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MARKET REVIEW

During the first half of 2004, as affected by international geo-politics and economic factors, particularly depreciation of US dollars and increasing demand of gold, the trend of gold price in 2003 continued to rise and gold price as a whole has been staying at a high level reaching the historical height of USD430 and setting record for international gold market in the past 15 years. According to relevant information, the global demand for gold in the first quarter increased by 11.4%. All players in the market have adapted to the high gold price. In the PRC, trading at the Shanghai Gold Exchange has been active. The presence of gold products for personal investment has opened up a way for domestic investment in gold. Gold price in the PRC increased in coincidence with that of the international gold market. Development of the domestic economy provided room for the development of the Company.

1. Sound production and operation condition

During the first half of the year, rapid growth was recorded for the Group's gold production. With the operation of Guizhou Shuiyindong Gold Mine commenced, considerable contributions were made to the Group for the period under review. Growth was also recorded for Zijinshan Gold Mine. During the period, 5,798 kg (186,411.498 oz) of gold and 990 tonnes of copper were produced, respectively, representing an increase of 22.71% and 50% as compared with the same period in last year. Sales income of RMB734,181,000 was realized, representing an increase of 46.8% as compared with the same period in last year. Of which, Zijinshan Gold Mine produced 4,966 kg (159,661.866 oz) of gold, representing an increase of 6% when compare to the same period in last year, and 414 tonnes of copper, dropped by 2.8%. Investment projects in the western parts of the PRC produced 832 kg of gold, increased by 617%, of which, Guizhou Shuyindong Gold Mine produced additional 589 kg (18,936.94 oz) of gold; Hunchun Zijin produced gold and copper concentrates comprising of 152 kg (4,886.95 oz) of gold, an increase of 99.45%, and 575.5 tonnes of copper, an increase of 145.94%; Anhui Zijin (Paodaoling Gold Mine) produced 76 kg (2,443.48 oz) of gold, an increase of 88.86% as compared with the same period in last year, whereas Tongling Yinjiazha Gold Mine produced additional 15 kg (482.27 oz) of gold. [troy ounce = 31.103g]

2. Increase of exploration and mining rights

During the first half of the year, the Group's exploration rights increased by 20 segments with 327.64 sq. km., with an aggregate segments of 43 and total areas amounted to 1031.94 sq. km.. Mining rights increase by 5 with 13.1939 sq. km., making 13 segments in total with 25.0939 sq. km.. Certain exploration rights and mining rights are under negotiation.

Details of additional exploration rights

No.	Owner of exploration rights	Name/certificate number of projects	Location of projects	Area (km ²)	Period of validity
1	Anhui Zijin Mining Company Limited	General survey of Daishan Gold and Multi-gold Mine in Anhui 3400000410056	Dingyuan County, Chuzhou City, Anhui	78.48	16 March 2004-16 March 2007
2	Anhui Zijin Mining Company Limited	General survey of Huangjian Gold Mine in Xiuning County, Anhui 3400000420184	Xiuning County, Huangshan City, Anhui	14.38	22 June 2004-22 June 2006
3	Qinghai Weisite Copper Company Limited (青海威斯特銅業有限責任公司)	Exploration of De'erni Copper-Cobalt Mine in Maqin County 6300000310031	Maqin County, Guoluo Zang Autonomous Region, Qinghai	10.29	17 April 2003-17 April 2005
4	Guizhou Zijin Mining Company Limited	General survey of Nashangang Gold Mine in Zhenfeng County, Guizhou 5200000310171	Zhenfeng County, Guizhou	14.14	14 December 2003-31 December 2004
5	Guizhou Zijin Mining Company Limited	General survey of Dabei Gold Mine in Zhenfeng County, Guizhou 5200000310574	Zhenfeng County, Guizhou	12.41	14 December 2003-30 December 2004
6	Guizhou Zijin Mining Company Limited	General survey of Matian Gold Mine in Zhenfeng County, Guizhou 5200000310163	Zhenfeng County, Guizhou	7.75	14 December 2003-14 December 2004
7	Sichuan Shimian Zijin Platinum Company Limited	General survey of Daheba Platinum Mine in Anshun, Shimian County 5100000320385	Shimian County, Ya'an City, Sichuan	3.00	13 November 2003-13 November 2004

Operation Overview

No.	Owner of exploration rights	Name/certificate number of projects	Location of projects	Area (km ²)	Period of validity
8	Tibet Jindi Mining Company Limited	General survey of Mayou Muyan Gold Mine in Pulan County 5400000420210	Pulan County, A Li District, Tibet	109.14	8 May 2004-7 May 2006
9	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Rongzhike Gold Mine in Xise, Ganzi County, 5100000420250	Ganzi County, Ganzi Zang Autonomous Region	11.67	19 May 2004-19 May 2006
10	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Dela Gold Mine in Ganzi County, Sichuan 5100000420249	Ganzi County, Ganzi Zang Autonomous Region	15.36	19 May 2004-19 May 2006
11	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Shengkang Gold Mine, Ganzi County, Sichuan 5100000420243	Ganzi County, Ganzi Zang Autonomous Region	11.34	19 May 2004-19 May 2006
12	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Achungong Gold Mine in Rongbacha Village, Ganzi County 5100000420242	Ganzi County, Ganzi Zang Autonomous Region	8.76	19 May 2004-19 May 2006
13	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Banqingshe Gold Mine in Zhuqing Village, Dege County, Sichuan 5100000420247	Dege County, Ganzi Zang Autonomous Region	8.72	19 May 2004-19 May 2006
14	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Mada Section of Cuo A Gold Mine in Dage County, Sichuan 5100000420246	Dege County, Ganzi Zang Autonomous Region	0.73	19 May 2004-19 May 2006

Operation Overview

No.	Owner of exploration rights	Name/certificate number of projects	Location of projects	Area (km ²)	Period of validity
15	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Puqinggou Mine Section of Cuo A Gold Mine in Dege County 5100000420245	Ganzi County, Ganzi Zang Autonomous Region	0.73	19 May 2004-19 May 2006
16	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Haizikou Gold Mine in Dege County in Sichuan 5100000420248	Ganzi County, Ganzi Zang Autonomous Region	3.28	19 May 2004-19 May 2006
17	Ganzizhou Zijin Mining Company Limited (甘孜州紫金礦業有限公司)	General survey of Cuo A Gold Mine in Dege County, Sichuan 5100000420244	Ganzi County, Ganzi Zang Antonomons Region	5.84	19 May 2004-19 May 2006
18	Fujian Zijin Mining Industry Co., Ltd.	General survey of Gold-Copper Mine of Southeast Section of Zijinshan Copper-Gold Mine in Shanghang County 3500000430013	Changtin County, Longyan City, Fujian	1.91	1 January 2004-1 January 2005
19	Fujian Zijin Mining Industry Co., Ltd.	General survey of geology of Yanggu Gold Mine in Changtin County, Fujian 3500000410087	Changtin County, Longyan City, Fujian	5.82	29 March 2004-29 March 2005
20	Fujian Zijin Mining Industry Co., Ltd.	General survey of Gangbei Molybdenum Mine in Shanghang County, Fujian 3500000420192	Changtin County, Longyan City, Fujian	3.89	6 May 2004-6 May 2005
Total:				327.64	

Operation Overview

Additional mining rights certificates

No.	Name of companies	Name/certificate number of mines	Methods and size of mining	Minerals being mined	Area (km ²)	Period of validity
1	Tongling Zijin Mining Company Limited	Yinjiaza Gold Mine 3400000410104	Open pit (66,000 tonnes/year)	Gold mine	0.2377	May 2004- May 2007
2	Qinghai Weisite Copper Company Limited (青海威斯特銅業有限責任公司)	De'erni Copper Mine 6300000310025	Open pit/underground (300,000 tonnes/year)	Copper, zinc and cobalt mine	10.288	June 2003- June 2006
3	Xinjiang Jinbao Mining Company Limited (新疆金寶礦業有限責任公司)	Mine No. 10-14, Mengku Iron Mine District in Fuyun 6500000221681	Open pit (600,000 tonnes/year)	Iron mine	0.36	December 2002- August 2006
4	Zijin Mining Group Co., Ltd.	Jinshangou Gold Mine in Qitai, Xinjiang 6500000422159	Underground (20,000 tonnes/year)	Gold mine	1.785	June 2004- March 2005
5	Sichuan Jiuzhaigou Zijin Mining Company Limited	Caodi Gold Mine	Open pit/underground (50,000 tonnes/year)	Gold mine	0.5232	July 2004- July 2014
Total:					13.1939	

3. Progress achieved in control of mining resources

- (1) Through supplementary exploration of the newly acquired mining rights on the periphery, output of gold and copper from Zijinshan Gold-Copper Mine increased by 5,174 kg and 9,740 tonnes with an average cut-off grades of 0.75 g/t and 0.52% respectively.
- (2) Guizhou Company completed the preparation of a geological report in respect of Shuiyindong Gold Mine Section and obtained resource reserves of 54,705.34kg of gold reserves, with an average cut-off grades of 11.19 g/t, of which 32,945.34kg of new gold reserves were added (comprising of 30,943.55 kg of proved and controlled reserves). It is a large gold mine endowed with high grade ore difficult for selection and processing. The Group has successfully overcome the technical difficulties. This mine will provide good return to the Group. At the peripheral of the mine, geological exploration is still undergoing with prospect of expanding the area of the mine.
- (3) The Group invested in Qinghai (60%) De'erni Copper-Cobalt Mine with additional copper reserves of 545,000 tonnes with average cut-off grades of 1.27%, cobalt reserves of 28,100 tonnes with average cut-off grades of 0.1% and zinc of 146,000 tonnes with average cut-off grade of 1.04%.
- (4) Acquisition of Xinjiang Qitai County Jinshangou Gold Mine with gold reserves of 3,666.4 kg and average grade of 5.69 g/t.

