000 on the gold and copper futures held by the Group. The loss of fair value in the equity investments at fair value through profit and loss (listed shares) held by Gold Mountains (H.K.) International Mining Company Limited was RMB28.55 million.

As at 30 June 2008, the gold and copper cathodes forward selling contract held by the Group were 820kg and 6,960 tonnes respectively and the unrealised loss was RMB7,340,000.

As at 30 June 2008, the realised gain of the futures amounted to RMB63,930,000. After considering the fair value loss of RMB7,340,000 for the futures, the net gain was RMB56,590,000.

# Management Review and Analysis

## WORKING CAPITAL AND SOURCES OF FUND

As at 30 June 2008, the Group's cash and cash equivalents were RMB7,138,795,000, increased by RMB4,954,285,000 or 226.79% over last year (31 December 2007: RMB2,184,510,000).

For six months ended 30 June 2008, net cash inflow generated from the Group's operating activities was RMB1,813,764,000 (six months ended 30 June 2007: RMB1,501,446,000), representing an increase of RMB312,318,000 over the corresponding period in 2007. The main reasons for the increase in the cash flow generated from the Group's operating activities were mainly attributable to (i) increase in the sales prices of gold, copper, iron and sulfuric acid; and (ii) increase in the sales volume of gold and copper.

For six months ended 30 June 2008, net cash outflow from the Group's investing activities was RMB3,513,220,000 (six months ended 30 June 2007: RMB2,041,663,000), representing an increase of RMB1,471,557,000 over the corresponding period last year. The increase in the net cash outflow generated from the Group's investing activities was mainly due to the fact that: (i) the Group has increased the investment during the reporting period, has successfully acquired some minority interests in subsidiaries, and some other enterprises, and has increased the registered capital of some subsidiaries, and (ii) the Group has increased the investment in the main mine relating to mining technology innovation and expansion and has increased its investment in the subsidiaries' infrastructure. Accordingly, the capital expenditure has increased to certain extent over the corresponding period last year.

For six months ended 30 June 2008, net cash inflow generated from the Group's financing activities was RMB6,671,659,000 (six months ended 30 June 2007: RMB836,197,000), representing an increase of RMB5,835,462,000 over the corresponding period last year. The increase was mainly attributable to the success of listing of the Group's A share in Mainland China, through which the Group has raised a net proceed of RMB9,806,960,200.

As at 30 June 2008, the Group's total borrowings amounted to RMB2,921,049,000 (30 June 2007: RMB6,028,003,000). Among which, the amount repayable within one year was RMB1,686,728,000, the amount repayable in the first to the second year was RMB112,119,000, the amount repayable in the third to fifth year was RMB1,076,255,000, and the amount repayable over five years was RMB45,947,000. The interest rates of all the bank borrowings range from 2.25% to 7.84% (30 June 2007: range from 2.25% to 6.70%).

It is expected that the Group's working capital and capital expenditures will be financed from internal resources. The Company's fund has been strengthened after the listing of A Shares. The Group also has a substantial amount of uncommitted long-term and short-term loan facilities provided by major commercial banks.

# Management Review and Analysis

## GEARING RATIO

Gearing ratio refers to the proportion of consolidated total liabilities to the consolidated total equity. As at 30 June 2008, the Group's consolidated liabilities amounted to RMB6,408,463,000 (30 June 2007: RMB8,536,431,000) and the Group's consolidated equity was RMB19,190,317,000 (30 June 2007: RMB5,403,327,000). As at 30 June 2008, the gearing ratio of the Group was 0.33 (30 June 2007: 1.58).

## PLEGGED ASSETS OF THE GROUP

As at 30 June 2008, assets of the Group amounting to the net book value of RMB30,010,103 have been pledged for securing certain bank loans (31 December 2007: RMB36,876,000).

## CURRENCY HEDGING POLICY

Currently, the Group does not have formal currency hedging policy and has not used forward currency contracts or derivatives to eliminate the foreign currency exposures on individual transaction. For the period ended 30 June 2008, the Group has not entered into any type of interest rate agreements or derivatives to hedge against interest rate changes.

## CONTINGENT LIABILITIES

For the period ended 30 June 2008, the Group's contingent liabilities was RMB452,000,000 (as at 31 December 2007, RMB452,000,000).

## INVESTMENT STATUS

### 1. Use of proceeds

The Company's IPO in A shares raised the net proceeds of RMB9,806,960,200 in April 2008 in the PRC. As at 30 June 2008, the accumulated use of the proceeds is RMB5,306,605,200 and the details are set out below:

RMB'000						
Items	Project Name	Proposed investment sum	Project amended	On schedule	Total amount of investment as at 30 June 2008	Project progress
1	Zijinshan Gold and Copper Mine joint open pit mining project	1,521,040.80	No	Yes	614,951.70	Construction stage
2	Hunchun Zijin Shuguang Gold and Copper Mine technological innovation project	461,500.00	No	Yes	200,000.00	Construction stage
3	200 tonnes daily refractory gold processing and refining project	198,380.00	No	Yes	198,380.00	Completed construction and commence trial production

# Management Review and Analysis

RMB'000

Items	Project Name	Proposed investment sum	Project amended	On schedule	Total amount of investment as at 30 June 2008	Project progress
4	Mining resources exploration project	357,000.00	No	Yes	145,618.80	In the progress of exploration
5	Acquisition of the exploration right in Zhonglao Wuziqilong Jintonghu geological extensive exploration area project	198,000.00	No	Yes	165,000.00	In the progress of change of mining right
6	Capital injection in Zijin Tongguan for the acquisition of equity interest in Monterrico Metals plc project	603,000.00	No	Yes	603,000.00	Completed capital injection
7	Acquisition and development of the ZGC Gold Mine in Tajikistan	1,305,345.00	No	Yes	505,000.00	Completed acquisition and is in the construction and development stage
8	Acquisition of 70% interest in Zijin Longxing which has the mining right in the Tuva Lead Zinc Mine in the Republic of Tuva	271,600.00	No	Yes	197,160.00	Completed acquisition and is in the pre-phase of construction and development stage
<b>Grand Total</b>		<b>4,915,865.80</b>			<b>2,629,110.50</b>	

As at 30 June 2008, the Company has invested RMB2.629 billion in the investment projects, of which, RMB2.36 billion was raised before listing of the Company's A shares. That part of fund has been approved by the Board of the Company to swap the proceeds and has been disclosed on 24 June 2008 according to the related disclosure requirement.

According to the Company's undertaking stated in the prospectus of its A shares listing, if the proceeds from the A share listing exceed the required capital in the projects mentioned above, the remaining sum will be used as the working capital of the Group. If the proceeds from A shares listing is not sufficient to cover the required capital, then the remaining sum will be raised by the Company through other means. The proceeds from the A shares listing has exceeded the required capital of the investment projects. As at 30 June 2008, the Company has used RMB2,677,494,700 as the working capital which are used in the Group's principle activities.

The unused net proceeds amounting to RMB4,500,355,000 was put in specific bank accounts of the Company which generated interest income of RMB3,859,800.

# Management Review and Analysis

## 2. Other investments

### (1) Acquisition of a 24% equity interest of Guangnan Longxing

On 18 January 2008, the Company's wholly-owned subsidiary, Yunnan Jinfeng Company Limited (renamed as Zijin Mining Group South West Company Limited in June 2008) ("South West Company") entered into an "Equity interest exchange agreement" with Su Jingyu, Liu Zhengong and Chen Huanlong separately. The 17.5% equity interest in Yunnan Zhongtao Economy and Trading Company Limited ("Yunnan Zhongtao") owned by South West Company, was exchanged with a 7% equity interest in Guangnan Longxing Mining Company Limited ("Guangnan Longxing") owned by Su Jingyu, and the price difference of the exchange of RMB2.275 million was settled in cash by Su Jingyu to South West Company; a 20% of equity interest in Yunnan Zhongtao owned by South West Company were exchanged with a 8% equity interest in Guangnan Longxing owned by Liu Zhengong. The price difference of the exchange of RMB2.6 million was settled by cash of Liu Zhengong to South West Company. The 22.5% equity interest in Yunnan Zhongtao which South West Company owned was exchanged with the 9% equity interest in Guangnan Longxing owned by Chen Huanlong and the price difference of the exchange of RMB2.925 million was settled in cash by Chen Huanlong to South West Company. After the completion of the above exchanges, South West Company has no equity interest in Yunnan Zhongtao and owns the equity interest in Guangnan Longxing increased from 51% to 75% and obtained RMB7.8 million price difference of the exchanges. South West Company originally held 60% equity interest in Yunnan Zhongtao and decided to withdraw due to the business restructuring. Yunnan Zhongtao is a company registered in Kunming, Yunnan and mainly engaged in boarder trading and mining in Vietnam. Guangnan Longxing owns a gold mining which produced about 450kg of gold annually.

As at 31 December 2007, the independent third party's assessed fair value of all equity interest in Yunnan Zhongtao was RMB85.771 million, and that of Guangnan Longxing was RMB184.0382 million.

### (2) Acquisition of equity interest in Kingbao Mining

Gold Mountains (H.K.) International Mining Company Limited ("Gold Mountains Hong Kong"), the wholly-owned subsidiary of the Group, has reached an agreement with Wanbao Mining Company Limited ("Wanbao Mining") on 18 April 2008. Gold Mountains Hong Kong acquired 40% equity interest and US\$1,439,487 loan interest in Kingbao Mining Limited ("Kingbao Mining") from Wanbao Mining. The total consideration was US\$20,000,000. The project is pending for the approval of the related departments. After the completion of the acquisition, Gold Mountains Hong Kong has 90% equity interest in Kingbao Mining. Kingbao Mining has formed a jointly-controlled entity with No.3 Mining Enterprise of the Mining Department in Myanmar which is mainly engaged in the development of the Mwetaung nickel mineral project. Kingbao Mining has 80% equity interest in that jointly-controlled entity.

According to the valuation of an independent third party, the fair value of Mwetaung nickel mineral project amounted to US\$66,414,810.

