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Operation Overview

MARKET REVIEW

In the reporting period, the international gold price fluctuated from the lowest point US\$410 per ounce to the highest point US\$446 per ounce. All information indicates that the gold price will follow the trend of foreign exchange market. Obviously, the non-stop rising of oil price causes turbulences and uncertainty in world economy which will force a certain risk-adverse funds to invest in gold market. In the first half year of 2005, the average international gold price was US\$426.5 per ounce which was slightly lower than the average gold price RMB114.7 per gramme (about US\$431.48 per ounce) in Shanghai Gold Exchange. The Group's average selling price of gold in the reporting period was RMB114.19 per gramme (about US\$429.57 per ounce).

In the reporting period, the copper price trend was in good shape and the demand of copper was strong. The current copper price remained at a high level. The average selling price of copper in the reporting period 2005 was RMB 33,564/tonne.

Production and operation in good shape

In the first half year of 2005, the Group maintained a reasonable growth in gold production. Ashele Copper Mine, and Mengku Iron Mine completed the construction and started the production. These 2 mines will gradually become new contributors to the growth of the Group's profit. The Group totally produced 7,456 kg gold (239,719.64 ounces), representing 28.66% growth compared with the corresponding period last year. The Group produced 8,063 tonnes copper and it represents 713.8% growth over last year. The Group generated RMB1,074 million income, representing 46.3% growth in compared with the corresponding period last year. The Group also produced 66,566 tonnes iron concentrates. It includes:

- (1) Zijinshan produced 6,086 kg gold (195,672.44 ounces) and it represents 22.55% growth in comparison with the corresponding period last year;
- (2) Guizhou Shuiyindong produced 802 kg gold (25,785.29 ounces), and it represents 36.07% growth in comparison with the corresponding period last year;
- (3) Hunchun Zijin produced gold-copper concentrates which contained 456 kg gold (14,666.96 ounces), and it represents 200.8% growth in comparison with the corresponding period last year;
- (4) The other mines produced 112kg gold (3,600.93 ounces);
- (5) Zijinshan Copper Mine produced 535 tonnes copper cathodes and it represents 28.92% growth in comparison with the corresponding period last year;
- (6) Hunchun Zijin produced gold-copper concentrate which contained 1,720 tonnes copper and it represents 198.75% growth in comparison with the corresponding period last year;
- (7) Ashele Copper Mine produced 5,808 tonnes copper concentrates; and
- (8) Xinjiang Mengku Iron Mine finished the construction of 4,000 t/d mining and process system and it produced 66,566 tonnes iron concentrates.

[1 troy ounce = 31.103 gramme]

Acceleration of main projects' construction

- (1) Zijinshan Copper Mine has completed the construction of mining process and transportation systems and started its trial production as plan in June 2005. The mine will start production in October 2005;
- (2) Bayannaer totally invested RMB81.2 million in the 100,000 t/a zinc refinery and completed about 40% of its main construction;
- (3) Qinghai De'erni Copper Mine is in full scale construction and its progress is smooth and its accumulated investment reached RMB127.68 million;
- (4) Hunchun Zijin finished the building of the gold/copper hydrometallurgical plant and it will be in trial run in September 2005. This plant will change the products and the sales mode of Hunchun Zijin from copper-gold concentrates to gold bar and copper cathodes which will also deeply affect the metallurgical work of similar copper mines in the Group; and
- (5) Fujian Zijin invested and built a chemical plant in Shanghang and it will start to produce chemicals for ores process in the second half year of 2005. The Company also completed the construction of standard buildings in an industrial park in Shanghang which are ready for rent. The construction of the hydropower stations in Jiantou, Huilong, and Shizhen (total capacity 25,000KV) in Ting River have been finished more than 50%. The fundamental construction of Zijin Copper factory (copper products) was in progress with tight schedule.

Progress in resource strategy

Zijinshan Gold Mine, Guizhou Shuiyindong Gold Mine, and Hunchun Zijin improved and strengthened the field management in mining, the flow of process of ores, and the geological explorations which enabled these 3 mines to achieve a reduction of the mining dilution ratio, a lift of the mining recovery rate of minerals, an extension of mines' service period, and an increase in mine reserve.

The Company invested in a molybdenum mine in Shangcheng, Henan (56.5%) which has estimated reserve 54,576 tonnes of molybdenum. The Company also invested Yulong Copper Mine (39%) which has 6.5 million tonnes copper reserve. The Company acquired 80% shareholding of Guangdong Xinyi Dongkeng gold mine and Yinyan tin mine, which have 31 tonnes gold reserve and 100,000 tonnes tin reserve. The Company acquired 42% shareholding of Yunnan Huaxi Mining Co., Ltd. and participated in the actual operations in more than 40 mines. Details are set out in Management Review.

As at 30 June 2005, the Group newly acquired 7 mine exploration rights and the total area is 238.27 km square. In total, the Group has 66 mine exploration rights and it covers 1,850.97 km square.

Consolidation of management resource and expansion to overseas

- (1) The institute of mineral metallurgy and research of the Company made a lot of achievements in key technology studies and researches which provides a strong technological backup for the business expansion;
- (2) The institute of geological exploration of mineral resources of the Group in Xiamen functionally provided supports in planning and co-ordination of geological exploration which enhanced the Group's risk management in exploration; and
- (3) The Company accelerated the co-operation with overseas mining companies for the expansion to the overseas' mining markets, and carried out a lot of physical and theoretically studies for overseas projects. The Company gained a phrasal progress in internationalization.

Management Review

OPERATION RESULTS

As at 30 June 2005, the Group's turnover was RMB1,074.401 million, which increased RMB340.221 million and represented 46% growth in comparison with the corresponding period last year.

The table below sets out details of sales by products for the six months ended 30 June 2005 and 30 June 2004 respectively:

Product	30 June 2005 (Unaudited)			30 June 2004 (Unaudited)		
	Unit price RMB	Volume	Amount/ RMB'000	Unit price RMB	Volume	Amount/ RMB'000
Gold	114.19/g	7,976.8 (kg)	910,843	108/g	6,569 (kg)	709,023
Gold concentrates	93.07/g	394 (kg)	36,670	84.9/g	145.5 (kg)	12,048
Iron concentrates	299/t	35,335 (t)	10,566	—	—	415
Copper concentrates	18,803/t	5,646 (t)	106,180	16,903/t	556 (t)	9,398
Copper cathodes	27,936/t	563 (t)	15,728	22,655/t	252 (t)	5,709
Others			813	—	—	1,659
Less: Sales tax & levies			(6,399)	—	—	(4,071)
Total			1,074,401			734,181

Note: In the reporting period, the sale of gold was 7,976.8 kg which consisted of 409.4 kg refined from gold-containing metal purchased from outside.