4. Acceleration in enhancement of infrastructure and technology, with certain projects completed or commenced production

- (1) Construction work of Zijinshan Copper Mine commenced full swing, daily ore processing of 10,000 tonnes by employing bio-leaching and extraction — new technology of electrowinning, annual production of copper cathodes reached 13,000 tonnes. Investment made during the first half of the year amounted to RMB24.69 million, with an amount of RMB48.05 million in total. It is expected that in the first half of the next year, it will be completed and commence production, which brings growth to the Company;
- (2) As at the end of the first half of the year, investment in Xinjiang Ashele Copper Mine amounted to RMB318.2 million in total. The construction of Xinjiang Ashele Copper Mine will be completed and trial commissioning will commence in October. Daily ore processing reached 4,000 tonnes whilst annual production of copper concentrates with copper and zinc reached 30,000 tonnes and 10,000 tonnes respectively;
- (3) The largest local primary gold mine processing plant in the PRC-trial operation of the ore-processing plant of 4,000 t/d at Hunchun Zijin has completed and commenced production, with consolidated mining and processing capability of 5,000 t/d. Annual production of gold copper concentrates with gold and copper reached 1 tonne and 4,000 tonnes respectively;
- (4) Construction of the primary ore processing system of 600 t/d at Paodaoling Gold Mine of Anhui Zijin Mining Company Limited was completed and put into trial operation in May, earlier than as scheduled. The system operated smoothly and all indices were stable;
- (5) Phase one of enhancement work of the ore processing system of 1,000,000 t/d at Longyan Makeng Iron Mine commenced trial operation in May;
- (6) Construction work of phase one of infrastructure in the mining area at Sichuan Jiushaigou Zijin (Caodi Gold Mine) was completed, trial production in small scale will be commenced in the second half of the year;
- (7) Construction of the main well, being the focal work of Jiaochong Gold Mine, the core mine of Tongling Zijin has commenced smoothly;
- (8) Construction of De'erni Copper Mine at Qinghai has commenced. It is planned that the scale of the mine will have an ore processing capacity of 8,000 t/d and produces copper concentrate of about 22,000 tonnes per annum. It is intended that the infrastructure will be completed within two years.

5. Strong momentum presented by external investment

Representative offices were established by the Group in Chengdu, Xi'an, Guiyang, Changchun, Lanzhou, Huhehaote.

The Group also established an institute for geological exploration of mineral resources in Xiamen so as to organise and manage the Group's geological exploration work.

Certain important investments of resources nature are under negotiation. We will strive to enter into formal agreements for some of these investments.

Management Discussion and Analysis

OPERATING RESULTS

During the six months ended 30 June 2004, the Group's turnover increased by RMB234.05 million to RMB734,180,000, an increase of 46.8% over the same period of the previous year. The table below sets out details of sales by products as at 30 June 2004 and 30 June 2003:

Product	30 June 2004 (Unaudited)			30 June 2003 (Audited)		
	Unit price	Volume	Amount/ RMB'000	Unit price	Volume	Amount/ RMB'000
Gold	108(RMB/g)	6,569(kg)	709,023	93(RMB/g)	5,222(kg)	485,257
Gold concentrates	84.9(RMB/t)	145.5(t)	12,048	—	—	4,327
Iron concentrates			415	—	—	4,923
Copper concentrates	16,903(RMB/t)	556(t)	9,398	—	—	1,872
Copper cathodes	22,655(RMB/t)	252(t)	5,709	—	—	7,207
Others			1,659	—	—	—
Less: Sales tax and levies			(4,071)	—	—	(3,452)
Total			734,181	—	—	500,134

* During the period, the Group sold 6,569 kg of gold, of which 318 kg was entrusted processed gold.

The Group's turnover for the first half of the year in 2004 increased by 46.8% over the same period in 2003, which was mainly attributable to the commencement of full production at Guizhou Zijin and Hunchun Zijin, which resulted in significant growth in the production volume by 22.71%, and the increase in the unit price for the sales of gold by 16%.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

As a mining enterprise, the Group's cost of sales mainly includes extraction and smelting cost, transportation cost, raw materials consumption, utilities expenses and depreciation on fixed assets etc. Cost of sales for the first half of 2004 was RMB312.78 million, representing an increase of approximately 34.47% as compared to RMB232.6 million for the first half of 2003, which was mainly attributable to the increase in the output. The table below sets out details of the gross profit margin as at 30 June 2003 and 30 June 2004.

Product	30 June 2004 %	30 June 2003 %
Gold	57.8	54.4
Gold concentrates	55	39.0
Iron concentrates	9.5	7.70
Copper concentrates	55.78	36
Copper cathodes	34.8	12.8
Others	96.5	—
Total	57.4	53.50

The Group's overall gross profit margin increased from 53.50% as at 30 June 2003 to 57.4% for the same period of 2004, which was mainly attributable to the increase in the selling price of gold. Sales income from gold products for the first half of 2004 accounted for 96% of the total sales income, while the proportion of turnover from gold concentrates and copper concentrates with lower gross profit margins represented only 2.9%. The selling price of gold increased from RMB93/g for the first half of 2003 to RMB108/g for the first half of 2004, which was mainly attributable to the increase in international gold price. Average unit production cost of gold from RMB42.96/g for the first half of 2003 to RMB42.8/g for the first half of 2004, which was not significantly volatile.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs was RMB2.04 million for the first half of 2003 and was RMB1.95 million for the first half of 2004, which did not experience any significant movement.

FINANCE COSTS

The Group's finance costs for the first half of 2004 was RMB3.375 million, a decrease of 61.7% as compared with RMB8.82 million for the same period in the previous year, which was mainly attributable to the decrease in interest expenses as a result of the repayment of project loans by the Group of RMB190 million with respect to the solid waste management project and copper mine project and certain short term loans from the proceeds of New Issue.

Management Discussion and Analysis

WORKING CAPITAL AND SOURCE OF FUNDS

As at 30 June 2004, the Group's cash and cash equivalents increased over the same period of the previous year by RMB904.37 million to RMB970.07 million, an increase of more than 13.7 times over the same period of the previous year.

As at 30 June 2004, net cash inflow generated from the Group's operating activities amounted to RMB271.64 million, an increase of RMB63.53 million or 30.5% over the same period of the previous year. The main reasons for the increase in cash flow generated from the Group's operation activities were due to (i) the increase in the sales quantities and selling price of gold during the year, and (ii) certain projects of the Group commenced production during the year, which increased the sales income of copper cathodes, copper concentrates, gold concentrates and iron concentrates.

As at 30 June 2004, net cash outflow generated from the Group's investing activities amounted to RMB479.76 million, an increase of RMB296.07 million or 161.1% over the same period of the previous year. The main reasons for the increase in cash outflow generated from the Group's investing activities were that the Group increased its external investments during the year, and established 3 subsidiaries successively. Controlled subsidiaries of the Group also invested and controlled another 2 subsidiaries and invested in another company. At the same time, the Group also increased its investments in the fixed assets of subsidiaries, technical enhancement and construction of low ore-grade systems to Zijinshan Gold Mine, as well as investment to Zijinshan Copper Mine, resulting in considerable increase in capital expenditures as at 30 June 2004 over the same period of the previous year.

As at 30 June 2004, net cash inflow generated from the Group's financing activities amounted to RMB63.72 million, an increase of RMB49.10 million or 335.8% over the same period of the previous year. The main reasons for the significant increase in net cash inflow generated from the Group's financing activities were the proceeds from the exercise of over-allotment option with respect to the public offer as conducted in 2003 was received in cash during 2004, after deducting for the repayment of borrowings, and the cash invested by the minority shareholders during the establishment of subsidiaries.