## Management Review and Analysis

(3) *Capital increase in Fujian Zijin Real Estate Company Limited*

According to the Company's extraordinary board resolution on 30 April 2008, the Company injected RMB180,000,000 in Fujian Zijin Real Estate Company Limited. Thereafter, its registered capital increased from RMB20 million to RMB200 million. The company plans to develop the "Zijin Garden" in Xiamen.

(4) *Acquisition of a 60% equity interest of Gansu Yate*

On 2 May 2008, Gansu Jinhui Wine Group Company Limited ("Jinhui Wine") and the Company entered into "Equity swap agreement" and "Equity transfer agreement". Accordingly, a 15% equity interest in Wancheng Commercial Dongshengmiao Company Limited ("Wancheng Commercial") owned by the Company was swapped with the 32% equity interest in Gansu Yate Mining Company Limited ("Gansu Yate") owned by Jinhui Wine. On the other hand, the Group acquired a 28% equity interest of Gansu Yate owned by Jinhui Wine for a consideration of RMB117,700,000. According to the valuation report issued by an independent third party, as at 31 March 2008, the assessed fair value of all equity interest of Wancheng Commercial was RMB910,828,000, and that of Gansu Yate was RMB416,280,100. By the completion of the above share swap and transfer of the equity interest, the Company owns a 60% equity interest in Gansu Yate. Gansu Yate owns a mining right in the Gansu Li County Dujiagou Gold Mine with an area of 26.0448 km sq. The production capacity was 1,350,000 tonnes of ore per year. After the acquisition, the Company would enhance the resource exploration and reorganise its development plan.

(5) *Capital increase of Tibet Yulong*

In order to expedite the development of Tibet Yulong Copper Mine, according to the resolution of the extraordinary shareholders' meeting of Tibet Yulong Copper Company Limited ("Tibet Yulong") on 9 May 2008, the shareholders would have capital injection to Tibet Yulong in proportion to increase the registered capital of Tibet Yulong from RMB625 million to RMB1,225 million. The Company has a 22% equity interest in Tibet Yulong and the corresponding capital injection is RMB132 million.

(6) *Capital increase of Fujian Zijin Investment Company Limited (wholly-owned subsidiary)*

For the purpose of the business development (domestic projects) in the Fujian Zijin Investment Company Limited, according to the Company's extraordinary board resolution on 13 May 2008, the Group agreed to increase the registered capital of Fujian Zijin Investment Company Limited from RMB200 million to RMB550 million.

## Management Review and Analysis

### (7) Acquisition of 13% shares of Wulatehouqi Zijin

On 4 June 2008, the Company's wholly-owned subsidiary, Zijin International Mining Company Limited ("Zijin International") entered into a "Share acquisition agreement" with Liu Daonan to acquire in total a 13% equity interest in the Company's non wholly-owned subsidiary, Wulatehouqi Zijin Mining Company Limited ("Wulatehouqi Zijin") for a cash consideration of RMB140,000,000. After the completion of the acquisition, the equity interest in Wulatehouqi Zijin owned by Zijin International increased from 60% to 73%. Wulatehouqi Zijin is mainly engaged in the production of lead and zinc mines. During the reporting period, the net profit for Wulatehouqi Zijin amounted to RMB87,037,100 while the net profit attributable to the Group was RMB63,537,100.

The independent third party's assessed fair value of 13% equity interest in Wulatehouqi Zijin was RMB146,227,500.

Save as those disclosed above, the Group did not have any other substantial purchase and disposal of subsidiaries and associated companies during this reporting period.

## CONNECTED TRANSACTION

### 1. Connected transactions of provision of exploitation service in Zijinshan Gold Mine, Qinghai Deerni Copper Mine by Fujian Xinhua Engineering Company Limited

Parties of the connected transaction	Content of the connected transaction	Pricing principles of the connected transaction	Annual cap RMB'000	Total consideration of actual connected transaction in this year RMB'000	Ratio of the similar transaction	Payment methods of the connected transaction
Fujian Xinhua Engineering Company Limited	Zijinshan Gold Mine exploitation	Market price	250,000	56,000	46.55%	Cash
Fujian Xinhua Engineering Company Limited	Qinghai Deerni Copper Mining exploitation	Market price	50,000	14,800	11.99%	Cash



# Management Review and Analysis

## 2. Connected transaction from acquisition and disposal of assets

Parties of the connected transaction	Content of the connected transaction	Pricing principles of the connected transaction	Assessed value RMB	Price RMB	Payment methods of the connected transaction
Liu Daonan	Acquisition of a 13% equity interest of Wulatehouqi Zijin	Assessed price	146,227,500	140,000,000	Cash

Details of various connected transactions in relation to the purchase of goods, provision of services, etc. are set out in note 14 to the condensed consolidated financial statements.

## OUTLOOK

### Business Environment

It is estimated that the global political and economic situation will remain the same in the second half of 2008. The geopolitical tension, high oil price, the trend of US dollar, and the volume of gold production will not change substantially in a short period of time, the global high gold price will be maintained. With the slowdown of inflation and the growth of the world's economy, the demand and supply in the basic metal market and the investment sentiment will change. The macro economic environment will have certain effect on the mining industry.

### Business Objectives

After considering the Group's production performance in the first half of 2008, and the projected production and the actual production condition and capacity of all entities in the second half of 2008, the Board has decided not to adjust the production and operation plan of 2008.

Please note that the above plan was made on the basis of the current market situation and the existing conditions of the Company. The Board may vary the production plan from time to time in accordance with the relevant circumstances.

### Business Strategy

#### 1. Gold Mine Business

Zijinshan Gold Copper Mine will endeavour to handle the co-ordination between its infrastructure investment and its production, to perform well in its fund raising project – joint mining of the gold and copper mines, to prepare for a new phase of technological innovation and exploration of the deep and the surrounding area, to achieve the production target for 2008, to increase its production and to be a leader of core business in the Group. In relation to Guizhou Shuiyindong Gold Mine, emphasis will be put on the safety and environmental

# Management Review and Analysis

protection measures, to carry out phase 3 of the technology innovation project, to have a good organisation so as to achieve the annual production target and complete the construction of infrastructure. In relation to Hunchun Zijin Shuguang Gold Copper Mine, it will fully achieve the annual production target and endeavour to complete the fund raised project – technology innovation and expansion. Chongli Zijin will enhance the production system, perfect the technology innovation, and achieve its annual target. Shanxi Zijin will focus on the construction of a tailing pool, intensify the work on the exploration of mines to increase reserves, and achieve the annual production target. Luoyang Yinhui shall actively explore sources of raw materials, increase the efficiency of the enterprise, expand and develop its own gold mines, and control the risk of gold trading. Other companies will strengthen their management implement, safety and environmental protection measures, and gradually build a solid production foundation according to the actual situation of each mine.

## 2. *Copper Mine Business*

Ashele Copper Mine will endeavour to improve its production system, overcome the problem of lowering the mining grade and the insufficient ore production, expedite the implementation of the second phase of the 1,500t/d process system construction project so as to enhance its production capacity and the utilisation of the tailings. Qinghai Deerni Copper Mine will improve the operation efficiency of its mechanical equipment, overcome the difficulties of production on a plateau, and achieve the production target as soon as possible. These two copper mines have to ensure the efficient use of the tailing (iron sulfate ore). Zijinshan Copper Mine will put emphasis on the copper mining outside the open pit mining area, speed up the development of under-ground, improve the safety facilities and stabilise the production capacity. Duobaoshan Copper Mine will expedite the preparatory work of the project and endeavour to commence construction of the project as soon as possible.

## 3. *Zinc Mine Business*

Bayannaer Zinc Refinery Plant will streamline its management, stabilise its high production capacity, expedite the second phase of construction work, and carry out the transformation of sulfate project so as to enhance the company's overall competitiveness. Wulatehouqi Zijin will arrange exploitation and technology innovation work, improve its production and mining balance, utilise different resources, increase streams of income and expedite the preparatory work of the Sanguikou project, and endeavour to commence construction by the end of this year.

## 4. *Overseas Business*

ZGC Gold Mine project in Tajikistan needs to secure the achievement and emphasis on the development and study of the Taror Gold (Copper) Mine. It will properly organise and improve its production system, ensure a steady supply of raw materials for production and strict cost control and promote employee's morale so as to achieve the production target of the year.

Rio-blanco project in Peru needs to rely on the influence of some local people or organisations to solve the local community issues, carry out the study and examination of major technical solutions and commence the project steadily.

# Management Review and Analysis

The design of Tuva Lead Zinc Mine project has been approved by Russian government. It will expedite the process in obtaining the work permit. It will also carry out the preparation work and to endeavour to commence the construction this year.

For other overseas projects, all the entities will place emphasis in monitoring the progress of the projects and will achieve the target of obtaining resources so as to contribute to the continuous growth of the Group.

## 5. *Other Business*

Mengku Iron Mine will take advantage of the rising selling price to speed up the technological innovation, enhance its mining and processing capability and achieve its production target. In addition, it will expedite the winter production project so as to ensure that production can be carried on in winter this year.

In relation to Fuyun Jinshan Reduction Iron project, the company will improve the production technology and the quality of production. The company will balance the works in production and exploration in its mines and enhance the fundamental works in order to achieve production target and reserve increase.

Xinyi Zijin will strengthen the coordination work and aim to have a trial run as planned.

Malipo Zijin will integrate the resources, put an emphasis on internal and external coordination, and take steps to commence production. In addition, it will improve its production capacity quickly, enhance its internal management and ascertain the amount of reserve, have a good planning of mining sites and maintain steady progress in technological innovation.

## **Resources Control**

The Group will continue to increase the reserve by mergers and acquisitions, and other efficient methods, so as to further enhance the follow-up and operation of potential gold mine projects, highlight gold as the main business, and try to acquire domestic and overseas large gold mines in the second half of 2008. The Group will also increase its investment in geological exploration, and try to make a breakthrough in mine exploration and reserve increase.

## **Corporate Management**

The Group has defined the regional management mode. In the second half of the year, the Group will gradually deal with the ownership in each region and integrate resources in order to enhance the efficiency in operation and decision making. Accordingly, the controlling centre of management, investment, human resources, supervision and service provision of each region will be well established.