The Group's turnover up to 30 June 2005 increased by 46% over the same period last year, which was mainly attributable to the growth in gold selling by 21.43% and the rise of gold price by 5.73%. The Company's subsidiaries in Guizhou Shuiyindong, Hunchun, Ashele, and Mengku also had contribution in the growth of mineral production and profit.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group mainly involves in mining business and the cost of sales mainly includes costs of mining, processing, and refining, ore transportation, raw materials consumption, utilities expenses, salaries and depreciation on fixed assets. The cost of sales was increased by 36.6% from RMB312.78 million to RMB427.25 million for the periods ended 30 June 2004 and 30 June 2005 respectively. It was mainly caused by an increase of production volume. The table below sets out details of the gross profit margin for the two periods ended 30 June, 2004 and 2005.

Product	As at 30 June	
	2005 %	2004 %
Gold	63.57	57.8
Gold concentrates	37.52	55
Iron concentrates	52.5	9.5
Copper concentrates	57.3	55.78
Copper cathodes	48.7	34.8
Others	30	96.5
Total	60.23	57.4

The Group's overall gross profit margin increased slightly from 57.4% in the period ended 30 June 2004 to 60.23% in the period ended 30 June 2005, which was attributable to the rise of 5.73% of gold price, 21.43% increase of sales volume, and increase of product variety. For the six months ended 30 June 2005, the income from gold sales was about 84.27% of the total income. The gross profit margin of gold concentrates was relatively low and its income was about 3.39% of the total income. The average gold price in first half year of 2004 was about RMB108/g and it rose to RMB114.19/g in the first half year of 2005. Average unit production cost of gold decreased from RMB42.8/g in the period ended 30 June 2004 to RMB41.54 /g in the period ended 30 June 2005.

In the reporting period, Ashele Copper Mine started its production which substantially increased the Group's copper production. It is expected that the copper concentrates production will reach 15,000-20,000 tonnes in 2005 which will gradually increase the income proportion of copper concentrates.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs increased from RMB1.95 million to RMB11.21 million in the periods ended 30 June 2004 and 30 June 2005 respectively, which was mainly attributable to the costs of road and train transportation for the iron concentrates and copper concentrates which were substantially produced in Ashele and Mengku in the reporting period.

FINANCE COSTS

For the six months ended 30 June 2005, the Group's finance costs was RMB8.136 million which increased 141% over the same period last year (that of same period last year was RMB3.375 million). It was mainly caused by an increase of finance need for the Group's projects and subsidiaries. The short term finance and long term finance have been increased by RMB237 million, and RMB140 million respectively.

Management Review

WORKING CAPITAL AND SOURCES OF FUND

As at 30 June, 2005, the Group's cash and cash equivalents was RMB471.63 million, decreased by RMB498.44 million or 51% from the same period previous year.

During the reporting period, net cash in-flow generated from the Group's operating activities was RMB512.51 million, representing an increase of RMB240.86 million (88.66%) over the same period in 2004. The main reasons for the increase in the cash-flow generated from the Group's operating activities were (i) the increase in the sales quantities and sales price of gold, and (ii) the increase in sales generated from new mines and new products like copper cathodes, copper concentrates, gold concentrates and iron concentrates.

For the six months ended 30 June 2005, the Group's investment activities caused RMB966.22 million net cash out-flow, representing an increase of RMB486.46 million (101%) over the same period previous year. The main reasons for the increase in the cash out-flow for the Group's investment activities were that the Group increased its external investments during the year, acquired and established 5 subsidiaries and 1 associate company successively, and the Group also increased investment in the fixed assets for subsidiaries, technology enhancement, and construction of low ore-grade systems, and an increase in the investment to Zijinshan Copper Mine, resulting in a considerable increase in the capital expenditures in reporting period 2005 compared with the same period previous year.

During the reporting period, net cash in-flow generated from the Group's financing activities was RMB99.6 million, which was an increase of RMB35.87 million (56.28%) over the same period previous year. The reasons were that the increase of Group's loan facilities exceeded the loan repayment and the minority shareholders invested in subsidiaries by valuated assets rather than cash.

As at 30 June 2005, the Group's total bank borrowings was RMB687.647 million (30 June 2004: RMB296.30 million). Of these, amount repayable within one year was approximately RMB376.6 million, amount repayable within one-year to two-year was zero, and amount repayable within two to five years was approximately RMB311.05 million. The annual interest rates of all the bank borrowings ranges between 2.88% to 6.138% (same as the same period last year).

As at 30 June 2005, the Group has not charged any of its assets or provide guarantee for the liabilities of the entities outside the Group.

As at 30 June 2005, the debt to equity ratio was 34.59% whilst it was 16.25% as at 31 December 2004. The debt to equity ratio was the ratio between the total borrowings and the shareholder's equity.

As the Group does not have any investment overseas, it is not subject to any risk relating to exchange rate fluctuation.

The Group's working capital requirements and capital expenditures are expected to be financed from the internal resources. The Group also possesses substantial amount of stand-by long-term and short-term loan facilities provided by its major banks.

USE OF THE PROCEEDS

The net proceeds from the Initial Public Offering of the Company's Shares in Hong Kong in December 2003 was approximately RMB1,205,748,000 resulting from issue of 400,544,000 H Shares. The Company used up the proceeds by the 30 June 2005.

The table below sets out details of the use of the proceeds.