As at 30 June 2004, the Group's total borrowings amounted to RMB296.3 million (30 June 2003: RMB374.6 million). Of which, amount repayable within one to two years was approximately RMB66.8 million, and amount repayable within two to five years was approximately RMB184.6 million. All bank borrowings bear interest rates between 2.88% and 6.138% (same period of the previous year: between 2.88% and 6.7%).

The Group's working capital requirements and capital expenditures are expected to be financed from the proceeds of its public offering and internal resources.

Management Discussion and Analysis

STATE ON THE USE OF PROCEEDS

The Company issued 400,544,000 H Shares in 2003 and raised net proceeds of RMB1,205,748,000. As at 30 June 2004, RMB576.62 million of net proceeds were used, accounting for 47.8% of the total amount raised. The Company will continued to expand the exploration of the mining resources and to invest in its related industry with good use of fund raised.

Use of proceeds mainly in the projects as follows:

RMB: 10,000						
Project	Amount intended to apply	Amount invested in the previous year	Amount invested during the period	Amount invested in total	% completed	Notes
1. Development of Zijinshan Copper Mine	8,500	*(2,336)	2,469	4,805	56.5%	
2. Gold-containing solid waste	16,880	*(9,783)	1,816	11,598.5	68.71%	
3. Investment in subsidiaries	10,000		6,406.5	6,406.5	64.06%	
4. Acquisition of mining resources in the central and western parts of the PRC	15,000		11,435	11,435	76.4%	
5. Acquisition of mining rights in the peripheral zones of Zijinshan	8,000		7,036	7,036	87.95%	
6. Repayment of loans		16,140	2,860	19,000		
7. Establishment of subsidiaries			9,500	9,500		

Notes:

- * RMB121.19 million for the Zijinshan copper exploration and solid waste with gold project, which were originally injected with the funds raised from last year, has been repaid by the proceeds.
- 1. The designed scale for Zijinshan Copper Mine is with a production capacity of 10,000 tonnes per day. Output of cathode copper will be 13,000 tpa. Total investment of the project will be RMB198 million. It is intended that RMB85 million of proceeds will be applied in this project. The remaining amount will be financed from its own funds. Construction of the project commenced in May 2002. It is expected to be completed in 2005.
- 2. The project with respect to the combined utilization of the gold-containing solid waste and environmental management is to apply state-of-the-art ore selection technology to recover gold from gold-containing solid waste with 0.3-0.7g of gold per tonne, whilst allowing permanent dumping of solid waste so as to conduct environmental management on an integrated basis. The scale of the project is with a production capacity of 6,120,000 tpa. Output of gold will be 1,700 kg per annum. Total investment of the project will be RMB168 million. The project will be wholly financed by the proceeds. Construction of the work commenced in March 2003. Construction of the main structure was fundamentally completed and will commence trial operation.
- 3. Upon the approval of Board of Xiamen Zijin Science and Technology Company Limited ("Xiamen Zijin"), the Company increased its investment in Xiamen Zijin on 12 April 2004 with an amount of RMB64.065 million. With the increase in the number of shares after capital increase, the registered capital of Xiamen Zijin is RMB80 million, and the Company is attributable to 96.3% of equity interests in Xiamen Zijin.

Management Discussion and Analysis

4. The Company invested RMB7.2 million and cooperated with Sichuan Assessment Bureau, established a company and invested RMB72 million for the investment in and control of the northern section for Ganji-Leitang gold and copper ore belt in Sichuan and Deerni copper and cobalt mines in Qinghai, with exploration right of 76.22 square kilometres in total. Volume of ore resources controlled are as follows: 540,000 tonnes of copper, 28,000 tonnes of cobalt, and 340,000 tonnes of zinc. Capital contribution amounted to RMB35.15 million for the acquisition of Xinjiang Mengku Iron Mine and Qitai Jinshangou Gold Mine.
5. The Company invested RMB70.36 million and acquired the exploration and mining right in the southeastern section of Zijinshan Gold Mine, the exploration right of Ermiaogou Copper Mine and Longgongting Copper Mine of 3.47 square kilometres in total and mining right of 0.28 square kilometres in total. Supplementary exploration were conducted to the mines referred to above.

ESTABLISHMENT OF SUBSIDIARIES

1. On 18 February 2004, Sichuan Ganzizhou Zijin Mining Company Limited was established with a registered capital of RMB12 million. Of which the Company contributed RMB7.2 million and accounted for 60% of shares. Sichuan Geological and Mining Exploration Bureau Exploration Team contributed RMB4.8 million and accounted for 40% of shares. After the establishment of the company, it will conduct risk exploration as to the northern section of Ganji-Leitang gold and copper ore belt in Sichuan.
2. On 30 April 2004, Fujian Zijin Investment Company Limited was established with a registered capital of RMB100 million. Of which the Company contributed RMB95 million and accounted for 95% of shares. Xiamen Zijin contributed RMB5 million and accounted for 5% of shares. After the establishment of the company, it will mainly be responsible to integrate the non-mining investment project within Fujian.
3. On 17 May 2004, the Company acquired the control of Qinghai Weisite Copper Industry Limited Liability Company by subscription of new shares issued upon capital increase. The registered capital of the company will be RMB120 million. Of which, the Company contributed RMB72 million and accounted for 60% of shares. Xiayi Runlong Mining Company Limited contributed RMB40.2 million and accounted for 33.5% of shares. The staff union of Zijin contributed RMB7.8 million and accounted for 6.5% of shares. The company will develop Deerni copper and cobalt mines in Qinghai.
4. On 17 May 2004, Xiamen Zijin Science and Technology Company Limited, a subsidiary of the Group, acquired 49.47% and 1.53% equity interests in Wuhan Dida Nano Rare Earth Materials Development Company Limited from Wuhan Telecom Industrial Company Limited and Wuhan Dida High Tech Industrial Group Limited Liability Company at a consideration of RMB1,409,900 and RMB43,600 respectively. Hence, the Group acquired 51% equity interests in Wuhan Dida Nano Rare Earth Materials Development Company Limited at a consideration of RMB1,453,600 in total. The company is engaged in the research and development of nano rare earth materials.
5. On 13 May 2004, Xiamen Zijin Science and Technology Company Limited, a subsidiary of the Group, acquired 51% equity interests in Hubei Gedian Dida Nano Technologies Development Company Limited from Sinopec Dianqiangui Petroleum Exploration Bureau at a consideration of RMB3,200,000. The company is engaged in the research and development of nano technology and nano compound materials.
6. On 18 May 2004, Fujian Zijin Investment Company Limited, a subsidiary of the Group, invested RMB24.5 million and participated in Shanghang County Tingjiang Hydroelectricity Company Limited, and held 49% equity interests in the company. Two hydroelectric stations with an installed capacity of 12,000 kW and 10,000 kW will be invested and constructed at Tingjiang at the bottom of Zijin Mountain. Upon the completion of the power station, the supply of electricity to Zijinshan Copper will be guaranteed. It is now conducting preparatory work for the construction of the power station.

DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES

On 23 April 2004, the Company transferred its entire holding of 80% equity in Jinshan Construction, of which 64% of equity interests were transferred to Xiamen Zijin, 10% of equity interests were transferred to Shanghang County Qilin Industrial and Trade Company Limited, and 6% of equity interests were transferred to Shanghang County Huahui Mining and Construction Industrial Company Limited. The Company will cease to hold directly any equity interest in Jinshan Construction.

CONNECTED TRANSACTIONS

As at 30 June 2004, there is no change to the matters relating to connected transactions. Details of the connected transactions were set out in note 7 to the condensed financial statements.

PROSPECT AND OUTLOOK

Business Environment

It is expected that growth in global economy will recover gradually. Subject to the change in international monetary system, the supply of gold is limited. On the other hand, demand for gold remained high. Prices of gold will stay at the high level. During the second half of the year, political and economic factors such as political situation in Iraq, trend of oil price, state of US economy and the uncertain movement in US dollar will facilitate the breakthrough of gold price to new historical high level.

The macro-economic control measures implemented in the PRC were effective initially. Raw material primary industry now entered its phase of standardized and orderly competition. With the growth in the national economy of the PRC remained steady, the Company is faced with excellent opportunities in development. The demand of raw material was expected to remain at high level of growth. As the supply in the PRC was not enough, price of most of the raw materials shall remain high. Two of the large copper mines, which will be commence production, are expected to be benefited from the above.

BUSINESS STRATEGIES

1. To strengthen management for projects in operation

Standard for the management of Zijinshan Gold Mine will be further enhanced. Production costs will be reduced so as to improve the resources utilization rate.