Further, the Group will enhance the awareness of the environmental protection and safety as the first priority in the enterprise, enforce supervision in the environmental protection and safety and raise the management standard of environmental protection and safety in resources exploitation.

# Share Capital and Shareholders

## CHANGE OF SHARES

The Company issued 1,400,000,000 A shares and listed on Shanghai Stock Exchange at RMB7.13 per share (face value RMB0.1) on 25 April 2008. The registration of the IPO A shares in China Securities Depository and Clearing Corporation Limited (Shanghai branch) was completed on 21 April 2008.

As at 30 June 2008, the Company has issued 14,541,309,100 ordinary shares of RMB0.1 each.

	<b>30 June 2008</b>	30 June 2007
		Unit: share
Domestic Shares	<b>10,535,869,100</b>	9,135,869,100
H Shares	<b>4,005,440,000</b>	4,005,440,000
<b>Total</b>	<b>14,541,309,100</b>	13,141,309,100

## SHAREHOLDING STRUCTURE

As at 30 June 2008, the Company had a total of 386,650 shareholders, of which 787 were holders of H shares ("H shares") and 385,863 were holders of domestic shares ("Domestic Shares"). The shareholdings of the Company's top ten shareholders are as follows:

No.	Shareholders' names	Class of Shares	Number of Shares held (shares)	Approximate percentage of shareholding in the registered capital
1.	Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	4,210,902,120	28.96%
2.	HKSCC Nominees Limited	H Shares	3,987,332,467	27.42%
3.	Xinhuadu Industrial Group Co., Ltd.	Domestic Shares	1,729,000,000	11.89%
4.	Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	475,000,000	3.27%
5.	Chen Fashu	Domestic Shares	448,601,999	3.09%
6.	Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	333,640,000	2.29%
7.	Ke Xiping	Domestic Shares	325,850,000	2.24%
8.	Li Rongsheng	Domestic Shares	220,305,000	1.52%
9.	Hu Yuesheng	Domestic Shares	206,630,000	1.42%
10.	Deng Ganbin	Domestic Shares	165,500,000	1.14%

# Share Capital and Shareholders

## SUBSTANTIAL SHAREHOLDERS

So far as the Director, supervisors and chief executive of the Company are aware, as at 30 June 2008, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and as recorded in the register required to be kept under Section 336 of the SFO. Each of the substantial shareholders who owns 5% or more of the issued capital of the Company (as such term is defined in the Listing Rules) were as follows:

Name of Shareholder	Class of shares	Number of shares/equity interest held	Proximate percentage of shareholding in the registered capital	Proximate percentage of shareholding of Domestic shares	Proximate percentage shareholding in H shares	Long/short positions
Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	4,210,902,120	28.96%	39.97%	–	Long
Xinhuadu Industrial Group Company Limited	Domestic Shares	1,729,000,000 (Note 1)	11.89%	16.41%	–	Long
Chen Fashu	Domestic Shares	2,177,601,999 (Note 2)	14.98%	20.67%	–	Long
Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	475,000,000 (Note 3)	3.27%	4.51%	–	Long
Ke Xiping	Domestic Shares	800,850,000 (Note 4)	5.51%	7.60%	–	Long
Merrill Lynch & Co., Inc.	H Shares	528,851,300 (Note 5)	3.64%	–	13.20%	Long
Merrill Lynch & Co., Inc.	H Shares	647,196 (Note 6)	0.01%	–	0.02%	Short
JPMorgan Chase & Co.	H Shares	235,949,798 (Note 7)	1.62%	–	5.89%	Long
JPMorgan Chase & Co.	H Shares	18,768,815 (Note 8)	0.13%	–	0.47%	Short
JPMorgan Chase & Co.	H Shares	118,533,000	0.82%	–	2.96%	Lending Pool

## Share Capital and Shareholders

### Notes:

- (1) Xinhua Industrial Group Company Limited holds 1,729,000,000 Domestic Shares in the Company.
- (2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhua Industrial Group Company Limited. Under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 1,729,000,000 Domestic Shares in the Company. Mr. Chen Fashu also holds 448,601,999 Domestic Shares in the Company. Therefore, Mr. Chen Fashu is deemed to be interested in 2,177,601,999 Domestic Shares in the Company.
- (3) Xiamen Hengxing Industrial Company Limited holds 475,000,000 Domestic Shares in the Company.
- (4) Mr. Ke Xiping holds 95.4% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is deemed to be interested in 475,000,000 Domestic Shares in the Company. Mr. Ke Xiping also holds 325,850,000 Domestic Shares in the Company. Therefore, Mr. Ke Xiping is deemed to be interested 800,850,000 Domestic Shares in the Company.
- (5) Merrill Lynch & Co., Inc. is interested in 528,851,300 H Shares (Long position) of the Company (representing approximately 13.20% of the total issued H Shares). 492,442,594 H Shares of which were held through Merrill Lynch Group, Inc., Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P., Fund Asset Management, L.P. and Blackrock, Inc., (on behalf of discretionary clients). 36,326,706 H Shares of which were held through Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe Plc., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings, and Merrill Lynch International. 82,000 H Shares of which were held through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
- (6) Merrill Lynch & Co., Inc. is interested in 647,196 H Shares (Short position) of the Company (representing approximately 0.02 % of the total issued H Shares) which were held through Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe Plc, Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings, and Merrill Lynch International.
- (7) JPMorgan Chase & Co. is interested in 235,949,798 H Shares (Long position) of the Company (representing approximately 5.89% of the total issued H Shares) through a member of the controlled corporations. Among which, 118,533,000 H Shares were held through JPMorgan Chase Bank, N.A. 43,564,923 H Shares were held through J.P. Morgan Whitefriars Inc. 58,378,000 H Shares were held through JF Asset Management Limited. 3,406,000 H Shares were held through J.P. Morgan Securities Ltd. 10,138,000 H Shares were held through China International Fund Management Ltd. 982,000 H Shares were held through J.P. Morgan Investment Management Inc. 378,000 H Shares were held through JPMorgan Asset Management (UK) Limited. 569,875 H Shares were held through Bear, Sterns International Limited.

## Share Capital and Shareholders

- (8) JPMorgan Chase & Co. is interested in 18,768,815 H Shares (Short position) of the Company (representing approximately 0.47 % of the total issued H Shares) through a member of the controlled corporations. Among which, 3,255,440 H Shares (short position) were held through J.P. Morgan Whitefriars Inc. 11,904,000 H Shares (short position) were held through J.P. Morgan Structured Products B.V. 3,074,000 H Shares (short position) were held through J.P. Morgan Securities Ltd. 535,375 H Shares (short position) were held through Bear, Sterns International Limited.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2008, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Listing Rules) of the Company.

## Disclosure of Interests of the Directors, Supervisors and Chief Executive of the Company

As at 30 June 2008, the interests of the Directors, Supervisors or the Chief Executive of the Company in the shares or equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange are as follows:

Shareholdings of Directors, Supervisors and Chief executive in the Company as at 30 June 2008:

<b>Directors</b>	<b>Number of Domestic Shares/ amount of equity interest held</b>	<b>Nature of interest</b>	<b>Long/short positions</b>	<b>Proximate percentage of shareholding in such class of securities</b>	<b>Proximate percentage of shareholding in the registered capital</b>
Chen Jinghe	114,594,000	Personal	Long	1.09%	0.79%
Liu Xiaochu	4,828,350	Personal	Long	0.05%	0.03%

Save as disclosed above, none of the Directors, Supervisors and the Chief Executive or their associates has any interest in the securities of the Company or its associated company (as defined in the SFO) during the reporting period. None of the directors, supervisors and the chief executive or their spouse or children under the age of 18 years is holding any option to subscribe securities of the Company, or has exercised any such option.

Save as disclosed above, no arrangement has been entered into between the Company or its holding company or its subsidiaries during any time in the reporting period, which will allow the Directors, Supervisors or Chief Executive of the Company to be benefited by acquiring the shares or debentures of the Company or other body corporates.



## Others

### INTERIM DIVIDEND

The Board proposed to pay no dividend for the six months ended 30 June 2008 (the dividend for the six months ended 30 June 2007 was nil).

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2008.

### CORPORATE GOVERNANCE

Mr. Chen Jinghe is both the Chairman of the Board and President of the Company. The Board considers that although such structure deviates from Rule A.2.1 of the Code of Corporate Governance Practices, the effective operation of the Group will not be impaired as Mr. Chen, being a specialist in technology development and management in the mining industry, was a founder of the Group and has gained wide respect within the Group.

Save as those disclosed above, for the six months ended 30 June 2008, the Board considered that the Group has adopted and complied with the code provisions of the Code on Corporate Governance Practices and has followed most of its recommended best practices with no deviation (for details, please refer to the Group's 2007 Annual Report).

### AUDIT COMMITTEE

The audit committee has reviewed the Group's adopted accounting methods, standards, principles, internal controls, and financial reports and has reviewed the unaudited financial report for the six months ended 30 June 2008. The audit committee agreed to the Group's financial report for the six months ended 30 June 2008 and the accounting methods, standards, and principles so adopted, and considered that it is in compliance with the legal and disclosure requirements.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rules 3.10(1) and 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Company appointed sufficient number of independent non-executive directors and that at least one of them possesses the appropriate professional qualifications or accounting or related financial management expertise. The Company appointed 4 independent non-executive directors and one of them possesses accounting and related financial management expertise. Details of the independent non-executive directors have been provided in the Group's 2007 annual report.

## SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

During the reporting period, the Company adopted the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) in Appendix 10 of the Listing Rules. Having made a detailed inquiry, it was noted that no director and/or supervisor of the Company has violated the requirements relating to securities transactions provided in the Model Code. As at 30 June 2008, the Group confirmed that all directors and supervisors complied with the Model Code.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (1) Interests of Directors, Supervisors and Senior Management in the Issued Shares of The Company

As at 30 June 2008, Mr. Chen Jinghe, the Chairman of the Board and President of the Company held 114,594,000 shares and Mr. Liu Xiaochu, the Vice Chairmen, held 4,828,350 shares in the Company.