Project	Planned Injection	Last Year Injection	This Period		Completion Percentage	Note
			Accumulated Injection	Injection		
1. Zijinshan Copper Mine Development	198,000	93,400	63,400	156,800	79.19%	1
2. Gold Containing Solid Waste	168,800	122,720	—	122,720	72.7%	2
3. Investment in Subsidiaries		90,865	110,550	201,415		3
4. Acquisition of Mining rights around Zijinshan	80,000	82,160		82,160	102.7%	
5. Acquisition of Mines in Central & Western China	150,000	156,410		156,410	104.27%	
6. Loan repayment	—	96,840		96,840	—	4
7. Form Subsidiaries			278,530	278,530		
8. Form Associate Companies			243,750	243,750		
Total		642,395	696,230	1,338,625		

Note 1

Zijinshan copper mine was planned to use RMB198 million to build plants to process 10,000t/d copper ore and produce 13,000 tonnes copper cathodes per annum. It originally planned to be funded RMB85 million from the proceeds and the rest of investment would come from Company's internal resources. After review of the Company's financial situation, the Board decided that this project was totally financed by the proceeds. The construction was started in May 2002, and it will be in operation by the end of 2005.

Note 2

It was a project which uses advanced technology to recover gold from 0.3-0.7g/t gold containing solid waste, and it aimed to utilise the waste and protect the environment. It combined the solutions of permanent dumping of the waste and the protection and management of the environment of the mine. The project can handle the waste 6.12 million tonnes per annum and produce 1,700 kg gold. The total investment of the project was RMB168 million which was totally funded by the proceeds. The construction was started in March 2003 and the main plant has been completed and in operation.

Note 3

During the period, the Company increased RMB6 million investment in Tongling Zijin, RMB45 million investment in Bayannaer, RMB50 million investment in Zijin Investment, and RMB9.5526 million in Gold Mountains (HK) International Mining Co., Ltd.

Note 4

In 2004 annual report, the loan repayment amount was disclosed as RMB218.03 million which included investments amounting to RMB121.19 million for Zijinshan Copper Mine and Gold Containing Solid Waste Project which was injected in 2003 before the listing. The investment amount has been booked as investment and an adjustment has been made in the loan amount in the above table.

INVESTMENT STATUS

Formation of subsidiaries

1. In January 2005, Zijin (International) Mining Co., Ltd. was formed in Beijing and its registered capital is RMB50 million. The Company invested RMB47.5 million and holds 95% shareholding of Zijin International. Xiamen Zijin Hi-tech Co., Ltd. invested 2.5 million and holds 5% shareholding of Zijin International. Zijin International mainly participates in domestic and international investments and risk explorations.
2. In January 2005, the Company invested RMB10.8 million to acquire 80% shareholding of Guangdong Xinyi Dongkeng Mining Co., Ltd. and invested RMB44 million to acquire 80% shareholding of Guangdong Xinyi Baoyuen Mining Co., Ltd. The Company planned to combine these 2 companies to form Guangdong Xinyi Zijin Mining Co., Ltd. for the development of Xinyi Gold Mine and Yinyan Tin Mine.
3. In February 2005, the Company formed Liaoning Zijin Mining Co., Ltd. in Shenyang and its capital is RMB100 million. The Company invested RMB75 million and holds 75% shareholding of Liaoning Zijin. Liaoning Central City Economy and Technology Development Co., Ltd. invested RMB20 million and holds 20% shareholding of Liaoning Zijin. Shenyang Biyuetan Hotel Co., Ltd. invested RMB5 million and holds 5% shareholding of Liaoning Zijin. The shareholders totally paid RMB20 million in first stage injection, in which the Company paid RMB15 million according to our shareholding. Liaoning Zijin mainly carries out mining investments and risk explorations in North-East Area in the PRC.
4. In February 2005, Songpan Zijin Industrial and Trading Co., Ltd. was formed with its registered capital RMB 10 million. The Company invested RMB5.1 million and holds 51% shareholding. Sichuan XiBei Geology Team holds 49% shareholding. The company mainly carries out mining business in Songpan Gold Mine in Sichuan.
5. On 20 June 2005, Fujian Zijin Investment Co., Ltd. and Gold Fields Fujian BVI Ltd. invested a company namely Gold Fields Fujian (BVI) Co., Ltd. which has been approved by the PRC authorities. Its capital is US\$833,000. Fujian Zijin Investment Co., Ltd. invested US\$333,000 and holds 40% shareholding of Gold Fields Fujian (BVI) Co., Ltd. and Gold Fields Fujian BVI Ltd. invested US\$500,000 and holds 60% shareholding of Gold Fields Fujian (BVI) Co., Ltd. Gold Fields Fujian (BVI) Co., Ltd. mainly carries out mines exploration and mining business in Fujian province.
6. On 5 June 2005, the Company invested RMB52.5 million to acquire 42% shareholding of Yunnan Huaxi Mining Co., Ltd. from Jiujiang Nanya Investment Management Co., Ltd., Jiujiang Huiming Industrial Development Co., Ltd. and Beijing Fengde Venture Capital Consultancy Co., Ltd. The Group paid 50% of investment (RMB26.25 million) up to 30 June 2005. Yunnan Huaxi Mining Co., Ltd. mainly carries out mining investments in Yunnan.
7. On 17 June 2005, the Group announced and proposed to form Henan Jinda Mining Co., Ltd. with 2 independent third parties, and it has been formed on 20 July 2005. Its capital is RMB229.88 million. The Group invested RMB129.88 million and holds 56.5% shareholding of Henan Jinda. The Third Geology Survey Team of Henan Bureau of Exploration & Development of Geology & Mineral Resource injected RMB80 million by an evaluated mining right and holds 34.8% shareholding of Henan Jinda. Xinyang Dayuan Resource Co., Ltd. injected RMB20 million by an evaluated mining right and holds 8.7% shareholding of Henan Jinda. The company mainly carries out exploration and development of molybdenum in Shangcheng, Henan.