Technique with respect to ore selection will be optimized so as to reduce the production costs for processing ores per tonne. Efficiency is further enhanced to enlarge the exploration of the mines and its surroundings, which strike for more gold mine resources.

Hunchun Zijin aims to improve production capacity with the upgrade of new system to 4,000 t/d commences operation.

Anhui Zijin will leverage on the production of oxidized ore to facilitate the output of original ore project attaining the benchmark.

Management Discussion and Analysis

2. To accelerate the progress as to projects under construction

Preparation works for Xinjiang Ashele Copper Mine will be ready before production commences, so as to ensure that trial commissioning will commence in October this year.

Tongling Jiaochong Gold Mine will adopt every measure to ensure that production will commence as scheduled.

Use our best endeavour to pursue for the completion of an ore selection plant with a capacity of 8,000 t/d for Deerni copper mines in Qinghai.

Preparation works for Sichuan Caodi Gold Mine will be ready before production commences, so as to ensure that trial commissioning will commence before the end of this year.

More efforts will be devoted as to the coordination of Zijinshan Copper Mine, so as to ensure that production will commence during the first half of next year.

Accelerated the technological improvement of phase 2 of the Guizhou Mercury Gold Mine and commence production in the first half of the next year, so as to expand the scale of production, lower the cost and enhance the efficiency.

3. To devote more efforts in risk exploration and control of resources

It is expected that new mines and prospect areas will be obtained through acquisition, transfer, registration and participation in restructuring of state-owned enterprises.

By fully capitalizing on the capabilities of Xiamen Mining and Geological Exploration Institute, scale of mining and exploration will expand, whilst the works on mining and exploration will be grouped under the centralized planning and management of the Group.

4. To achieve technological advancement and commercialization

More investment will be made to technology projects. Emphasis will be placed on research and development of gold and copper mines of low standard and low output and selection of other non-ferrous metal. Through conducting development with the bases at the Institute, Xiamen Zijin and Post-doctorate research activities, technological advancement will be achieved in practice with focus. A new batch of technical expertise will be breed and provide assurance in terms of technology with respect to the production and development of the enterprises.

5. Emphasis on Merger and Reorganization

Strong emphasis will be placed on the merger and restructuring with state-owned enterprises that are engaged with businesses related to the businesses of the Group. This will facilitate rapid development of the Group. At the same time, it will resolve the issue relating to the lack of staff with quality at a senior level.

6. Human Resources Strategies

A set of people-oriented human resources strategies will be implemented by the Group through various effective channels, which are intended to attract competent staff for itself. At the same time, training, appraisal, motivation and disciplinary mechanisms on staff will be developed so as to ensure the standard of staff recruited for corporate development purpose.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

The price of gold and copper will still stand high for the second half of the year. This will provide good external environment for the Group. During the second half of the year, the Group will maintain its growth trend secured in the first half of the year. Production of gold and copper will increase when compared with the same period last year. Profit for the year will enjoy a considerable high rate of growth compared with the previous year.

Certain renovation projects will commence operation during the second half of the year or the next year. This will ensure our rate of growth for the years after the next year.

Certain important projects in negotiation will obtain breakthrough in the second half of the year. These projects will have major impact on our future development.

The Group is considering of exploring mineral resources in the overseas, which will further expand its room of development.

Share Capital and Shareholders

1. CHANGES OF SHARES

On 28 May 2004, the proposal regarding issue of new shares by conversion of the Company's surplus reserve fund was considered and approved at the Group's 2003 annual general meeting. Pursuant to which and on the basis of 1,314,130,910 shares in issue of RMB0.1 each at the end of 2003, new shares would be issued to shareholders on the basis of one new ordinary share for every one existing ordinary share then.

Distribution of new shares by the Group was completed on 25 June 2004. New H shares issued by conversion commenced trading on the Hong Kong Stock Exchange on 28 June 2004.

As at 30 June 2004, the Group had issued 2,628,261,820 ordinary shares of RMB0.1 each.

	30 June 2004	31 December 2003	30 June 2003
Domestic Shares:	1,827,173,820	913,586,910	95,000,000
H Shares:	801,088,000	400,544,000	—
Total	2,628,261,820	1,314,130,910	95,000,000

Unit: share

Note: As at 30 June 2003, the nominal value of the Company's domestic share was RMB1 per share.

2. SHAREHOLDING STRUCTURE

As at 30 June 2004, the Company had a total of 1,636 shareholders, of which 1,628 were holders of H shares ("H shares") and 8 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	842,180,424	32.04%
2.	HKSCC Nominees Limited	H Shares	790,293,800	30.07%
3.	Xinhuadu Industrial Co., Ltd.	Domestic Shares	345,800,000	13.16%
4.	Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	342,190,000	13.02%
5.	Fujian Xinhuadu Engineering Company Limited	Domestic Shares	133,000,000	5.06%
6.	Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	95,000,000	3.61%
7.	Fujian Xinhuadu Department Store Co., Ltd.	Domestic Shares	32,737,000	1.25%
8.	Fujian Gold Group Co., Ltd.	Domestic Shares	30,143,042	1.15%
9.	Fujian Minxi Geologist	Domestic Shares	6,123,354	0.23%
10.	HSBC Nominees (Hong Kong) Limited	H Shares	960,000	0.03%

3. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors of the Company are aware, each of the following persons, not being a Director (except Mr. Ke Xiping, who is a non-executive director of the Company), Supervisor, chief executive or member 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) as at 30 June 2004 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, or was otherwise, as at 30 June 2004, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 30 June 2004, a substantial shareholder (as defined in the Listing Rules) of the Company:

Name of shareholder	Class of Shares	Number of shares held	Approximate percentage of shareholding in the Company's registered capital	Approximate percentage of shareholding in the Company's total issued Domestic Shares	Approximate percentage of shareholding in the Company's total issued H Shares	Long /Short position
Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	842,180,424	32.04%	46.09%	—	Long
Xinhuadu Industrial Co., Ltd.	Domestic Shares	511,537,000 (Note 1)	19.46%	28%	—	Long
Chen Fashu	Domestic Shares	511,537,000 (Note 2)	19.46%	28%	—	Long
Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	342,190,000	13.02%	18.72%	—	Long
Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	228,000,000 (Note 3)	8.67%	12.48%	—	Long
Ke Xiping	Domestic Shares	228,000,000 (Note 4)	8.67%	12.48%	—	Long
Fujian Xinhuadu Engineering Company Limited	Domestic Shares	133,000,000	5.06%	7.28%	—	Long
HKSCC Nominees Limited	H Shares	790,293,800 (Note 5)	30.07%	—	98.65%	(Note 5)

Notes:

1. Xinhuadu Industrial Co., Ltd. holds 345,800,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhuadu Engineering Company Limited (which holds 133,000,000 Domestic Shares in the Company), holds 64.54% in Fujian Xinhuadu Department Store Co., Ltd. (which holds 32,737,000 Domestic Shares in the Company). Therefore, under section 316 of the SFO, Xinhuadu Industrial Co., Ltd. is interested in 511,537,000 Domestic Shares in the Company.
2. Mr. Chen Fashu holds 73.56% shares in the issued share capital of Xinhuadu Industrial Co., Ltd., therefore under section 316 of the SFO, Chen Fashu is deemed to be interested in 511,537,000 Domestic Shares in the Company.
3. Xiamen Hengxing Industrial Co., Ltd. holds 95,000,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhuadu Engineering Company Limited (which holds 133,000,000 Domestic Shares in the Company). Under section 316 of the SFO, Xiamen Hengxing Industrial Co., Ltd. is therefore interested in 228,000,000 Domestic Shares in the Company.