During the reporting period, there is no change in the interests of the directors, supervisors and senior management in the issued shares of the Company.

### (2) Appointment and Resignation of Directors, Supervisors and Senior Management

The Company convened 2007 annual general meeting on 20 June 2008. In the meeting, the shareholders approved the resignation of Mr. Ke Xiping as a non-executive director and appointed Mr. Peng Jiaqing as a non-executive director.

## MAJOR LITIGATION AND ARBITRATION

The Company has no major litigation or arbitration during the reporting period.

## A SHARES LISTING

Under the approval document “ZhengJianXuKe[2008]417” from China Securities Regulatory Commission and the approval document “ShangZhengShangZi[2008]29” from Shanghai Stock Exchange, the Company issued 1,400,000,000 A shares and listed on Shanghai Stock Exchange at RMB7.13 per share (face value RMB0.1) on 25 April 2008. Tian Jian Hua Zheng Zhong Zhou (Beijing) CPA Limited carried out an audit on 22 April 2008 for the fund raised in the IPO and issued “TianJianHuaZhengZhongZhouYan(2008)GF020005” capital verification report. The net proceeds of this A Shares IPO is RMB9,806,960,200.

## Others

### POST BALANCE SHEET EVENT

#### (1) Incorporation Zijin Mining Group North-East Asia Company Limited

According to the extraordinary board resolution of the Company on 20 June 2008, the Company invested RMB500,000,000 on 3 July 2008 to incorporate a wholly-owned subsidiary, Zijin Mining Group North-East Asia Company Limited. The company will be a regional company and responsible for the Group's investment and management business in the three provinces in North-east of the PRC, Russia, North Korea, and South Korea.

#### (2) Incorporation of Zijin Mining Group Inner Mongolia Company Limited

According to the extraordinary board resolution of the Company on 10 July 2008, the Company will invest RMB100,000,000 for the incorporation of a wholly-owned subsidiary, Zijin Mining Group Inner Mongolia Company Limited. The company will be a regional company and responsible for the investment and management of the Group's business in Inner Mongolia region.

#### (3) Capital injection in the Zijin Mining Group South-west Company Limited

According to the extraordinary board resolution of the Company on 10 July 2008, the Company will inject RMB100,000,000 to increase the registered capital of Zijin Mining Group South-west Company Limited from RMB200,000,000 to RMB300,000,000 for the acquisition of the minority interest in the Shangri-la Huaxi Mining Company Limited.

**This report is written in both Chinese and English. In the case of any discrepancies the Chinese version of this report shall prevail over its English version.**

By Order of the Board  
**Zijin Mining Group Co., Ltd.\***  
**Chen Jinghe**  
*Chairman*

Fujian, the PRC 28 July 2008

As at the date of this report, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Liu Xiaochu, Luo Yingnan, Lan Fusheng, Huang Xiaodong, and Zou Laichang as executive directors, Mr. Peng Jiaqing as non-executive director, and Messrs. Chen Yuchuan, Su Congfu, Lin Yongjing, and Loong Ping Kwan as independent non-executive directors.

\* *The Company's English name is for identification purpose only*

# Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>REVENUE</b>	3	<b>8,212,654</b>	6,673,418
Cost of sales	5	<b>(4,890,592)</b>	(4,107,399)
Gross profit		<b>3,322,062</b>	2,566,019
Other income and gains	3	<b>214,051</b>	151,956
Selling and distribution costs		<b>(131,011)</b>	(110,278)
Administrative expenses		<b>(358,411)</b>	(229,158)
Finance costs	4	<b>(151,707)</b>	(130,898)
Other operating costs		<b>(135,809)</b>	(201,989)
Share of profit and losses of Associates		<b>15,994</b>	51,086
Jointly-controlled entities		<b>10,365</b>	–
<b>PROFIT BEFORE TAX</b>	5	<b>2,785,534</b>	2,096,738
Tax	6	<b>(569,655)</b>	(453,599)
<b>PROFIT FOR THE PERIOD</b>		<b>2,215,879</b>	1,643,139
Attributable to:			
Equity holder of the parent		<b>1,742,397</b>	1,201,833
Minority interests		<b>473,482</b>	441,306
		<b>2,215,879</b>	1,643,139
<b>PROPOSED INTERIM DIVIDEND</b>		–	–
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	7	<b>RMB0.13</b>	RMB0.09

# Condensed Consolidated Balance Sheet

30 June 2008

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,830,231	6,003,718
Investment properties		56,845	58,329
Prepaid land lease payments		214,338	156,740
Long-term deferred assets		547,065	483,796
Other assets		2,838,243	1,604,573
Other intangible assets		1,857,300	1,615,470
Goodwill	8	495,741	339,132
Interests in associates	9	1,312,238	1,374,378
Interests in jointly-controlled entities		262,674	274,937
Available-for-sale investments		499,200	462,178
Deferred tax assets		19,720	29,917
<b>Total non-current assets</b>		<b>14,933,595</b>	<b>12,403,168</b>
<b>CURRENT ASSETS</b>			
Inventories		1,416,667	1,044,245
Prepayments, deposits and other receivables	10	1,358,405	662,054
Trade receivables	11	401,157	293,870
Bills receivable		161,322	52,346
Equity investments at fair value through profit or loss		126,159	102,439
Derivative financial instruments		–	4,440
Pledged deposits		62,680	52,088
Cash and cash equivalents		7,138,795	2,184,510
<b>Total current assets</b>		<b>10,665,185</b>	<b>4,395,992</b>
<b>CURRENT LIABILITIES</b>			
Accrued liabilities and other payables		1,738,888	1,844,215
Trade and bills payables	12	871,916	590,262
Interest-bearing bank and other loans	13	1,686,728	3,682,778
Government grants		18,796	17,744
Tax payable		558,777	521,191
Derivative financial instruments		7,208	–
<b>Total current liabilities</b>		<b>4,882,313</b>	<b>6,656,190</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>5,782,872</b>	<b>(2,260,198)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,716,467</b>	<b>10,142,970</b>

# Condensed Consolidated Balance Sheet

30 June 2008

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other loans	13	1,234,321	2,759,660
Provision for land restoration and environmental costs		60,002	50,856
Long-term other payables		206,153	185,713
Deferred tax liabilities		25,674	28,128
<b>Total non-current liabilities</b>		<b>1,526,150</b>	<b>3,024,357</b>
<b>Net assets</b>		<b>19,190,317</b>	<b>7,118,613</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		1,454,130	1,314,130
Reserves		15,507,894	4,022,896
		<b>16,962,024</b>	<b>5,337,026</b>
<b>Minority interests</b>		<b>2,228,293</b>	<b>1,781,587</b>
<b>Total equity</b>		<b>19,190,317</b>	<b>7,118,613</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

(Unaudited)	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Statutory surplus reserve	Available-for-sales investment		Retained profits	Exchange fluctuation reserve	Total	Minority interests	Total equity
				Capital reserve	revaluation reserve					
				RMB'000	RMB'000					
At 1 January 2008	1,314,130	31,661	754,831	5,332	115,586	3,155,622	(40,136)	5,337,026	1,781,587	7,118,613
Changes in fair value of available-for-sale investment	-	-	-	-	8,681	-	-	8,681	-	8,681
Exchange realignment	-	-	-	-	-	-	(23,306)	(23,306)	-	(23,306)
Total income and expenses recognised directly in equity	-	-	-	-	8,681	-	(23,306)	(14,625)	-	(14,625)
Net profit for the period	-	-	-	-	-	1,742,397	-	1,742,397	473,482	2,215,879
Total income and expenses for the period	-	-	-	-	8,681	1,742,397	(23,306)	1,727,772	473,482	2,201,254
Newly issued capital	140,000	9,758,825	-	-	-	-	-	9,898,825	62,040	9,960,865
Transfer to reserves	-	-	-	-	3,069	(3,069)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	11,424	11,424
Investments in subsidiaries	-	-	-	-	-	-	-	-	165,809	165,809
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(32,214)	(32,214)
Acquisition of equity interests in subsidiaries from minority shareholders	-	-	-	-	-	-	-	-	(16,226)	(16,226)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(214,772)	(214,772)
Others	-	-	-	(1,856)	-	257	-	(1,599)	(2,837)	(4,436)
At 30 June 2008	1,454,130	9,790,486*	754,831*	3,476*	127,336*	4,895,207*	(63,442)*	16,962,024	2,228,293	19,190,317

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

(Unaudited)	Attributable to equity holders of the parent										
	Issued capital	Share premium account	Statutory surplus reserve	Capital reserve	Available- for-sale	Retained profits	Proposed final dividend	Exchange fluctuation reserve	Total	Minority interests	Total equity
					investment revaluation reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	1,051,304	294,487	557,407	5,332	-	801,039	946,174	(3,715)	3,652,028	1,401,444	5,053,472
Changes in fair value of available-for-sale investment	-	-	-	-	(1,956)	-	-	-	(1,956)	-	(1,956)
Exchange realignment	-	-	-	-	-	-	-	(8,918)	(8,918)	-	(8,918)
Total income and expenses recognised directly in equity	-	-	-	-	(1,956)	-	-	(8,918)	(10,874)	-	(10,874)
Net profit for the period	-	-	-	-	-	1,201,833	-	-	1,201,833	441,306	1,643,139
Total income and expenses for the period	-	-	-	-	(1,956)	1,201,833	-	(8,918)	1,190,959	441,306	1,632,265
Dividends paid	-	-	-	-	-	-	(946,174)	-	(946,174)	-	(946,174)
Share premium converted into issued capital	262,826	(262,826)	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	66,200	66,200
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	94,781	94,781
Acquisition of equity interests in subsidiaries from minority shareholders	-	-	-	-	-	-	-	-	-	(103,389)	(103,389)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(393,828)	(393,828)
At 30 June 2007	1,314,130	31,661	557,407	5,332	(1,956)	2,002,872	-	(12,633)	3,896,813	1,506,514	5,403,327

\* These reserves accounts comprise the consolidated reserves of RMB15,507,894,000 (31 December 2007: RMB4,022,896,000) in the consolidated balance sheet.



# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Net cash inflow from operating activities	<b>1,813,764</b>	1,501,446
Net cash outflow from investing activities	<b>(3,513,220)</b>	(2,041,663)
Net cash inflow from financing activities	<b>6,671,659</b>	836,197
Net increase in cash and cash equivalents	<b>4,972,203</b>	295,980
Cash and cash equivalents at beginning of period	<b>2,184,510</b>	1,939,408
Effect of foreign exchange rate changes, net	<b>(17,918)</b>	–
Cash and cash equivalents at end of period	<b>7,138,795</b>	2,235,388

# Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 1. ACCOUNTING POLICIES

For the six months ended 30 June 2008, the unaudited condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The policies adopted to prepare these consolidated interim financial statements are consistent with the policies adopted to prepare the financial statements for the year ended 31 December 2007.

## 2. SEGMENT INFORMATION

Segment information is presented by way of the Group’s primary segment reporting basis, by business segment. In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the customers. No further geographical segment information is presented as over 90% of the Group’s revenue is derived from customers based in Mainland China.

The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services, which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the ore-produced gold segment is the production of gold bullion through the Group’s integrated processes, i.e. mining, processing and refining;
- (b) the processed gold segment is the production of gold bullion by refining gold ore;
- (c) the copper cathodes segment is the production of copper cathodes;
- (d) the zinc bullion segment is the production of zinc bullion;
- (e) the ore concentrates segment comprises, principally, the production of gold concentrates, copper concentrates, zinc concentrates and iron concentrates; and
- (f) the corporate and other segment comprises, principally, the production of vitriol, copper ashes, silver, etc.

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

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**2. SEGMENT INFORMATION** (Continued)

For the six months ended 30 June 2008 (Unaudited)	Ore- produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullion RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>								
Sales to external customers	2,407,739	2,575,699	198,307	793,672	1,840,278	396,959	-	8,212,654
Intersegment sales	3,176	80,806	43,746	471	137,790	130,782	(396,771)	-
<b>Total</b>	<b>2,410,915</b>	<b>2,656,505</b>	<b>242,053</b>	<b>794,143</b>	<b>1,978,068</b>	<b>527,741</b>	<b>(396,771)</b>	<b>8,212,654</b>
<b>Segment results</b>	<b>1,540,539</b>	<b>(6,587)</b>	<b>138,861</b>	<b>80,132</b>	<b>1,087,291</b>	<b>191,611</b>	<b>-</b>	<b>3,031,847</b>
Interest and dividend income								73,651
Unallocated expenses								(194,616)
Finance costs								(151,707)
Share of profit and losses of								
Associates	-	-	-	10,569	24,434	(19,009)	-	15,994
Jointly-controlled entities	-	10,433	-	-	-	(68)	-	10,365
Profit before tax								2,785,534
Tax								(569,655)
Profit for the period								2,215,879

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**2. SEGMENT INFORMATION** (Continued)

For the six months ended 30 June 2007 (Unaudited)	Ore- produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullion RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>								
Sales to external customers	1,593,893	2,013,584	143,345	1,475,406	1,340,547	106,643	-	6,673,418
Intersegment sales	21,688	-	9,671	-	405,305	46,304	(482,968)	-
<b>Total</b>	<b>1,615,581</b>	<b>2,013,584</b>	<b>153,016</b>	<b>1,475,406</b>	<b>1,745,852</b>	<b>152,947</b>	<b>(482,968)</b>	<b>6,673,418</b>
<b>Segment results</b>	<b>989,089</b>	<b>2,303</b>	<b>95,915</b>	<b>345,248</b>	<b>753,186</b>	<b>106,052</b>	<b>-</b>	<b>2,291,793</b>
Interest and dividend income								29,759
Unallocated expenses								(145,002)
Finance costs								(130,898)
Share of profit and losses of associates	-	6,046	-	37,572	9,974	(2,506)	-	51,086
Profit before tax								2,096,738
Tax								(453,599)
Profit for the period								1,643,139

# Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 3. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, net of trade discounts and returns.

An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Revenue:		
Sale of gold bullion and gold concentrates	5,307,084	3,904,350
Sale of iron concentrates	419,302	176,837
Sale of copper concentrates	1,008,734	887,556
Sale of copper cathodes	211,753	147,204
Sale of zinc concentrates	18,555	60,062
Sale of zinc bullion	795,866	1,478,129
Others	557,241	84,479
Less: Sales taxes and levies (note (a))	(105,881)	(65,199)
	<b>8,212,654</b>	6,673,418
Other income:		
Bank interest income	56,788	10,572
Rental income	3,429	1,832
Processing income	439	96
Dividend income	16,863	19,187
Profit from a jointly-controlled operation (note (b))	4,625	13,634
Others	43,038	34,374
	<b>125,182</b>	79,695
Gains:		
Gain on equity investments at fair value through profit or loss	61,160	72,261
Exchange gains	27,709	–
	<b>88,869</b>	72,261
	<b>214,051</b>	151,956

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**3. TURNOVER, REVENUE AND GAINS** (Continued)

Notes:

- (a) Sales taxes and levies consisted of resources tax, business tax, education surcharge and city construction tax.
- (b) Pursuant to the cooperation agreements entered into between a subsidiary of the Group and two independent third parties dated 10 December 2005 and 9 March 2006, respectively, the subsidiary provided raw zinc ores to these two independent third parties for processing into zinc concentrates for sale. The profit derived thereon was shared between the subsidiary and the independent third parties according to the cooperation agreements. For the six months ended 30 June 2008, the Group shared the profit from this jointly-controlled operation of RMB4,625,000 (Six months ended 30 June 2007: RMB13,634,000).

**4. FINANCE COSTS**

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank and other loans	<b>184,004</b>	144,192
Less: interest capitalised as construction in progress	<b>(32,297)</b>	(13,294)
	<b>151,707</b>	130,898

The interest capitalised represents the cost of capital from raising the related borrowings and the interest capitalisation rate ranges from 5.18% to 7.2% per annum (six months ended 30 June 2007: 2.25% to 6.7% per annum).

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**5. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold	<b>4,807,242</b>	4,063,777
Provision for land restoration and rehabilitation costs	–	7,186
Amortisation of prepaid land lease payments*	<b>5,270</b>	2,629
Amortisation of long-term deferred assets*	<b>41,317</b>	11,638
Amortisation of other intangible assets*	<b>36,763</b>	22,169
	<b>4,890,592</b>	4,107,399
Depreciation (note (a))	<b>211,659</b>	171,585
Research and development expenditures	<b>19,494</b>	20,218
Staff costs (Including directors' remuneration)		
Salaries and other staff cost (note (b))	<b>329,714</b>	286,861
Retirement benefits – defined contribution fund (note (c))	<b>29,583</b>	14,680
	<b>359,297</b>	301,541
Provision for inventory obsolescence	<b>75</b>	48
Reversal of provision for impairment of trade receivables**	–	(95)
Reversal of provision for impairment of other receivables**	–	(1,817)
Provision for impairment of other intangible assets**	–	10,000
Provision for impairment of other non-current assets**	–	178
Loss on disposal of property, plant and equipment**	<b>2,451</b>	3,547
Donations**	<b>74,110</b>	108,811

\* Items classified under "Administrative expenses" in the Group's consolidated income statement.

\*\* Items classified under "Other operating costs" in the Group's consolidated income statement.

Notes:

(a) Depreciation cost of approximately RMB211,659,000 was included in the cost of sales for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB171,585,000).

(b) Staff costs of approximately RMB329,714,000 were included in the cost of sales for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB286,861,000).

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**5. PROFIT BEFORE TAX** (Continued)

Notes: (Continued)

- (c) According to relevant rules and regulations of the PRC, the Company and its subsidiaries incorporated in the PRC participate in a defined contribution retirement plan. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Company and its subsidiaries are required to make contributions to the local social security bureau at rates ranging from 11% to 25% of the prior year's average basic salaries within the geographical area where the employees are under employment with the Company and its subsidiaries. The Company and its subsidiaries have no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

**6. TAX**

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Group:		
Current – Hong Kong	–	–
– Mainland China	<b>568,725</b>	402,826
Underprovision/(overprovision) in prior years	<b>(6,814)</b>	28,334
Overprovision in the period	<b>7,744</b>	22,439
	<b>569,655</b>	453,599

Provision for Hong Kong profit tax has been provided at the rate of 16.5% (2007: 17.5%) on the assessable profits arising in Hong Kong for the year. Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.



# Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 6. TAX (Continued)

Provision for the PRC corporate income tax has been provided at the rate of 25% (2007: 33%) based on the taxable profits except for those related to the following operations in the Group:

- (1) Pursuant to "Guo Shui Han [2003] No. 1239", "Guo Shui Fa [2005] No. 129", issued by the State Administration of Taxation ("SAT"), and "Ji Guo Shui Han [2005] No. 43", "Ji Guo Shui Han [2006] No. 80" issued by the Jilin Provincial State Tax Bureau, Hunchun Zijin Mining Company Limited ("Hunchun Zijin") was confirmed as a newly incorporated enterprise located in "old district, minority tribes area, frontier area, and poor area" and qualified as promoted enterprise in western region. Hunchun Zijin was exempt from corporate income tax for the year 2005 and was granted a tax concession at a rate of 15% for the years 2006 to 2010. Hunchun Zijin's income will be taxed on 25% thereafter.
- (2) Pursuant to "Guo Shui Fa [1996] No. 23", "Guo Ban Fa [2001] No. 73", "Yun Guo Shui Han [2005] No. 120", and "Kun Guo Shui Han [2005] No. 191" issued by the SAT, General Office of the State Council, Yunnan Provincial State Administration of Taxation Office, and State Tax Bureau in Kunming respectively, Yunnan Huaxi Mining Resources Company Limited ("Yunnan Huaxi") was exempt from corporate income tax for the years 2004 to 2006 and was granted a tax concession of 50% reduction for the years 2007 and 2008, i.e. corporate income tax at a rate of 16.5%.
- (3) Pursuant to "Cai Shui Zi [1994] No. 001" issued by Ministry of Finance and the SAT, the first article the forth section of first item of "Yun Guo Shui Fa [1998] No. 165" issued by Yunnan Provincial State Administration of Taxation Office, and the written instruction of "Yun Guo Shui Han [2005] No. 508" endorsed by Yunnan Provincial State Administration of Taxation Office, Wuding County Yunye Jinyuan Mining Company Limited ("Yunye Jinyuan") was exempt from corporate income tax from years 2005 to 2007.
- (4) Pursuant to "Guo Fa [2000] No. 33", "Guo Ban Fa [2001] No. 73", and "Xin Di Shui Han [2005] No. 522" issued by the State Council, General Office of the State Council, and Xinjiang Local Taxation Bureau respectively, Xinjiang Jinbao Mining Company Limited ("Xinjiang Jinbao") is exempt from corporate income tax for the years 2004 to 2007 as it was an enterprise invested from outside area.
- (5) Pursuant to "Guo Fa [2000] No. 33", "Guo Ban Fa [2001] No. 73", and "Ha Di Shui Han [2005] No. 80" issued by the State Council, General Office of the State Council, and Xinjiang Local Taxation Bureau, Habahe County respectively, Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele"), located in the western region of Mainland China, is exempt from corporate income tax for the years of 2005 to 2009. In addition, Xinjiang Ashele was granted a tax concession at a preferential rate of 15% from 2010 onwards.

# Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 6. TAX (Continued)

- (6) Pursuant to “Guo Shui Fa [2002] No. 47” issued by the State Council and “Qian Di Shui Han [2003] No. 317” issued by the Guizhou Local Taxation Bureau, Guizhou Zijin Mining Company Limited (“Guizhou Zijin”), located in the western region of Mainland China, was granted a tax concession at a preferential rate of 15%. The preferential tax rate is applicable to qualified continuous operations in specified regions with retrospective effect from the years of 2004 to 2010. Guizhou Zijin paid corporate income tax at a preferential rate of 15% for years 2005 to 2007.
- (7) Pursuant to “Cai Shui Zi [1986] No. 122” and “Cai Shui Zi [1987] No. 115” issued by Ministry of Finance and SAT, Xiamen Zijin Technology Company Limited (“Xiamen Zijin”) is taxed at the preferential tax rate of 15% as it was established in the Xiamen Special Economic Zone.
- (8) Pursuant to the circular of the Ministry of Finance, the SAT, and China Customs on “Preferential Taxation Policies on the Western Region Development” (“Cai Shui [2001] No. 202”), and circular of the SAT on “Suggestions on the Implementation of Taxation Polices Pertaining to the Development of the Western Region” (“Guo Shui [2002] No. 47”), approved by (“Ba Guo Shui Han [2006] No. 10”), Bayannaer Zijin Non-ferrous Metals Company Limited (“Bayannaer Zijin”), located in western region of Mainland China, was granted a tax concession at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations in state’s promotional industry with retrospective effect for the years 2005 to 2007.
- (9) Pursuant to “Cai Shui Zi [1994] No. 001” concerning the exemption of income tax of new corporates issued by Ministry of Finance and the SAT, and approved by “Yun Cai Shui [2003] No. 19”, and “Guang Guo Shui Han [2005] No. 32”, Guangnan County Longxing Mining Company Limited (“Guangnan Longxing”) was exempt from corporate income tax from years 2005 to 2007.
- (10) Pursuant to the requirements of the 57th article of “Cai Shui Zi [1994] No. 001” issued by Ministry of Finance and the SAT, approved by State Tax Bureau in Fujian Province Shanghang County, Fujian Zijin Mining and Metallurgy Test Company Limited was granted a tax concession of 70% reduction on the taxation for the year 2007. The company’s total reduction of corporate income tax amounted to RMB370,000 for the year 2007.
- (11) Pursuant to the 57th article stipulation of “Cai Shui Zi [1994] No. 001”, issued by Ministry of Finance and the SAT, approved by State Tax Bureau in Fujian Shanghang County, Fujian Zijin Hotel Management Company Limited was granted a tax concession of 70% reduction on the taxation for the years 2007 to 2009. The total reduction of corporate income tax amounted to RMB410,000 for the year 2007.

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**6. TAX** (Continued)

- (12) Pursuant to “Guo Shui Han [2003] No. 1239”, “Guo Shui Fa [2005] No. 129” and “Yun Guo Shui Fa [2002] No. 102” issued by the SAT, approved by the Local Taxation Bureau of Yuanyang County, Yunnan Province, Yuanyang County Huaxi Gold Company Limited (“Yuanyang Huaxi”) was granted a tax concession at a preferential rate of 15% for the years 2006 to 2010 and at a rate of 25% from 2011 onwards.
- (13) Pursuant to “Guo Shui Fa [1998] No. 45”, “Yun Guo Shui Fa [1998] No. 165” and “Yun Guo Shui Fa [2002] No. 144” issued by Ministry of Finance and the SAT, approved by the State Tax Bureau of Yuanyang County, Yuanyang County Xinjie Town Zhengyuan Mining Company Limited was exempt from corporate income tax for the years from 2005 to 2007.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	For the 6 months ended 30 June			
	2008		2007	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Profit before tax	<b>2,785,534</b>		2,096,738	
At the PRC statutory tax rate	<b>696,384</b>	<b>25.00</b>	691,923	33.00
Expenses not deductible for tax	<b>5,124</b>	<b>0.18</b>	12,062	0.58
Income not subject to tax	<b>(7,311)</b>	<b>(0.26)</b>	(5,159)	(0.25)
Differential tax rate on the profit of certain subsidiaries	<b>(116,556)</b>	<b>(4.18)</b>	(256,703)	(12.24)
Profits and losses attributable to associates and jointly-controlled entities	<b>(8,915)</b>	<b>(0.32)</b>	(16,858)	(0.80)
Underprovision/(overprovision) in prior years	<b>(6,814)</b>	<b>(0.24)</b>	28,334	1.35
Current period change in deferred tax	<b>7,743</b>	<b>0.28</b>	–	–
Tax charge at the Group's effective rate	<b>569,655</b>	<b>20.46</b>	453,599	21.64

# Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 6. TAX (Continued)

Pursuant to the "Corporate Income Tax Law of the People's Republic of China" issued on 16 March 2007 and "Implementation of Corporate Income Tax Law of the People's Republic of China" issued by the National People's Congress and the State Council of the PRC, the Company's applicable corporate income tax rate is of 25% with effect from 1 January 2008.

There is no income tax implication attached to the dividends distributed by the Company to its shareholders.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDER OF THE PARENT

On the basis of the Group's profit attributable to equity holders of the parent in the sum of RMB1,742,397,000 during the reporting period (six months ended 30 June 2007: RMB1,201,833,000) and the total number of 14,541,309,100 ordinary shares in issue during the reporting period, the earnings per share attributable to the ordinary equity holders of the parent is RMB0.13. (The total number of issued shares the Company was 14,541,309,100 and 13,141,309,100 as at 30 June 2008 and 2007 respectively. For the purpose of providing comparable figures, the earnings per share as at 30 June 2007 was RMB0.09 on the basis of increasing 10.6% of the number of shares as at 30 June 2007 to 14,541,309,100 ordinary shares.)

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

## 8. GOODWILL

### Group

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Net book value at beginning of period/year	<b>339,132</b>	134,141
Acquisition of subsidiaries	<b>129,635</b>	–
Acquisition of shareholdings from minorities	<b>26,974</b>	204,991
Net book value at end of period/year	<b>495,741</b>	339,132

## Notes to the Condensed Consolidated Financial Statements

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**9. INTEREST IN ASSOCIATES****Group**

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Share of net assets	<b>1,312,238</b>	1,364,378
Loan to an associate	–	10,000
	<b>1,312,238</b>	1,374,378

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the principal associates are as follows:

<b>Name</b>	<b>Business structure</b>	<b>Place of incorporation/ registration and operation</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Fujian Longyan Makeng Mining Co., Ltd. ("Makeng Mining")	Corporate	PRC	31.50%	Iron mining
Shanghang Ting River Hydro-electric Co., Ltd.	Corporate	PRC	49.00%	Water and electricity generation
Wuping Zijin Hydro-electric Co., Ltd.	Corporate	PRC	48.00%	Water and electricity generation
Tibet Yulong Copper Co., Ltd. ("Tibet Yulong")	Corporate	PRC	22.00%	Copper mining
Fujian Jintian Zijin Mining Co., Ltd.	Corporate	PRC	40.00%	Mine exploration and development
Fujian Jinyi Copper Co., Ltd. ("Jinyi Copper")	Corporate	PRC	40.00%	Copper product production
Wancheng Commercial Mining Co., Ltd.	Corporate	PRC	10.00%	Zinc mining

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 9. INTEREST IN ASSOCIATES (Continued)

Name	Business structure	Place of incorporation/ registration and operation	Percentage of ownership interest attributable to the Group	Principal activities
Xiamen Zijin Tongguan Investment Co., Ltd. ("Zijin Tongguan")	Corporate	PRC	45.00%	Mine investment
Fujian Province Explosion Equipments Industrial Co., Ltd.	Corporate	PRC	30.00%	Production of ANFO explosive
Fujian Haixia Kehua Joint Stock Company Limited	Corporate	PRC	28.00%	Production of civil explosive materials
Qiubei Yun Copper Huaxi Mining Co., Ltd.	Corporate	PRC	40.00%	Sale and purchase of ore product, consultation service of geological exploration techniques
Hunchun Jindi Mining Co., Ltd.	Corporate	PRC	40.00%	Analysis and testing of geological exploration, consultation service of technique development, transfer and sales of ore product
Luoning Huatai Mining Co., Ltd. ("Luoning Huatai")	Corporate	PRC	34.00%	Underground exploitation of non-ferrous metals
Songpan County Zijin Industrial and Trading Company Limited ("Songpan Zijin")	Corporate	PRC	34.00%	Sales of industrial information, equipments, meter, research and sales of mechanical equipments

# Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 9. INTEREST IN ASSOCIATES (Continued)

Name	Business Structure	Place of incorporation/ registration and operation	Percentage of ownership interest attributable to the Group	Principal activities
Yanbianzhou SMEs Credit Security Investment Co., Ltd.	Corporate	PRC	20.00%	Provide security for SMEs and individual
Luoyang Huayin Security Co., Ltd.	Corporate	PRC	20.00%	Finance security, bills discount, contracts security

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2008, the Group's prepayments, deposits and other receivables amounted to approximately RMB1,358,405,000 (31 December 2007: RMB662,054,000), of which, including the raw materials to be purchased by Bayannaoer Zijin Zinc Refinery Plant and Luoyang Yinhui Gold Refinery Plant.