Formation of associate companies

1. On 6 April 2005, the Company invested 243.75 million to form Tibet Yulong Copper Co., Ltd. and holds 39% shareholding of the company, and its capital is RMB625 million. The Western Mining Co., Ltd. invested RMB256.25 million and holds 41% shareholding of Tibet Yulong. Tibet Autonomous Region Bureau of Exploration & Development of Geology & Mineral Resource No. 6 Geology Team injected RMB62.5 million by evaluated assets and holds 10% shareholding of Tibet Yulong. Stated-owned Properties Management Co., of Changdu District, Tibet Autonomous Region injected RMB50 million by evaluated assets and holds 8% shareholding of Tibet Yulong. Tibet Autonomous Region Mining Development Co., Ltd. injected RMB12.5 million by audited assets and holds 2% shareholding of Tibet Yulong. Tibet Yulong mainly carries out mining business in Yulong Copper Mine which has 6.5 million tonnes estimated reserve of copper.
2. On 24 May 2005, Fujian Zijin Investment Co., Ltd. invested RMB22.8 million to acquire 38% shareholding of Wuping County Zijin Hydro Power Co., Ltd. and its capital is RMB60 million. Shanghang County Ting River Hydro Power Co., Ltd. invested RMB25.2 million and holds 42% shareholding of Wuping Zijin. Shanghang County Daguangming Power Group Co., Ltd. invested RMB12 million and holds 20% shareholding of Wuping Zijin. The company acquired Wuping Dongliu hydropower station (50000kv capacity) and mainly carries out power generation business.

Save as disclosed above, in the reporting period, the Group did have any other material acquisition and disposal of subsidiary and associate company.

CONNECTED TRANSACTION

1. On 24 May 2005, Fujian Zijin Investment Co., Ltd. invested RMB22.8 million to acquire 38% shareholding of Wuping County Zijin Hydro Power Co., Ltd. and its capital is RMB60 million. Shanghang County Ting River Hydro Power Co., Ltd. invested RMB25.2 million and holds 42% shareholding of Wuping Zijin. Shanghang County Daguangming Power Group Co., Ltd. invested RMB12 million and holds 20% shareholding of Wuping Zijin. Shanghang Daguangming is a shareholder of Shanghang Zijin and currently owns 49% shareholding of Shanghang Zijin. So Shanghang Zijin is a connected person to Shanghang Daguangming (as defined in the Listing Rules). Pursuant to the Listing Rules, the above transaction constituted a connected transaction. This connected transaction was announced in web site of The Stock Exchange of Hong Kong Ltd. and newspapers on 7 June 2005. The company completed the acquisition of Wuping Dongliu hydropower station and the station is in normal operation.
2. On 25 June 2005, the Group and its subsidiary Xiamen Zijin Hi-Tech Co., Ltd. signed a shareholding transfer agreement with Hunchun Gold & Copper Mining Co., Ltd. and acquired 8.375% and 0.75% shareholding of Hunchun Zijin Mining Co., Ltd. respectively. The total consideration is RMB13.6875 million. After the transaction, the Group directly holds 75.375% shareholding of Hunchun Zijin and Xiamen Zijin holds 6.75% shareholding of Hunchun Zijin. According to the Listing Rules, this transaction constituted a connected transaction and it was announced in web site of The Stock Exchange of Hong Kong Ltd. and newspapers on 29 June 2005.

Other than the above disclosures, the other connected transactions and continuing connected transactions are set out in note 15 to the financial statements.

OUTLOOK

On 21 July 2005, RMB started its new managed floating system based on the market mechanism and pegged with a basket of foreign currencies. RMB does not solely peg with US\$ and allows a little appreciation of RMB which made the gold price drop immediately after the appreciation. This arrangement put a pressure on US\$. The weak US\$ made a rise of the gold price after an absorption of the RMB appreciation news. In analysis of international economic and political factors, strong international investments and global safety issue will put gold as a safety investment item. The domestic gold price following the upward trend of the international gold price would be expected.

BUSINESS STRATEGY

Strengthen the business management in production centres

- (1) Zijinshan Gold Mine needs to enforce cost control and build accountable production units in the management system. It also needs to strengthen the resources management and geological exploration for the promotion of resources utilization;
- (2) Guizhou Shuiyindong needs to increase its productivity and improve the production technique and capacity for handling more mining ores. After the completion of these improvements, Guizhou Shuiyindong could have a growth in gold production and profit margin. In its third phase technology upgrade, the mine would study an improvement in handling the low grade ores. Simultaneously, the mine will strengthen the mine exploration works to increase the mine reserve;
- (3) Hunchun Zijin maintains a steady production and needs to speed up the building of gold/copper refinery. Hunchun Zijin will have more geological explorations to look for a break-through in increasing the mine reserve;
- (4) In order to ensure an early and steady production, Ashele will study the techniques to improve the mine process and promote the ability of production under the pits; and
- (5) Xinjiang Jinbao (Mengku Iron Mine) should effectively utilise its production capacity and improve its process techniques and marketing force to meet the production target of the year.

Acceleration in the completion of main projects under construction

- (1) The Group will accelerate the construction of copper process and refinery systems in Zijinshan and start the production in October 2005;
- (2) The Group will push the construction of 10,000t/a zinc refinery in Bayannaer and try to have a breakthrough in reallocation of its resources;
- (3) The Group also speeds up the construction of the mining pits of Anhui Tongling Jiaochong Gold Mine. The Group will base on the available geological data to study the building of the factory and expect to form production capacity quickly;
- (4) Qinghai De'erni Copper Mine will complete the main construction in this year and start production in next year;
- (5) Jiugaigou Zijin will speed up the development plan for the whole mining area and manage the exploration work in the boundary of Caodi gold mine. The company is looking for a break-through in exploration of new mine reserve. The company will try to meet the production target of the year;
- (6) The Group will push the second phase technology improvement in Makeng Iron Mine for a process system of 3 million t/a;

- (7) Yulong Copper Mine will have a preparation work for the large scale development of the mine;
- (8) Yunnan Huaxi Mining will focus on mine exploration as a breakthrough point and have preparation for some prospective exploration areas; and
- (9) The Group will conduct a general geological study of Henan molybdenum and prepare the ground work for the development of the mine.

Resources strategy for overseas' investments

The Group will accelerate the execution of resources strategy to invest overseas mainly in some mineral resources rich countries around China. The Group is looking for investment opportunities in overseas. In the investment in domestic mines, the Group will improve the operation capacity in invested mines and acquire some mines with large mineral reserve. Simultaneously, the Group will improve the accuracy in the scientific evaluation of investing mines to provide a quick reference for the management's decision in investment.