Share Capital and Shareholders

4. Mr. Ke Xiping, a non-executive director of the Company, holds 73.21% interests in the issued share capital of Xiamen Hengxing Industrial Co., Ltd.. Under section 316 of the SFO, Mr. Ke Xiping is deemed to be interested in 228,000,000 Domestic Shares in the Company.
5. Based on the information available on the website of the Stock Exchange and so far as the Directors are aware, as at 30 June 2004:
 - (i) Among the 790,293,800 H Shares held by HKSCC Nominees Limited, Zhong Shan had an interest, direct or indirect, in an aggregate of 87,888,000 H Shares (Long position) of the Company (representing approximately 10.97% of the total issued H Shares), out of which, 7,888,000 H Shares (representing approximately 0.98% of the total issued H Shares) being held in the capacity as beneficial owner, 80,000,000 H Shares (representing approximately 9.99% of the total issued H Shares) being held by Strong Power Global Limited, which in turn was 100% held by Zhong Shan; and
 - (ii) Among the 790,293,800 H Shares held by HKSCC Nominees Limited, Merrill Lynch Investment Managers Limited (on behalf of discretionary client) had a direct interest in the capacity of investment manager in an aggregate of 58,000,000 H Shares (Long position) of the Company (representing approximately 7.24% of the total issued H Shares); and
 - (iii) Among the 790,293,800 H Shares held by HKSCC Nominees Limited, Morgan Stanley had an interest in an aggregate of 42,390,000 H Shares (Long position) and 83,000,000 H Shares (Short position) of the Company (representing approximately 5.29% and 10.36% of the total issued H Shares respectively) in the manner as follows:
 - (a) 182,000 H Shares (Long position) (representing approximately 0.02% of the Company's total issued H Shares) were held by Morgan Stanley Asset & Investment Trust Management Co., Limited, Morgan Stanley Asset & Investment Trust Management Co., Limited was 100% held by Morgan Stanley International Incorporated, Morgan Stanley International Incorporated was 90% held by Morgan Stanley Domestic Capital, Inc., Morgan Stanley Domestic Capital, Inc. was 100% held by Morgan Stanley Capital Management L.L.C., which, in turn, was 100% held by Morgan Stanley; and
 - (b) 42,208,000 H Shares (Long position) and 83,000,000 H Shares (Short position) of the Company (representing approximately 5.27% and 10.36% of the total issued H Shares respectively) were held by Morgan Stanley & Co International Limited, Morgan Stanley & Co International Limited was 100% held by Morgan Stanley UK Group, Morgan Stanley UK Group was 100% held by Morgan Stanley Group (Europe), Morgan Stanley Group (Europe) was 98.3% held by Morgan Stanley International Limited, Morgan Stanley International Limited was 100% held by Morgan Stanley International Incorporated, Morgan Stanley International Incorporated was 90% held by Morgan Stanley Domestic Capital, Inc., Morgan Stanley Domestic Capital, Inc. was 100% held by Morgan Stanley Capital Management L.L.C., which, in turn, was 100% held by Morgan Stanley.

Save as disclosed above, according to the records of HKSCC Nominees Limited and other information available to the Directors of the Company as at 30 June 2004, the other H shares held by HKSCC Nominees Limited were held by it on behalf of a number of other persons, and to the knowledge of the Directors of the Company, none of such persons individually was interested in 5% or more of the then total issued H shares of the Company as at 30 June 2004.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2004, 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 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.

4. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004 (unaudited)

	Issued share capital RMB'000	Share premium account RMB'000	Statutory surplus reserve RMB'000	Public welfare fund RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
Balance at 1 January 2004	131,413	1,214,378	55,513	27,757	1,253	78,928	197,120	1,706,362
Dividend paid	—	—	—	—	—	—	(197,120)	(197,120)
Net profit for the period	—	—	—	—	—	241,664	—	241,664
Additional shares by conversion	131,413	(131,413)	—	—	—	—	—	—
At 30 June 2004	262,826	1,082,965	55,513	27,757	1,253	320,592	—	1,750,906
Balance at 1 January 2003	95,000	45,043	22,380	11,190	897	11,842	95,000	281,352
Dividend paid	—	—	—	—	—	—	(47,500)	(47,500)
Net profit for the period	—	—	—	—	—	154,117	—	154,117
At 30 June 2003	95,000	45,043	22,380	11,190	897	165,959	47,500	387,969

Interests and Short Positions of Directors, Supervisors and Chief Executive

As at 30 June 2004, the interests and short positions of directors, supervisors and chief executive in the share capital of the Company or its associated corporations (as defined under Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(a) Shareholdings of directors, supervisors or chief executive in the Company as at 30 June 2004:

Director	Number of Domestic Shares/amount of equity interests held	Nature of interests	Long/short positions	Approximate percentage of shareholding in such class of securities	Approximate percentage of shareholding in the registered capital
Ke Xiping	228,000,000 (note 1)	Company	Long	12.48%	8.67%

(b) Shareholding of Directors, supervisors or chief executive in the Company's subsidiaries as at 30 June 2004:

Directors/ chief executive/ Supervisors	Name of subsidiaries	Amount of equity interests held	Nature of interests	Long/short positions	Approximate percentage of shareholding in the registered capital
Chen Jinghe	Jiuzhaigou Zijin (note 2)	50,000 (note 3)	Personal	Long	0.13%
Liu Xiaochu	Jiuzhaigou Zijin	50,000 (note 3)	Personal	Long	0.13%
Luo Yingnan	Jiuzhaigou Zijin	50,000 (note 3)	Personal	Long	0.13%
Lan Fusheng	Jiuzhaigou Zijin	50,000 (note 3)	Personal	Long	0.13%
Rao Yimin	Jiuzhaigou Zijin	50,000 (note 3)	Personal	Long	0.13%
Zeng Qingxiang	Jiuzhaigou Zijin	50,000 (note 3)	Personal	Long	0.13%
Lan Liying	Jiuzhaigou Zijin	25,000 (note 4)	Personal	Long	0.06%

Interests and Short Positions of Directors, Supervisors and Chief Executive

Notes:

- (1) Xiamen Hengxing Industrial Co., Ltd. holds 95,000,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhua Engineering Company Limited (which is holding 133,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Co., Ltd. is therefore interested in 228,000,000 Domestic Shares in the Company. Mr. Ke Xiping owns 73.21% interest in Xiamen Hengxing Industrial Co., Ltd.. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such Shares.
- (2) Sichuan Jiuzhaigou Zijin Mining Company Limited ("Jiuzhaigou Zijin") is a subsidiary in which the Company beneficially owns 60%.
- (3) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB50,000 as an agent for and on behalf of each of Mr. Chen Jinghe, Mr. Liu Xiaochu, Mr. Luo Yingnan, Mr. Lan Fusheng, Mr. Rao Yimin and Mr. Zeng Qingxiang.
- (4) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB25,000 as an agent for and on behalf of Ms. Lan Liying.

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 of the Company has resolved not to distribute an interim dividend for the six months ended 30 June 2004 (for the six months ended 30 June 2003: 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 for the six months ended 30 June 2004.

CODE OF BEST PRACTICE

The directors of the Company confirmed that the Company has complied with the requirements of the Code of Best Practice ("Code of Best Practice") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange for the six months ended 30 June 2004.

EMPLOYEES

As at 30 June 2004, the Company had a total of 1,248 employees. Aggregate wages of employees linked with the Company's profit. This policy could stimulate employees' initiative. Save as the above remuneration policy, the Company did not provide any share option scheme for its employees.

AUDIT COMMITTEE

The Company has established an audit committee pursuant to the requirements of the Code of Best Practice so as to review and supervise the Group's financial reporting process and internal control. The audit committee has reviewed the Group's financial statements for the six months ended 30 June 2004 and are of the view that the financial statements have complied with the applicable accounting principles and laws and have disclosed sufficient information.

AMENDMENTS TO ARTICLES OF ASSOCIATION

At the 2003 annual general meeting of the Company held on 28 May 2004, resolutions on the amendments of the Articles of Association of the Company were passed. Details of the amendments are set out in the Notice of Annual General Meeting sent to the shareholders on 8 April 2004 and the relevant announcement published on the Hong Kong Economic Times on the same date.

Relevant approval for the above amendments to the Articles of Association has obtained from the relevant authority on 16 June 2004.

CHANGE OF COMPANY NAME

Upon filing for the change in registration for industrial and commercial entities at the Industry and Commerce Administration of Fujian Province by the Company on 16 June 2004, the Company name has been changed from Fujian Zijin Mining Industry Co., Ltd. to Zijin Mining Group Co., Ltd. The registered address has been changed from 277 Beihuan Road, Shanghang Country, Fujian Province, PRC to 1 Zijin Road, Shanghang County, Fujian Province, PRC. The procedures for the change in registration at the Company Registry in Hong Kong was completed on 28 June 2004.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE ISSUED SHARES OF THE COMPANY

On 12 July 2004, the interests and short positions of directors, supervisors and chief executive in the shares of the Company or any of its associated corporations (as defined under Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, has the following record:

On 12 July 2004, Xinhua Department Store Co., Ltd. and Shanghang County Jinshan Trading Co., Ltd., the shareholders of the Company, transferred their 4,000,000 Domestic Shares and 6,000,000 Domestic Shares in the Company respectively to a director, Chen Jinghe. Transfer of Domestic Shares has been reported to the Stock Exchange for the record.

Director	Number of domestic shares/equity held	Nature of interests	Long/short positions	Approximate percentage of shareholding in the same class of securities	Approximate percentage of shareholding in the registered capital
Chen Jinghe	10,000,000	Personal	Long	0.54%	0.38%

Shares pledged by the shareholders

On 26 July 2004, Xinhua Industrial Co., Ltd. pledged its 244,280,000 domestic shares out of the 345,800,000 domestic shares it held in the Company (representing 9.29% of the Company's total shares in issue) to Fuzhou Dongjie Branch, Xinye Bank as the security for the granting of basic facilities of RMB80,000,000 by Fuzhou Dongjie Branch, Xinye Bank. The period of pledge commenced from 26 July 2004 to 26 July 2005. The shares pledged have been registered for pledge of shares in the custody unit of domestic shares and the Stock Exchange has been informed for the record.