## 11. TRADE RECEIVABLES

The sales of gold bullion are settled on the transaction date. The credit period on the sales of other products such as copper cathodes and zinc bullion range from 30 to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**11. TRADE RECEIVABLES** (Continued)

An aged analysis of the trade receivables as at the balance sheet date, based on the respective invoice dates of the sales of goods, is as follows:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Within 4 months	<b>380,155</b>	255,186
Over 4 months but within 12 months	<b>17,295</b>	38,014
Over 1 year but within 2 years	<b>3,796</b>	627
Over 2 years	<b>79</b>	211
	<b>401,325</b>	294,038

The movements in the provision for impairment of trade receivables are as follows:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
At 1 January	<b>168</b>	173
Reversal of impairment provision	-	(5)
	<b>168</b>	168

**12. TRADE AND BILLS PAYABLES**

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice dates, is as follows:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Within 1 year	<b>858,999</b>	582,560
Over 1 year but within 2 years	<b>8,094</b>	4,254
Over 2 years but within 3 years	<b>3,606</b>	1,824
Over 3 years	<b>1,217</b>	1,624
	<b>871,916</b>	590,262



## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**13. INTEREST-BEARING BANK AND OTHER LOANS**

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Bank loans:		
Unsecured	<b>2,901,049</b>	5,905,110
Secured	<b>20,000</b>	37,350
	<b>2,921,049</b>	5,942,460
Other loans:		
Secured	–	499,978
Total bank and other loans	<b>2,921,049</b>	6,442,438
Less: Amounts due within one year included under current liabilities	<b>(1,686,728)</b>	(3,682,778)
Amount due after one year	<b>1,234,321</b>	2,759,660
Bank loans repayable:		
Within one year	<b>1,686,728</b>	3,182,800
In the second year	<b>112,119</b>	1,903,500
In the third to fifth years, inclusive	<b>1,076,255</b>	817,730
Beyond five years	<b>45,947</b>	38,430
	<b>2,921,049</b>	5,942,460
Other loans repayable:		
Within one year	–	499,978

The bank loans carry interest at rates ranging from 5.18% to 7.2% (2007: 5.184% to 6.696%) per annum.

The bank loans to Xinjiang Ashele were secured by guarantees from its parent company and a minority shareholder. Bank loans of certain subsidiaries were also secured by guarantees from the Company.

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**14. RELATED PARTY TRANSACTIONS**

In accordance with the Listing Rules 14A.45, the Company disclosed all the connected transactions related to purchases of commodities, provision of services and other continuous transactions. Details have been disclosed in the Company's 2007 annual report. As at 30 June 2008, there has been no change in any of these connected transactions.

The summary of the Group's connected transactions for the period up to 30 June 2008 are as follows:

Connected party	Relationship with the Company	Date of agreement signed	Nature of transaction	Amount up to six months ended 30 June	
				2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>1. Commodities purchase/sales from connected party</b>					
1.1 Wancheng Commercial Dongshengmiao Co., Ltd. ("Wancheng Commercial")	Associate of the Company	Date of each transaction	Purchase of zinc concentrates	<b>121,703</b>	78,057
1.2 Xinjiang Non-ferrous Industrial (Group) Material Co., Ltd. ("Xinjiang Non-ferrous")	Shareholder of Xinjiang Ashele	Date of each transaction	Purchase of raw materials	<b>6,590</b>	324
1.3 Jinyi Copper	Associate of the Company	Date of each transaction	Sales of copper cathodes	<b>51,812</b>	–
1.4 Shandong Guoda Gold Co., Ltd. ("Shandong Guoda")	Jointly-controlled entity of the Company	Date of each transaction	Sales of gold and copper ore	<b>79,675</b>	58,641
1.5 Shanghang County Jinshan Trading Co., Ltd.	Shareholder of the Company	Date of each transaction	Purchase of construction materials	–	1,844
1.6 Sichuan Muli Rongda Mining Co., Ltd.	Long term investment of the Company	Date of each transaction	Sales of small gold bullion	<b>3,496</b>	–

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**14. RELATED PARTY TRANSACTIONS** (Continued)

Connected party	Relationship with the Company	Date of agreement signed	Nature of transaction	Amount up to six months ended 30 June	
				2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>2. Services provided by the connected party</b>					
2.1 Fujian Xinhua Engineering Co., Ltd.	Shareholder of the Company	3 May 2000 4 November 2002	Mining and transportation of ore	<b>70,800</b>	70,930
2.2 Fujian Shanghang Hongyang Mine Engineering Co., Ltd.	Shareholder of two subsidiaries	25 April 2003	Stripping	<b>399</b>	37,208
2.3 Wenshan Longxing Mining Co., Ltd.	Shareholder of a non wholly-owned subsidiary – Guangnan Longxing	15 April 2002	Stripping	<b>10,494</b>	–
2.4 Fujian Shanghang County Fuxin Mining Engineering Co., Ltd.	Shareholder of a non wholly-owned subsidiary – Anhui Zijin Mining Co., Ltd.		Construction services	–	1,778
2.5 Guizhou Geology and Mineral Exploration Bureau Team 105	Shareholder of a non wholly-owned subsidiary – Guizhou Zijin	19 February 2003	Geology exploration services	–	1,099
<b>3. Service provided to the connected party</b>					
3.1 Tibet Yulong	Associate of the Company		Transportation services	<b>6,025</b>	–

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**14. RELATED PARTY TRANSACTIONS** (Continued)

Connected party	Relationship with the Company	Date of agreement signed	Nature of transaction	Amount up to six months ended 30 June	
				2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>4. Financial assistance provide to connected party</b>					
4.1 Luoning Huatai	Associate of the Company		Loan	15,000	–
4.2 Zijin Tongguan	Associate of the Company		Loan Guarantee	– 297,000	30,197 297,000
4.3 Makeng Mining	Associate of the Company		Guarantee	6,750	11,250
4.4 Shandong Guoda	Jointly-controlled entity of the Company		Guarantee	105,000	85,000
<b>5. Financial assistance provided by connected party</b>					
5.1 Zijin Tongguan	Associate of the Company		Loan	–	225,000
5.2 Xinjiang Non-ferrous	Shareholder of Xinjiang Ashele		Loan guarantee to subsidiaries (a maximum amount of RMB116,000,000)	70,000	16,180
<b>6. Financial assistance provide to subsidiaries</b>					
6.1 Fujian Zijin Copper Co., Ltd.	Non wholly-owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	318,000	290,000
6.2 Fujian Shanghang Zijin Hydro-electronic Co., Ltd.	Non wholly-owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	40,000	40,000

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**14. RELATED PARTY TRANSACTIONS** (Continued)

Connected party	Relationship with the Company	Date of agreement signed	Nature of transaction	Amount up to six months ended 30 June	
				2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
6.3 Qinghai West Copper Co., Ltd.	Non wholly-owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	<b>160,000</b>	130,000
6.4 Fuyun Jinshan Mining Co., Ltd.	Non wholly-owned subsidiary	2007	Provide loan guarantee to a subsidiary of the Company	<b>280,000</b>	–
6.5 Bayannaocer Zijin	Non wholly-owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	<b>345,000</b>	250,000
6.6 Tongling Zijin Mining Co., Ltd.	Non wholly-owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	<b>7,650</b>	35,000
6.7 Longkou Jinfeng Company Limited (“Longkou Jinfeng”)	Non wholly-owned subsidiary	30 September 2007	Provide loan guarantee to a subsidiary of the Company	<b>30,000</b>	–
6.8 Yunnan Huaxi	Non wholly-owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	<b>72,000</b>	165,000
6.9 Yuanyang Huaxi	Non wholly-owned subsidiary	2008	Provide loan guarantee to a subsidiary of the Company	<b>20,000</b>	–

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**14. RELATED PARTY TRANSACTIONS** (Continued)

Connected party	Relationship with the Company	Date of agreement signed	Nature of transaction	Amount up to six months ended 30 June	
				2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
6.10 Shangri-la Huaxi Mining Co., Ltd.	Non wholly-owned subsidiary	2008	Provide loan guarantee to a subsidiary of the Company	20,000	–
6.11 Wenshan Malipo Tungsten Group Co., Ltd.	Non wholly-owned subsidiary	2008	Provide loan guarantee to a subsidiary of the Company	100,000	–
6.12 Chongli Zijin Mining Co., Ltd.	Non wholly-owned subsidiary	2007	Provide loan guarantee to a subsidiary of the Company	110,000	–
6.13 Luoyang Zijin Yinhui Gold Refinery Co., Ltd.	Non wholly-owned subsidiary	2007	Provide loan guarantee to a subsidiary of the Company	50,000	–
6.14 Wuping Zijin Mining Co., Ltd.	Non wholly-owned subsidiary	2007	Provide loan guarantee to a subsidiary of the Company	95,000	–
6.15 Guizhou Zijin	Non wholly-owned subsidiary	2003	Provide loan guarantee to a subsidiary of the Company	–	10,000
6.16 Xinjiang Ashele	Non wholly-owned subsidiary	2003	Provide loan guarantee to a subsidiary of the Company	–	77,000

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**14. RELATED PARTY TRANSACTIONS** (Continued)