Technology breakthroughs and standards certifications

- (1) The institute of mineral metallurgy and research of the Company keeps on improving the process techniques and the recovery of minerals in wastes for Ashele;
- (2) To improve the hydrometallurgy technology for Hunchun Gold/Copper Mine which could provide a technological reference to the other similar mines; and
- (3) The gold metallurgy plant and the institute of mineral metallurgy and research keeps on the works in gaining the standard certification from LBMA (LONDON BULLION MARKET ASSOCIATION). The institute of mineral metallurgy and research works continuously in applying for a qualification recognition as a national technology centre.

Share Capital and Shareholders

CHANGES OF SHARES

On 31 May 2005, the proposal regarding issue of new shares by capitalisation of the Company's surplus reserve fund was considered and approved at the Group's 2004 annual general meeting. Pursuant to which and on the basis of 2,628,261,820 shares in issue of RMB0.1 each at the end of 2004, 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 23 June 2005. New H shares issued by the capitalisation commenced trading on the Hong Kong Stock Exchange on 27 June 2005.

As at 30 June 2005, the Group had issued 5,256,523,640 ordinary shares of RMB0.1 each.

	30 June 2004	<i>Unit: share</i> 30 June 2005
Domestic Shares:	1,827,173,820	3,654,347,640
H Shares:	801,088,000	1,602,176,000
Total	2,628,261,820	5,256,523,640

SHAREHOLDING STRUCTURE

As at 30 June 2005, the Company had a total of 1,182 shareholders, of which 1,173 were holders of H shares ("H shares") and 9 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 holds (shares)	Approximate percentage of Shareholding in the registered capital
1.	Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	1,684,360,848	32.04%
2.	HKSCC Nominees Limited	H Shares	1,586,845,600	30.19%
3.	Xinhuadu Industrial Co., Ltd.	Domestic Shares	691,600,000	13.16%
4.	Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	672,380,000	12.79%
5.	Fujian Xinhuadu Engineering Company Limited	Domestic Shares	266,000,000	5.06%
6.	Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	190,000,000	3.62%
7.	Fujian Gold Group Co., Ltd.	Domestic Shares	60,286,084	1.15%
8.	Fujian Xinhuadu Department Store Co., Ltd.	Domestic Shares	57,474,000	1.09%
9.	Chen Jinghe	Domestic Shares	20,000,000	0.38%
10.	Fujian Minxi Geologist	Domestic Shares	12,286,084	0.23%

SUBSTANTIAL SHAREHOLDERS

As 30 June 2005, so far as was known to the Directors and chief executive of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares/equity interest holds	Proximate percentage of shareholding in the registered capital	Proximate percentage of shareholding Domestic shares	Proximate percentage of shareholding in H shares	Long /short positions
Minxi Xinghang State-owned Assets Investment Co., Ltd	Domestic Shares	1,684,360,848	32.04%	46.09%	—	Long
Xinhuadu Industrial Company Limited	Domestic Shares	1,015,074,000 (Note 1)	19.31%	27.78%	—	Long
Chen Fashu	Domestic Shares	1,015,074,000 (Note 2)	19.31%	27.78%	—	Long
Shanghang County Jinshan Trading Co., Ltd	Domestic Shares	672,380,000	12.79%	18.40%	—	Long
Xiamen Hengxing Industrial Co., Ltd	Domestic Shares	456,000,000 (Note 3)	8.67%	12.48%	—	Long
Ke Xiping	Domestic Shares	456,000,000 (Note 4)	8.67%	12.48%	—	Long
Fujian Xinhuadu Engineering Company Limited	Domestic Shares	266,000,000	5.06%	7.28%	—	Long
Merrill Lynch & Co., Inc.	H Shares	385,491,996 (Note 5)	7.33%	—	24.06%	Long
J.P. Morgan Chase & Co.	H Shares	133,258,000 (Note 6)	2.53%	—	8.32%	Long

Notes:

- (1) Xinhuadu Industrial Company Limited holds 691,600,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhuadu Engineering Company Limited (which holds 266,000,000 Domestic Shares in the Company), and holds 64.54% in Fujian Xinhuadu Department Store Company Limited (which holds 57,474,000 Domestic Shares in the Company). Therefore, under Section 316 of the SFO, Xinhuadu Industrial Company Limited is interested in 1,015,074,000 Domestic Shares in the Company.
- (2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhuadu Industrial Company Limited, therefore, under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 1,015,074,000 Domestic Shares in the Company.
- (3) Xiamen Hengxing Industrial Company Limited holds 190,000,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhuadu Engineering Company Limited (which holds 266,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 456,000,000 Domestic Shares in the Company.
- (4) Mr. Ke Xiping holds 73.21% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xi Ping is deemed to be interested in 456,000,000 Domestic Shares in the Company.
- (5) Merrill Lynch & Co., Inc. is interested in 385,491,996 H Shares (Long position) of the Company (representing approximately 24.06% of the total issued H Shares). 381,730,000 H Shares of which were held through Merrill Lynch & Co., Inc.'s subsidiaries including Merrill Lynch Group, Inc., ML Invest. Inc., ML Invest Holdings Ltd., and Merrill Lynch Investment Managers Group Ltd. 3,761,996 H shares of which were held through Merrill Lynch & Co., Inc.'s subsidiaries including Merrill Lynch & Co., Inc., Merrill Lynch Int'l Incorporated, Merrill Lynch Int'l Holdings Inc., Merrill Lynch Europe Plc., Merrill Lynch Europe Intermediate Holdings, and ML UK Capital Holdings.