Acquisition of Exploration right

On 13 July 2004, Fujian Zijin Investment Company Limited, a subsidiary of the Group, entered into a contract for the transfer of exploration right with Longnan Hengtai Industrial Company Limited of Hengtai Enterprises Group, and acquired an exploration right of 16.96 sq. km. at Yangzhai Mine, Qinglong County, Guizhou Province at a consideration of RMB2,680,000. It is envisaged that more than 20 million tonnes of coal resources reserve will be available in that exploration area, of which more than 30% of coal will be in the form of refinable coke. The procedures for the transfer of exploration right are pending completion. It is intended by the Group to register and acquire exploration right in the peripheral region. The development and construction of Qinglong Coal Mine will provide more resources reserves as the geological work commences at a greater area.

Post Balance Sheet Events

Establishment of Entities

On 5 July 2004, Fujian Zijin Investment Company Limited, a subsidiary of the Company, Shanghang Gutian Construction and Development Company Limited and Longyan City Gutian Tourism Development Company Limited jointly invested in and established Fujian Province Shanghang County Ganlong Railway Construction and Development Company Limited. The registered capital of the company was RMB10 million. Zijin Investment, Shanghang Gutian Construction and Development Company Limited and Longyan City Gutian Tourism Development Company Limited invested RMB8,000,000, RMB1,500,000 and RMB500,000 which accounted for 80%, 15% and 5% equity interests in Fujian Zijin Investment Company Limited respectively. Fujian Zijin Investment Company Limited will invest and construct warehouses and depots at Gutian Railway Station of Ganlong Railway newly constructed, and will engage in logistics business.

On 5 July 2004, Fujian Zijin Investment Company Limited, a subsidiary of the Company entered into a contract on the transfer of the entire assets in Xingda Mining Company Limited in Huangping County, Guizhou at a consideration of RMB4,500,000. The transfer was comprised of a exploration right for aluminum soil mine of 0.8997 sq. km. and a exploration right of 5.78 sq. km. in the process of application, in Huangjiashai, Huangping County. There was about 3,480,000 tonnes of aluminum soil resources reserve in the mining area. It is currently filing for the transfer of assets as well as development and construction at a minimal scale.

On 3 August 2004, the Group entered into an agreement with Luanchuan County Government of Henan Province and Luanchuan Sanqiang Muwu Co., Ltd. (樂川三強鉬鎢有限公司), Luanchuan Dadongpo Muwu Mining Co., Ltd. (樂川大東坡鉬鎢礦業有限公司) in respect of jointly development of Luanchuan Nannihu Molybdenum Mine. The parties proposed to contribute RMB65,000,000 to Luanchuan Sanqiang Muwu Co., Ltd. (樂川三強鉬鎢有限公司) and have investment holding over the company, so as to develop the mineral resources of Luanchuan Nannihu Molybdenum Mine. The reserves of molybdenum resources at the Luanchuan Nannihu Molybdenum Mine as approved by the Henan Provincial Reserve Commission in 1992 amounted to 660,000 tonnes of metal (ore grade 0.076%), ore grade of upper layer early stage excavations may reach over 0.1%. The development of this matter will be disclosed according to its progress in due course.

On 5 August 2004, Fujian Zijin Investment Company Limited, a subsidiary of the Company, entered into a joint venture contract with Gold Fields Fujian BVI LTD established in the British Virgin Islands by Jintian Company for the establishment of Fujian Jintian Zijin Mining Limited Liability Company. It is intended that the registered address of the company to be established will be in Shanghang County, Fujian Province. Zijin Investment and Gold Fields Fujian BVI LTD will invest US\$333,000 and US\$500,000 respectively and account for 40% and 60% equity interests in Fujian Zijin Investment Company Limited. Upon the establishment of the company, it is intended to engage in the exploration, mining, processing, refining, domestic sales and exports of gold, copper, mining by-products, and other products related to mining in Fujian Province. The company is now filing for registration. Progress on the establishment of the joint venture will be promptly updated and disclosed.

Xinjiang Zijin Mining Co., Ltd. (新疆紫金礦業有限公司) was established in Urumqi, Xinjiang on 9 August 2004 with registered capital of RMB100 million, of which, the Company and China Metallurgy Xibei Bureau (中國冶金西北局) contributed RMB68 million and RMB32 million respectively, representing 68% and 32% of the registered capital. In addition, they invested RMB 30 million in Xinjiang Jinbao Mining Co., Ltd. (新疆金寶金礦業有限責任公司) by way of increase in its capital and shareholding in that company, representing 60% of shares, so as to further explore and develop 36 million tonnes of iron of Xinjiang Mengku Iron Mine. At the same time, we are intended to explore the Xinjiang Ruo Jiang Ku Li Mu Tiao Shi Shan Copper Mine and Qinghai Leng Hu Xiao Sai Shi Teng Copper Mine, with approximately 26.9 sq.km. for risk exploration.

By order of the Board
Zijin Mining Group Co., Ltd.
Chen Jinghe
Chairman

Fujian, the PRC
23 August 2004

Condensed Consolidated Income Statement

For the six months ended 30 June 2004

	Notes	For the six months ended 30 June	
		2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)
Turnover	2	734,181	500,134
Cost of sales		(312,785)	(232,567)
Gross profit		421,396	267,567
Other revenue	2	8,567	2,105
Selling and distribution costs		(1,953)	(2,037)
Administrative expenses		(82,799)	(33,812)
Other operating costs		(1,460)	(2,813)
Profit from operating activities	3	343,751	231,010
Finance costs	4	(3,375)	(8,816)
Share of profit of an associate		3,196	514
Profit before tax		343,572	222,708
Tax	5	(85,439)	(70,350)
Profit before minority interests		258,133	152,358
Minority interests		(16,469)	1,759
Net profit from ordinary activities attributable to shareholders		241,664	154,117
Earnings per share-basic	6	RMB0.092	RMB0.081

Condensed Consolidated Balance Sheet

As at 30 June 2004

	Notes	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		1,014,014	876,249
Land use rights		15,018	15,236
Long term deferred assets		66,394	63,499
Intangible assets		196,360	117,213
Goodwill	8	15,461	14,520
Share of Interests in an associate	9	36,864	10,990
Other investment		140	40
		1,344,251	1,097,747
CURRENT ASSETS			
Inventories		124,758	121,624
Prepayments, deposits and other receivables	10	320,684	340,575
Trade receivables	11	30,451	2,373
Due from related parties	12	1,047	4,141
Pledged cash		16,860	14,475
Cash and cash equivalents		970,075	1,114,466
		1,463,875	1,597,654
CURRENT LIABILITIES			
Accrued liabilities and other payables	13	274,735	322,130
Trade payables		84,990	103,222
Current portion of interest-bearing loans	14	7,000	—
Short term bank loans	15	44,900	56,500
Government grants		523	553
Current portion of other long term loans		—	230
Provision for land restoration and environmental costs		19,808	14,414
Tax payable		46,013	28,031
		477,969	525,080

Condensed Consolidated Balance Sheet

As at 30 June 2004

	Notes	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
NET CURRENT ASSETS		985,906	1,072,574
TOTAL ASSETS LESS CURRENT LIABILITIES		2,330,157	2,170,321
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	14	244,400	199,400
Other long term loans		1,000	1,000
Long term other payables		42,140	42,141
		287,540	242,541
MINORITY INTERESTS		291,711	221,418
		1,750,906	1,706,362
CAPITAL AND RESERVES			
Issued capital		262,826	131,413
Reserves		1,488,080	1,377,829
Proposed final dividend		—	197,120
		1,750,906	1,706,362

Condensed Balance Sheet

As at 30 June 2004

	Notes	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		502,738	476,916
Land use rights		9,175	8,771
Long term deferred assets		62,009	54,782
Intangible assets		32,528	28,770
Interest in subsidiaries		547,305	362,228
Interest in an associate	9	12,364	10,990
Other investment		40	40
		1,166,159	942,497
CURRENT ASSETS			
Inventories		96,652	105,159
Prepayments, deposits and other receivables	10	246,324	282,207
Trade receivables	11	21,696	437
Due from related parties	12	400	800
Pledged cash		16,860	14,475
Cash and cash equivalents		745,528	962,275
		1,127,460	1,365,353
CURRENT LIABILITIES			
Accrued liabilities and other payables	13	213,284	283,515
Trade payables		68,213	94,261
Short term bank loans	15	42,000	44,000
Government grants		523	553
Current portion of other long term loans		—	230
Provision for land restoration and environmental costs		19,225	13,377
Tax payable		39,095	22,781
		382,340	458,717

Condensed Balance Sheet

As at 30 June 2004

	Notes	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
NET CURRENT ASSETS		745,120	906,636
TOTAL ASSETS LESS CURRENT LIABILITIES		1,911,279	1,849,133
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	14	149,400	149,400
Other long term loans		1,000	1,000
		150,400	150,400
		1,760,879	1,698,733
CAPITAL AND RESERVES			
Issued capital		262,826	131,413
Reserves		1,498,053	1,370,200
Proposed final dividend		—	197,120
		1,760,879	1,698,733

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004 <i>RMB'000</i> (Unaudited)	2003 <i>RMB'000</i> (Audited)
Net cash inflow from operating activities	271,648	208,114
Net cash outflow from investing activities	(479,765)	(183,687)
Net cash inflow from financing activities	63,726	14,624
Net increase/(decrease) in cash and cash equivalent	(144,391)	39,051
Cash and cash equivalent at beginning of the period	1,114,466	153,339
Cash and cash equivalent at end of the period	970,075	192,390

Notes to the Condensed Financial Statements

As at 30 June 2004

1. ACCOUNTING POLICIES

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 2003.