Connected party	Relationship with the Company	Date of agreement signed	Nature of transaction	Amount up to six months ended 30 June	
				2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>7. Acquisition/disposal of equity interests to connected party</b>					
7.1 Wanbao Mining Co., Ltd. ("Wanbao Mining")	Shareholder of Kingbao Mining Ltd.	Note 1	Acquisition of a 40% equity interests of Kingbao Mining Ltd. and creditors' right of US\$1,439,487	US\$20,000,000	-
7.2 Hangbeng Refinery Co., Ltd. ("Hangbeng Refinery")	Customer	Note 2	Disposal of a 70% equity interests of Shandong Rushan Zijin Mining Co., Ltd. ("Shandong Rushan")	2,550	-
7.3 Minority shareholders of Xinyi Zijin Mining Co., Ltd. ("Xinyi Zijin")	Shareholders of Xinyi Zijin	Note 3	Acquisition of a 20% equity interests in Xinyi Zijin	-	63,900
7.4 Longkou Jinxing Gold Co., Ltd.	Shareholder of Longkou Jintai Gold Co., Ltd. ("Longkou Jintai")	Note 4	Acquisition of a 39% equity interests in Longkou Jintai	-	90,000
7.5 Shareholder (natural person) of Longkou Jinye Investment Co., Ltd. (Longkou Jinye)		Note 5	Acquisition of a 7.32% equity interests in Longkou Jinye	-	7,245
7.6 Shareholder (natural person) of Longkou Jinfeng Company Limited ("Longkou Jinfeng")		Note 6	Acquisition of a 0.15% equity interests in Longkou Jinfeng	-	5,551

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

**14. RELATED PARTY TRANSACTIONS** (Continued)

Connected party	Relationship with the Company	Asset	Price RMB'000	Fair value of the asset RMB'000
<b>8. Share acquisition with connected party</b>				
Liu Daonan	A shareholder of a non wholly-owned subsidiary of the Company	13% equity interest in Wulatehouqi Zijiu	140,000	146,277.5

Notes:

- (1) Pursuant to the agreement entered into between Gold Mountains (H.K.) International Mining Company Limited ("Gold Mountains Hong Kong") and Wanbao Mining on 18 April 2008, Gold Mountains Hong Kong acquired their 40% equity interests of Kingbao Mining Limited and creditor's right of US\$1,439,487 for a consideration of US\$20,000,000. After the acquisition, Gold Mountains Hong Kong holds 90% equity interests of Kingbao Mining Limited.
- (2) Pursuant to the agreement entered into between Zijin International Mining Company Limited ("Zijin International") and Hangbeng Refinery on 10 June 2008, Zijin International disposed its 70% equity interests of Shandong Rushan for a consideration of RMB2,550,000.
- (3) Pursuant to the agreement entered into between the Company and the minority shareholders of Xinyi Zijin on 26 March 2007, the Company acquired their 20% of equity interests of Xinyi Zijin held by the minority shareholders of Xinyi Zijin for a consideration of RMB63,900,000. After the transaction, the Company holds 100% equity interests of Xinyi Zijin.
- (4) Pursuant to the agreement entered into between the Company and the minority shareholders of Longkou Jintai on 10 January 2007, the Company acquired its 39% equity interests of Longkou Jintai held by the minority shareholders of Longkou Jintai for a consideration of RMB90,000,000. After the transaction, the Company holds 90% equity interests of Longkou Jintai.
- (5) Pursuant to the agreement entered into between Hunchun Zijin and the natural shareholder of Longkou Jinye on 1 February 2007, Hunchun Zijin acquired 7.32% equity interests of Longkou Jinye held by the natural shareholder of Longkou Jinye for a consideration of RMB7,245,110.
- (6) Pursuant to the agreement entered into between the Company and the natural shareholder of Longkou Jinfeng on 1 February 2007, the Company acquired its 0.15% equity interests of Longkou Jinfeng held by the natural shareholder of Longkou Jinfeng for a consideration of RMB5,550,718.



# Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 15. CONTINGENT LIABILITIES

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Corporate guarantees in respect of bank loans granted to: Associates and a jointly-controlled entity	<b>452,000</b>	452,000

## 16. COMMITMENTS

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Contracted, but not provided for:		
Acquisition of plant, machinery and mining assets	<b>827,936</b>	404,864
Acquisition of exploration and mining rights	<b>141,995</b>	378,924
Capital injection in associates	–	30,616
Acquisition of minority interests	<b>16</b>	49,283
Acquisition of equity interests in subsidiaries	<b>17,700</b>	783,144
	<b>987,647</b>	1,646,831
Authorised, but not contracted for:		
Acquisition of plant, machinery and mining assets	<b>34,810</b>	–
Acquisition of exploration and mining rights	<b>46,961</b>	–
Capital injection in associates	<b>13,000</b>	–
Acquisition of minority interests	–	18,000
Acquisition of equity interests in subsidiaries	–	511,322
	<b>94,771</b>	529,322
	<b>1,082,418</b>	2,176,153

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 17. GROUP'S FINANCIAL SUMMARY (AS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS ("PRCAS"))

### Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>REVENUE</b>	<b>8,318,535</b>	6,738,617
Less: Cost of sales	<b>(4,825,317)</b>	(4,046,144)
Business tax and surcharges	<b>(105,881)</b>	(65,199)
Add: Profit from other operations	<b>33,968</b>	41,330
Selling and distribution costs	<b>(131,011)</b>	(110,278)
Administrative expenses	<b>(421,434)</b>	(289,197)
Finance costs	<b>(69,462)</b>	(122,035)
Impairment on assets	<b>(75)</b>	(10,003)
Add: Gain from changes in fair value	<b>(35,895)</b>	68,589
Investment income	<b>91,365</b>	3,000
Including: investment income from associates and jointly-controlled entities	<b>26,359</b>	51,086
<b>PROFIT FROM OPERATIONS</b>	<b>2,854,793</b>	2,208,680
Add: Non-operating income	<b>17,564</b>	8,143
Non-operating expenses	<b>(86,823)</b>	(120,466)
Including: loss on disposal of non-current assets	<b>(5,729)</b>	(4,341)
<b>TOTAL PROFIT</b>	<b>2,785,534</b>	2,096,357
Income tax	<b>(569,655)</b>	(453,599)
<b>NET PROFIT</b>	<b>2,215,879</b>	1,642,758
Net profit attributable to the equity holders of the parent	<b>1,742,397</b>	1,201,452
Minority interests	<b>473,482</b>	441,306

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 17. GROUP'S FINANCIAL SUMMARY (AS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS ("PRCAS")) (Continued)

### Condensed Consolidated Balance Sheet

As at 30 June 2008

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and bank balances	7,201,475	2,236,598
Financial assets	126,159	106,879
Bills receivables	161,322	52,346
Dividend receivables	1,844	–
Accounts receivables	401,157	293,870
Prepayment	708,127	340,390
Other receivables	504,365	294,656
Inventories	1,416,667	1,044,245
Other current assets	144,069	56,138
Total current assets	10,665,185	4,425,122
Non-current assets:		
Available-for-sales financial assets	301,620	301,526
Long-term receivables	630	–
Long-term equity investments	1,772,492	1,780,838
Investment properties	56,845	58,329
Fixed assets	4,399,067	4,103,007
Construction materials	154,613	148,970
Construction-in-progress	2,276,552	1,751,741
Intangible assets	2,071,638	1,772,210
Goodwill	495,741	339,132
Long-term deferred assets	547,065	483,796
Other long term assets	2,837,612	1,604,573
Deferred tax assets	19,720	29,917
Total non-current assets	14,933,595	12,374,039
Total assets	25,598,780	16,799,161

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 17. GROUP'S FINANCIAL SUMMARY (AS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS ("PRCAS")) (Continued)

### Condensed Consolidated Balance Sheet

As at 30 June 2008

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short term loans	1,388,728	3,289,978
Financial liabilities	7,208	–
Bills payable	16,393	795
Accounts payables	855,523	589,467
Receipt in advance	269,922	107,589
Salary payables	131,382	129,695
Dividend payables	25,435	27,648
Tax payable	786,301	766,845
Interest payable	39	19
Other payables	1,069,557	1,318,216
Current portion of long-term liabilities	311,611	407,639
Other current liabilities	1,418	554
<b>Total current liabilities</b>	<b>4,863,517</b>	<b>6,638,445</b>
Non-current liabilities		
Long-term loans	1,234,321	2,759,660
Long-term payables	266,153	236,570
Provisions	18,798	17,744
Deferred tax liabilities	25,674	28,128
<b>Total non-current liabilities</b>	<b>1,544,946</b>	<b>3,042,102</b>
<b>Total liabilities</b>	<b>6,408,463</b>	<b>9,680,547</b>
Shareholders' equity:		
Share capital	1,454,130	1,314,130
Capital reserve	9,921,298	155,648
Reserve funds	754,831	754,831
Retained profits	4,895,207	3,152,552
Exchange differences arising on translation of foreign currency denominated financial statements	(63,442)	(40,134)
<b>Shareholder's equity attributable to the parent</b>	<b>16,962,024</b>	<b>5,337,027</b>
<b>Minority interests</b>	<b>2,228,293</b>	<b>1,781,587</b>
<b>Total shareholder's equity</b>	<b>19,190,317</b>	<b>7,118,614</b>
<b>Total liabilities and shareholders' equity</b>	<b>25,598,780</b>	<b>16,799,161</b>

## Notes to the Condensed Consolidated Financial Statements

30 June 2008

## 17. GROUP'S FINANCIAL SUMMARY (AS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS ("PRCAS")) (Continued)

### Effects of Significant Differences between IFRS and PRCAS

Effects of significant differences between net profit under PRCAS and profit attributable to equity holders of the parent under IFRS are analysed as follows:

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net profit attributable to equity holders of the parent under PRCAS	<b>1,742,397</b>	1,201,452
Difference in depreciation and disposal from restatement of property, plant and equipment	–	381
Profit attributable to equity holders of the parent under IFRS	<b>1,742,397</b>	1,201,833

Effects of significant differences between equity attributable to the equity holders of the Company under PRCAS and IFRS are analysed as follows:

	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Equity attributable to equity holders of the parent under PRCAS	<b>16,962,024</b>	5,337,027
Difference in depreciation and disposal from restatement of property, plant and equipment	–	–
Others	–	(1)
Equity attributable to equity holders of the parent under IFRS	<b>16,962,024</b>	5,337,026



**ZiJin**

**紫金礦業集團股份有限公司**  
ZIJIN MINING GROUP COMPANY LIMITED\*