Share Capital and Shareholders

- (6) JP Morgan Chase & Co. is interested in 131,872,000 H Shares (Long position) and 1,386,000 H Shares (Lending pool) (the total representing approximately 8.32% of the Company's total issued H Shares). 1,386,000 H shares of which were held through JP Morgan Chase & Co. 2,330,000 H shares of which were held through J.P. Morgan Chase & Co.'s subsidiaries including J.P. Morgan Overseas Capital Corporation, J.P. Morgan Int'l Finance Ltd., Bank One Int'l Holdings Corp., J.P. Morgan Int'l Inc., JP Morgan Chase Bank, N.A., and JP Morgan Chase & Co. 124,878,000 H shares of which were held through J.P. Morgan Chase & Co.'s subsidiary JP Morgan Asset Management (Asia) Inc. 128,156,000 of which were held through J.P. Morgan Chase & Co.'s subsidiaries including JP Morgan Asset Management Holdings Inc., and JP Morgan Chase & Co. 3,278,000 H shares of which were held through J.P. Morgan Chase & Co.'s subsidiary JP Morgan Asset Management (Asia) Inc.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2005, 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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005 (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 2005	262,826	1,082,965	104,889	52,499	1,796	159,593	262,826	1,927,404
Dividend paid	—	—	—	—	—	—	(262,826)	(262,826)
Net profit for the period	—	—	—	—	—	330,947	—	330,947
Additional shares by conversion	262,826	(262,826)	—	—	—	—	—	—
At 30 June 2005	525,652	820,139	104,899	52,499	1,796	490,540	—	1,995,525
Balance at 1 January 2004	131,413	1,214,378	55,513	27,757	1,253	78,928	197,120	1,70,362
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

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

As at 30 June 2005, 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 Hong Kong 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 Hong Kong Stock Exchange are as follows:

(a) Shareholdings of Directors, Supervisors and Chief executive in the Company as at 30 June 2005:

Director	Number of Domestic Shares/ amount of Equity interest holds	Nature of Interest	Long/ short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Ke Xiping	456,000,000 (Note 1)	Company	Long	12.48%	8.68%
Chen Jinghe	20,000,000	Personal	Long	0.54%	0.38%

(b) Shareholdings of Directors, Supervisors and Chief executive in the Company's associated corporation as at 30 June 2005:

Directors/ Supervisors/ Chief Executive	Name of subsidiaries	Amount of equity interests holds	Nature of interests	Long/ short positions	Proximate percentage of shareholding registered in the 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%

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

Notes:

- (1) Xiamen Hengxing Industrial Co., Ltd. holds 190,000,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhua Engineering Company Limited (which is holding 266,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Co., Ltd. is therefore interested in 456,000,000 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 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.

INTERIM DIVIDEND

The Board of Directors proposed to pay no dividend for the period ended 30 June 2005. (Dividend for the 6 months ended 30 June 2004 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 period ended 30 June 2005.

CORPORATE GOVERNANCE

Except the requirement of Code A.1.3 "Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend." which has a discrepancy with the Company's articles. The Board considered that up to 30 June 2005, the Company complied with the Codes in the Appendix 14 of the Listing Rules governing the Listing of Securities on the Hong Kong Stock Exchange. Under the Company's articles, the notice to the directors should be given 10 days prior to the board meeting. However, the Company adopted the requirement of the Code A.1.3 and the Company's articles will be changed in next Annual General Meeting.

STAFF MEMBERS

As at 30 June 2005, the Company had 1,357 staff. The staff remuneration links with Company's profit. This policy can effectively motivate the staff's initiatives. Except for the above-mentioned staff remuneration policy, the Company has no share option scheme for the staff.

AUDIT COMMITTEE

The Company has established an audit committee pursuant to the requirements of the listing rule 3.21 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 2005 and are of the view that the financial statements have complied with the applicable accounting principles and laws and have disclosed sufficient information.

The audit committee and the management have reviewed the adopted accounting methods, standards, and principles, internal controls, and financial reports which included a review of the financial report for the 6 months ended 30 June 2005.

The audit committee agreed to the Group's financial report for the 6 months ended 30 June 2005 and its adopted accounting methods, standards, and principles.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group complied with the rules 3.10(1) and 3.10(2) of the Listing Rules in appointing sufficient number of independent non-executive directors and at least one of them must possess appropriate professional qualifications or accounting or related financial management expertise. The Company appointed 3 independent non-executive directors and one of them possesses appropriate professional qualifications in accounting and related financial management expertise. The details of the independent non-executive directors have been stated in our 2004 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

In the reporting period, the Company adopted a standard on terms no less exacting than the required standard in the Model Code. Having made specific inquiry, no director and supervisor of the Company violated the standard related to securities transactions stated Model Code in Appendix 10 to the Listing Rules.

In the case of discrepancy, 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, China
10 August 2005

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, and Rao Yimin as executive directors, Mr. Ke Xiping as non-executive director, and Messrs. Yang Dali, Yao Lizhong, and Loong Ping Kwan as independent non-executive directors.

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

Condensed Consolidated Income Statement

For 6 months ended 30 June 2005

	Notes	For 6 months ended 30 June	
		2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Turnover	2	1,074,401	734,181
Cost of sales	3	(427,248)	(312,785)
Gross profit		647,153	421,396
Other revenue	2	15,559	8,567
Selling and distribution costs		(11,213)	(1,953)
Administrative expenses		(108,879)	(82,799)
Other operating costs		(17,045)	(1,460)
Profit from operating activities		525,575	343,751
Finance costs	4	(8,136)	(3,375)
Share of profits of associates		21,609	3,196
Profit before tax		539,048	343,572
Tax	5	(174,935)	(85,439)
Profit before minority interests		364,113	258,133
Minority interests		(33,166)	(16,469)
Net profit from ordinary activities attributable to shareholders		330,947	241,664
Proposed interim dividend		0	0
Earnings per share - basic	6	RMB0.063	RMB0.046

Condensed Consolidated Balance Sheet

As at 30 June 2005

	Notes	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		1,651,849	1,371,398
Land use rights		18,814	15,503
Long term deferred assets		205,853	108,792
Prepayments		211,240	70,820
Intangible assets		398,436	419,266
Goodwill	9	14,715	15,767
Interest in associates	10	331,659	50,313
Interest in joint-controlled entities		35,600	7,040
Other investment		19,990	19,990
		2,888,156	2,078,889
CURRENT ASSETS			
Inventories		199,418	194,558
Prepayments, deposits and other receivables	12	189,474	56,223
Trade receivables	8	69,448	7,834
Bills receivables		1,400	700
Due from connected parties	7	2,900	2,707
Due from associates		520	0
Other financial assets		12,766	12,766
Pledged cash		30,422	23,688
Cash and cash equivalents		471,627	888,747
		977,975	1,187,223
CURRENT LIABILITIES			
Accrued liabilities and other payables	11	335,861	253,391
Trade payables		140,552	139,418
Current portion of interest-bearing bank loans	13	74,047	45,000
Short term bank loans	14	237,000	0
Government grants		2,693	1,693
Current portion of other long term loans		—	1,000
Tax payable		154,538	104,203
		944,691	544,705