2. 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	
	2004 <i>RMB'000</i> (Unaudited)	2003 <i>RMB'000</i> (Audited)
Turnover:		
Sale of gold bullions	709,023	485,257
Sale of gold concentrates	12,048	4,327
Sale of iron concentrates	415	4,923
Sale of copper concentrates	9,398	1,872
Sale of copper cathodes	5,709	7,207
Others	1,659	—
Less: Sales taxes and levies (note)	(4,071)	(3,452)
	734,181	500,134

Notes to the Condensed Financial Statements

As at 30 June 2004

2. TURNOVER, REVENUE AND GAINS (continued)

	For the six months ended 30 June	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)
Other revenue:		
Interest income	3,194	996
Rental income	—	107
Processing income	103	—
Dividend income from other investment	1,088	—
Sale revenue of silver powder	1,945	—
Others	1,315	834
	7,645	1,937
Gains:		
Gain on deemed disposal of 16% equity interest in a subsidiary	821	148
Amortisation of negative goodwill	81	20
	902	168
	8,547	2,105

Note: Sales taxes and levies consisted of resources tax, business tax, education surcharge and city construction tax.

The Group conducts its business within one business segment. i.e. the business of gold mining and geological studies in the PRC. Accordingly, no business segment information is presented. As the revenue of the Group is mainly derived in the PRC, which most of its assets are located in the PRC, therefore, the Group is operating in the same region and no geographical segment information is presented.

Notes to the Condensed Financial Statements

As at 30 June 2004

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)
Cost of inventory sold	307,973	232,567
Provision for land restoration and environmental costs	4,812	—
Depreciation (note (i))	47,105	37,117
Amortisation of land use rights*	218	117
Amortisation of long term deferred assets*	7,174	1,571
Amortisation of intangible assets*	6,440	1,381
Research expenditures	6,996	1,411
Minimum lease payments under operating leases on land and buildings	—	178
Auditors' remuneration	—	321
Staff costs (note (ii))	34,974	17,380
Retirement benefits - defined contribution fund (note (iii))	4,896	1,378
	39,870	18,758
Provision for bad and doubtful trade receivables**	—	7
Provision for bad and doubtful other receivables**	—	85
Loss on disposal of fixed assets**	56	255
Donations**	431	661
Amortisation of goodwill**	876	807
Loss on disposal of 2% equity interest in a subsidiary**	—	164

* Items classified under "Administrative expenses" in the consolidated income statement of the Group.

** Items classified under "Other operating costs" in the consolidated income statement of the Group.

Notes:

- (i) Depreciation cost of approximately RMB43,302,000 was included in the cost of sales for the six months ended 30 June 2004 (Six months ended 30 June 2003: RMB33,632,000).
- (ii) Staff costs of approximately RMB18,775,000 were included in the cost of sales for the six months ended 30 June 2004 (Six months ended 30 June 2003: RMB7,340,000).
- (iii) According to relevant rules and regulations of the PRC, the Company and its subsidiaries 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 18% to 24% of the previous 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 retirement benefits contribution beyond the annual contributions to the local social security bureau as set out above.

Notes to the Condensed Financial Statements

As at 30 June 2004

4. FINANCE COSTS

	For the six months ended 30 June	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)
Interest paid on bank loans repayable within five years	7,847	12,156
Less: Amount capitalised as construction in progress	(4,472)	(3,340)
	3,375	8,816

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 2.88% to 7.84% per annum (Six months ended 30 June 2003: 2.88% to 7.84% per annum).

5. TAX

	For the six months ended 30 June	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)
Group:		
Current		
— Hong Kong	—	—
— Mainland China	84,388	75,360
Overprovision for this year	—	(5,180)
	84,388	70,180
Share of tax attributable to an associate	1,051	170
	85,439	70,350

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year. Provision for the PRC corporate income tax has been provided at a rate of 33% based on the taxable profits.

Pursuant to "Guo Shui Fa No. 47" issued by the State Council of the PRC as well as the separate approvals granted by the local tax department at the end of 2003, two subsidiaries of the Group located in the western region of China (namely Guizhou Zijin and Hunchun Zijin) were granted a tax concession to pay PRC corporate income tax at a preferential rate of 15%. In addition, income tax for Xiamen Zijin is calculated at a preferential tax rate of 15% since it commenced operation as it is established in the Xiamen Special Economic Zone.

5. TAX (continued)

At 30 June 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and an associate as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit attributable to shareholders of RMB 241,664,000 during the Company's reporting period (Six months ended 30 June 2003: RMB154,117,000) and total number of 2,628,261,820 ordinary shares in issue during the reporting period. (total number of shares as at 30 June 2003 was 1,900,000,000 shares, which was derived by doubling the original number of shares as a result of share subdivision).

When calculating the earnings per share, the issue of additional new shares on the basis of 10 new shares for every 10 existing shares to shareholders by conversion of the surplus reserve funds, have been adjusted for the proportional change in the number of ordinary shares as if the transaction had been taken place at the beginning of the earliest period presented.

The calculation of earnings per share for the six months ended 30 June 2003 was based on the Group's net profit attributable to shareholders of RMB241,664,000 (for the six months ended 30 June 2003: RMB154,117,000) and the weighted average number of 2,628,261,820 ordinary shares (Six months ended 30 June 2003: 1,900,000,000 ordinary shares) in issue during the period, as if sub-division of the Company's shares from one Domestic Share of nominal value of RMB1.00 each to ten Domestic Shares of RMB0.1 each and an issue of new shares of RMB0.1 each by conversion of the Company's surplus reserve fund in the form of 10 new shares for every 10 existing ordinary shares had been taken place on 1 January 2003.

Diluted earnings per share amount have not been disclosed as there were no potential dilutive ordinary shares outstanding during the current and prior period.

Notes to the Condensed Financial Statements

As at 30 June 2004

7. CONNECTED TRANSACTIONS

Continuing connected transactions relating to purchase of commodities, provision of labour and others have been disclosed in accordance with rule 14A.45 of the Listing Rules. Details of which are set out in 2003 Annual Report of the Company. As at 30 June 2004, no changes have been made to the connected transactions.

Connected transactions of the Group as at 30 June 2004 are summarised as follows:

					<i>Six months ended 30 June</i>	
Contracted parties	Relationship with the Company	Contract Date	Nature of transaction	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)	
1. Purchases of materials from Connected Parties						
1.1	Shanghang County Jinshan Trading Company Limited	Shareholder of the Company	The respective occurrence dates of each transaction	Purchase of construction materials	11	915
2. Services provided by Connected Parties						
2.1	Guizhou Bureau of Geology & Mineral Resources 105	Shareholder of a subsidiary of the Company	19 Feb 2003	Gold mine exploration fee	150	80
2.2	Anhui Geological and Mining Bureau, Geological Team 321	Shareholder of a subsidiary of the Company	One of the contracts on 13 Dec 2002, and two other contracts on 31 Mar 2003	Construction service fees	0	246
2.3	Xinjiang Non-ferrous Metals Industry Engineering Quality Control Team	Company controlled by a shareholder of a subsidiary of the Company	27 Oct 2002	Infrastructure construction fee	50	100
2.4	Xinjiang Aletai Zhenan Blast Limited	Company controlled by a shareholder of a subsidiary of the Company	1 Jul 2002	Infrastructure construction fee	0	237
2.5	Hunchun Gold and Copper Mine Mining Company Limited	Shareholder of a subsidiary of the Company	Two contracts on 27 Mar 2003, and a supplementary agreement on 27 May 2003	Construction service fees	161	1,752
2.6	Fujian Xinhudu Engineering Company Limited	Shareholder of the Company	3 May 2000, 4 Nov 2002	Construction service fees	45,939	48,679
2.7	Fujian Shanghang Hongyang Mine Engineering Company Limited	Shareholder of two subsidiaries of the Company	26 Sep 2000, 15 Apr 2002, 25 Apr 2003	Construction service fees	35,964	36,441
2.8.1	Urumqi Non-ferrous Metal Refining Research Institute	Company controlled by a shareholder of a subsidiary of the Company	2 Mar 2001, 20 May 2002 (supplementary agreement)	Construction design services	100	860