Condensed Consolidated Balance Sheet

As at 30 June 2005

	Notes	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
NET CURRENT ASSETS		33,284	642,518
TOTAL ASSETS LESS CURRENT LIABILITIES		2,921,440	2,721,407
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	13	376,600	266,647
Provision for land restoration and environmental costs		31,824	26,170
Other long term payables		109,206	119,176
		517,630	411,993
MINORITY INTERESTS		408,285	382,010
		1,995,525	1,927,404
CAPITAL AND RESERVES			
Issued capital		525,652	262,826
Reserves		1,469,873	1,401,752
Proposed final dividend		—	262,826
		1,995,525	1,927,404

Condensed Consolidated Statement of Cash Flow

For the 6 months ended 30 June 2005

	For the 6 months ended 30 June	
	2005 <i>RMB'000</i> (Unaudited)	2004 <i>RMB'000</i> (Unaudited)
Net cash inflow from operating activities	512,506	271,648
Net cash outflow from investing activities	(966,224)	(479,765)
Net cash inflow from financing activities	99,598	63,726
Net increase/(decrease) in cash and cash equivalent	(354,120)	(144,391)
Cash and cash equivalent at beginning of the period	825,747	1,114,466
Cash and cash equivalent at end of the period	471,627	970,075

Notes to the Condensed Financial Statements

As at 30 June 2005

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 2004.

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 6 months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Turnover:		
Sale of gold bullions	910,843	709,023
Sale of gold concentrates	36,670	12,048
Sale of iron concentrates	10,566	415
Sale of copper concentrates	106,180	9,398
Sale of copper cathodes	15,728	5,709
Others	813	1,659
Less: Sales taxes and levies (<i>note</i>)	(6,399)	(4,071)
	1,074,401	734,181
Other revenue:		
Interest income	6,583	3,194
Rental income	1,471	—
Processing income	60	103
Dividend income from other investment	132	1,088
Sale revenue of silver powder	620	1,945
Others	6,673	1,457
	15,539	7,787
Gains:		
Gain on a transaction	—	(142)
Gain on deemed disposal of 16% equity interest in a subsidiary	—	821
Amortisation of negative goodwill	20	81
	20	760
	15,559	8,547

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 2005

3. PROFIT FROM OPERATING ACTIVITIES

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

	For the 6 months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Cost of inventory sold	405,341	307,973
Provision for land restoration and environmental costs	5,654	4,812
Amortisation of land use rights*	218	218
Amortisation of long term deferred assets*	7,243	7,174
Amortisation of intangible assets*	8,792	6,440
	427,248	326,617
Depreciation (note (i))	61,816	47,105
Research expenditures	13,535	6,996
Staff costs (Including Directors and Senior Staff)		
Salaries and remunerations (note (ii))	74,456	34,974
Retirement benefits - defined contribution fund (note (iii))	4,046	4,896
	78,502	39,870
Provision for obsolete stock (writeback)	—	—
Provision for bad and doubtful trade receivables**	—	—
Provision for bad and doubtful other receivables (writeback)**	—	—
Loss on disposal of fixed assets**	-126	56
Donations**	1,565	431
Amortisation of goodwill**	1,052	876
Provision for devaluation of equity investment	14,100	0

* 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 RMB61,816,000 was included in the cost of sales for the six months ended 30 June 2005 (Six months ended 30 June 2004: RMB47,105,000).
- (ii) Staff costs of approximately RMB74,456,000 were included in the cost of sales for the six months ended 30 June 2005 (Six months ended 30 June 2004: RMB34,974,000).
- (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 2005

4. FINANCE COSTS

	For the 6 months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Interest paid on bank loans repayable within five years	14,976	7,847
Less: Amount capitalised as construction in progress	(6,840)	(4,472)
	8,136	3,375

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 2.88% to 6.138% per annum (2004: 2.88% to 7.84% per annum).

5. TAX

	6 months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Group:		
Current		
— Hong Kong	—	—
— Mainland China	167,896	84,388
Overprovision in the period	0	0
	167,896	84,388
Share of tax attributable to associates:	7,039	1,051
	174,935	85,439

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 except for those related to the following operations in the Group:

Pursuant to "Guo Shui Fa [2002] No. 47" issued by the State Council of the PRC and "Qian Di Shui Han [2003] No. 317" issued by the local tax bureau of Guizhou Province, Guizhou Zijin located in the western region of China was granted a tax concession to pay PRC income tax at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations in specified regions with retroactive effect from 1 January 2001 for a 10 year period to 31 December 2010 as long as the subsidiary continues to engage in qualified operations in its respective regions.

In addition, Xiamen Zijin is taxed at a preferential tax rate of 15% since its operation as it is established in the Xiamen Special Economic Zone.

Notes to the Condensed Financial Statements

As at 30 June 2005

5. TAX (continued)

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

6 months ended 30 June

	2005		2004	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Profit before tax	539,048		343,572	
At PRC statutory tax rate	177,886	33.0	113,379	33.0
Expenses not deductible for tax	4,967	0.92	876	0.26
Income not subject to tax	—	—	—	—
Differential tax rate on the profit of certain subsidiaries	(7,918)	(1.47)	(28,816)	(8.39)
Overprovision in prior years	0		0	
Tax charge at the Group's effective rate	174,935	32.45	85,439	24.86

At 30 June 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group had 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 330,947,000 during the reporting period (Six months ended 30 June 2004: RMB241,664,000) and total number of 5,256,523,640 ordinary shares in issue during the reporting period, the earnings per share is RMB0.063. (in order to provide comparable figures, the earnings per share as at 30 June 2004 was RMB0.046 based on 5,256,523,640 ordinary shares, which was derived by doubling the original number of shares as at 30 June 2004).

Diluted earnings per share amount have not been disclosed as there were no potential dilutive ordinary shares outstanding in 2005 and 2004.

Notes to the Condensed Financial Statements

As at 30 June 2005

7. DUE FROM CONNECTED PARTIES

	Group		Company	
	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Due from minority shareholders:				
Zhenfeng Industrial Investment Limited (貞豐縣工業投資有限公司) (i)	—	400	—	400
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司) (ii)	—	2,307	—	—
Sichuan Geology & Mineral Exploration Bureau XiBei Team (iii)	2,900	—	2,900	—
	2,900	2,707	2,900	400

Notes:

- (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) The loan to Sichuan Geology & Mineral Exploration Bureau XiBei Team is unsecured, interest-free and it will be repaid in 5 working days after the transfer of mining right to Songpan Zijin Industrial and Trading Co., Ltd.