Notes to the Condensed Financial Statements

As at 30 June 2004

7. CONNECTED TRANSACTIONS (continued)

					<i>Six months ended 30 June</i>	
Contracted parties	Relationship with the Company	Contract Date	Nature of transaction	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)	
2.8.2	Xinjiang Non-ferrous Gold Construction Company (Advance of construction proceeds)	Company controlled by a shareholder of a subsidiary of the Company	3 May 2002	Advance of construction proceeds	3,430	1,282
			Infrastructure construction fee	3,264	1,384	
				30 June 2004 RMB'000	31 December 2003 RMB'000	
3.	Financial assistance provided to Connected Parties					
3.1	Zhenfeng Industrial Investment Ltd	Shareholder of a subsidiary of the Company	20 Feb 2003	The Company provided a loan of RMB800,000	400	800
3.2	Hunchun Gold and Copper Mining Ltd	Shareholder of a subsidiary of the Company	16 Dec 2002	The Company provided loans with annual cap of RMB3,500,000	647	2,905
4.	Financial assistance provided by Connected Parties					
4	Xinjiang Non-ferrous Metal Industry (Group) Ltd	Shareholder of a subsidiary of the Company	8 May 2003, 9 May 2003	For provision of guarantee on the bank loans of a subsidiary (max RMB116 million)	77,000	116,000 (Maximum guarantee amount) 10,000 (Utilised guarantee)
5.	Financial assistance provided to non-wholly-owned subsidiaries					
5.1	Xinjiang Ashele Copper Co Ltd	Non-wholly-owned subsidiary of the Company	8 May 2003, 9 May 2003	Guarantee provided by the Company for loans of the subsidiary	77,000	173,400 (Maximum guarantee amount) 10,000 (Utilised guarantee)
5.2	Xiamen Zijin Science and Technology Co Ltd	Non-wholly-owned subsidiary of the Company	14 Oct 2002, 9 Feb 2003, 26 May 2003	Guarantee provided by the Company for loans of the subsidiary	0	25,000 (Maximum guarantee amount) 25,000 (Utilised guarantee)
5.3	Guizhou Zijin Mining Co Ltd	Non-wholly-owned subsidiary of the Company	21 Jan 2003	Guarantee provided by the Company for loans of the subsidiary	27,000	27,000 (Maximum guarantee amount) 27,000 (Utilised guarantee)
6.	Financial assistance provided to an associate					
6.1	Fujian Longyan Makeng Mining Company Limited	An associate of the Company	1st November 2002	Guarantee provided by the Company for a loan of the associate	15,000	15,000 (Maximum guarantee) 15,000 (Utilised guarantee)

Notes to the Condensed Financial Statements

As at 30 June 2004

8. GOODWILL

Group

	<i>RMB'000</i> (Unaudited)
Cost:	
At beginning of year	16,133
Purchase of negative goodwill of equity interest in a subsidiary	(3,246)
Purchase of equity interest in three subsidiaries	4,982
At 30 June 2004	17,869
Accumulated amortisation:	
At beginning of year	1,613
Amortisation provided during the period	876
Amortisation of negative goodwill during the period	(81)
At 30 June 2004	2,408
Net book value:	
At 30 June 2004	15,461
At 31 December 2003	14,520

Notes to the Condensed Financial Statements

As at 30 June 2004

9. INTEREST IN AN ASSOCIATE

(Group)	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
Share of net assets of an associate	37,161	11,307
Negative goodwill arising on acquisition of an associate, less amortisation	(297)	(317)
	36,864	10,990

(Company)	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
Share of net assets of an associate	12,661	11,307
Negative goodwill arising on acquisition of an associate, less amortisation	(297)	(317)
	12,364	10,990

The balance with an associate was unsecured, interest-free and fully settled during the year.

The particulars of the associate are as follows:

Name of company	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activity
Fujian Longyan Makeng Mining Company Limited (福建龍岩馬坑礦業有限公司)	Corporate	PRC	31.5%	Iron ore mining

Notes to the Condensed Financial Statements

As at 30 June 2004

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

No prepayment for land use rights in current period (31 December 2003: RMB4,276,000). At 30 June 2004, prepayment for exploration rights amounted to RMB148,510,000 (31 December 2003: RMB46,060,000). At 30 June 2004, no receivable of proceeds from the issue of new H shares upon the exercise of an over-allotment option by the underwriters (31 December 2003: RMB247,657,000).

Included in the balance of the Company are prepayment for land use rights of RMB nil (2003: RMB2,297,000), exploration rights of RMB70,000,000 (2003: RMB 7,850,000), advanced payment for the purchase of mining rights of RMB65,000,000 (31 December 2003: Nil). At 30 June 2004, no receivable of proceeds from the issue of new H shares upon the exercise of an over-allotment option by the underwriters (31 December 2003: RMB247,657,000).

11. TRADE RECEIVABLES

An aged analysis of trade receivables, based on the respective due dates of the sale of goods, is as follows:

	Group		Company	
	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
Within 4 months	30,451	2,373	21,696	437
	30,451	2,373	21,696	437

The sales of gold bullions are settled on the second from the transaction date. The credit period on sale of other products ranges from 30 to 120 days.

Notes to the Condensed Financial Statements

As at 30 June 2004

12. DUE FROM RELATED PARTIES

	Group		Company	
	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)	2004 RMB'000 (Unaudited)	2003 RMB'000 (Audited)
Due from minority shareholders:				
Zhenfeng Industrial Investment Limited (貞豐縣工業投資有限公司) (i)	400	800	400	800
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司) (ii)	647	2,905	—	—
	1,047	3,705	400	800
Due from companies controlled by Xinjiang Ashele's shareholders:				
Xinjiang Non-ferrous Gold Construction Company (新疆有色黃金建設公司) (iii)	—	436	—	—
	1,047	4,141	400	800

- (i) The loan to Zhenfeng Industrial Investment Limited is unsecured, interest-free and has no fixed terms of repayment.
- (ii) The loan to Hunchun Gold and Copper Mining Company Limited is unsecured, interest-free and has no fixed terms of repayment.
- (iii) Except for the loan of RMB600,000 advanced to Xinjiang Non-ferrous Gold Construction Company in the prior year which bears interest at 6.372% per annum and is repayable within one year, the remaining balance represents advance of construction fee which is unsecured, interest-free and repayable by offsetting the future construction fee. The loan of RMB600,000 was fully repaid during the year.

13. ACCRUED LIABILITIES AND OTHER PAYABLES

Group and Company

Included in the balance of the Group and the Company is an amount payable to the Social Security Fund of RMB120,575,000 (31 December 2003: RMB120,575,000).

Notes to the Condensed Financial Statements

As at 30 June 2004

14. BANK LOANS

	Group		Company	
	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
Total bank loans:	251,400	199,400	149,400	149,400
Less: Amounts due within one year included under current liabilities	7,000	—	—	—
Amounts due after one year	244,400	199,400	149,400	149,400
Bank loans:				
Unsecured	149,400	149,400	149,400	149,400
Secured	102,000	50,000	—	—
	251,400	199,400	149,400	149,400
Bank loans repayable:				
Within one year	7,000	—	—	—
Between one and two years	59,800	55,000	59,800	40,000
Between two and five years	184,600	119,600	89,600	84,600
More than five years	—	24,800	—	24,800
	251,400	199,400	149,400	149,400

The bank loans carry interest at rates ranging from 2.88% to 6.138% per annum (2003: 2.88% to 6.7% per annum).

The bank loans (Xinjiang Ashele Copper Mine) are secured by guarantees from the parent company and a minority shareholder of the parent company.

Bank loans of certain subsidiaries are also secured by guarantees from the Company.

15. SHORT TERM BANK LOANS

	Group		Company	
	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)	30 June 2004 RMB'000 (Unaudited)	31 December 2003 RMB'000 (Audited)
Unsecured	42,000	44,000	42,000	44,000
Secured	2,900	12,500	—	—
	44,900	56,500	42,000	44,000

The short term bank loans are secured by guarantees from the Company granted to subsidiaries.