Notes to the Condensed Financial Statements

As at 30 June 2005

8. 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 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
Within 4 months	65,970	7,170	43,300	3,900
Over 4 months but within 12 months	2,124	198	831	193
Over 1 year but within 2 years	458	165	—	20
Over 2 years	896	301	114	—
	69,448	7,170	44,245	4,113

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

9. GOODWILL

Group

	RMB'000
Cost:	
At beginning of year	19,221
At 30 June 2005	19,221
Accumulated amortisation and impairment:	
At beginning of the year	3,454
Amortisation provided less negative goodwill recognised as income during the period	1,052
At 30 June 2005	4,506
Net book value:	
30 June 2005	14,715
31 December 2004	15,767

Notes to the Condensed Financial Statements

As at 30 June 2005

10. INTEREST IN ASSOCIATES

	(Group and Company)	
	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Share of net assets of associates	331,917	50,590
Negative goodwill arising on acquisition of an associate, less amortisation	(258)	(277)
	331,659	50,313

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

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Fujian Longyan Makeng Mining Company Limited	Corporate	PRC	31.5%	Iron mining and geological studies
Fujian Shanghang Ting River Hydro-electricity Limited	Corporate	PRC	49%	Electricity generation
Wuping Zijin Hydro-electricity Limited	Corporate	PRC	38%	Electricity generation
Yulong Copper Company Limited	Corporate	PRC	39%	Copper mining and geological studies

Notes to the Condensed Financial Statements

As at 30 June 2005

11. ACCRUED LIABILITIES AND OTHER PAYABLES

Group and Company

The balance included the Group's and the Company's payable to Social Security Fund amounted RMB120,575,000 (31 December 2004 RMB120,575,000).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

As at 30 June 2005, the Group made no prepayment for land use rights (31 December 2004: RMB22,665,000), prepayments for exploration rights amounted to RMB210,930,000 (31 December 2004: RMB45,440,000). As at 30 June 2005, the Group did not obtain certificates of land use rights, mine exploration rights, and mining rights from the reported prepayments.

As at 30 June 2005, the Company made no prepayment for land use rights (31 December 2004: RMB9,489,000), prepayments for exploration rights amounted to RMB210,930,000 (31 December 2004: RMB3,360,000). As at 30 June 2005, the Company did not obtain certificates of land use rights, mine exploration rights, and mining rights from the reported prepayments.

Notes to the Condensed Financial Statements

As at 30 June 2005

13. INTEREST-BEARING BANK LOANS

	Group		Company	
	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Total bank loans	450,647	311,647	119,600	149,400
Less: Amounts due within one year included under current liabilities	(74,047)	(45,000)	(69,800)	(40,000)
Amounts due after one year	376,600	266,647	109,400	109,400
Bank loans:				
Unsecured	273,400	149,400	149,400	149,400
Secured	177,247	162,247	—	—
	450,647	311,647	149,400	149,400
Bank loans repayable:				
Within one year	74,047	45,000	69,800	40,000
Between one and two years	—	40,047	—	29,800
Between two and five years	376,600	226,600	79,600	79,600
More than five years	—	—	—	—
	450,647	311,647	149,400	149,400

The bank loans carry interest at rates ranging from 2.88% to 6.138% (2003: 2.88% to 6.70%) per annum.

The bank loans to Xinjiang Ashele Copper Mine were secured by guarantees from its parent company and a minority shareholder of a subsidiary and a pledge of fixed assets. Bank loans of certain subsidiaries are also secured by guarantees from the Company.

Notes to the Condensed Financial Statements

As at 30 June 2005

14. SHORT TERM BANK LOANS

	Group		Company	
	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
Unsecured	235,000	—	100,000	—
Secured	2,000	—	—	—
	237,000	—	100,000	—

15. CONNECTED TRANSACTIONS

In accordance with the Listing Rules 14A.45, the Company disclosed all the connected transactions related to purchases of commodities, providing services and other continuous transactions. All details have been disclosed in the Company's annual report 2004. As at 30 June 2005, there is no change in all these connected transactions.

The summary of the Group's connected transactions for the period up to 30 June 2005 are as the following:

	Connected Party	Relationship with the Company	Date of the Contract	Nature of Transaction	RMB'000		
					Amount (up to 30 June 2005)	Amount (up to 30 June 2004)	
1.	Purchase from connected parties						
1.1	Shanghang Jinshan Trading Co., Ltd.	A shareholder of the Company	On the dates of the transactions	Purchase building materials	188	11	
2.	Services provided by connected party						
2.1	Guizhou Geology and Mineral Exploration Bureau 105 Team	Shareholder of Guizhou Zijin	19 February 2003	Geology exploration services	20	150	
2.2	Fujian Shanghang Fujian Mining Engineering Co., Ltd.	Shareholder Of Anhui Zijin		Construction Services	632	0	
2.3	Xinjiang Non-ferrous Industrial Quality Control Station	Company under control of a Ashele's Shareholder	27 October 2002	Supervisory Service		50	
2.4	Hunchun Copper and Gold Mining Co., Ltd.	Shareholder of Hunchun Zijin	27 March 2003 (2 contracts) 27 March 2003 (Supplementary contract)	Mining and stripping		161	

Notes to the Condensed Financial Statements

As at 30 June 2005

15. CONNECTED TRANSACTIONS (continued)

					RMB'000	
	Connected Party	Relationship with the Company	Date of the Contract	Nature of Transaction	Amount (up to 30 June 2005)	Amount (up to 30 June 2004)
2.5	Fujian Xinhuada Engineering Co., Ltd.	Shareholder Of the Company	3 May 2000 4 November 2002	Mining and stripping	29,876	45,939
2.6	Fujian Hongyang Mine Engineering Co., Ltd.	Shareholder Of 2 subsidiaries	26 September 2000 15 April 2002 25 April 2003	Stripping	22,106	35,964
2.7	Urumqi Non-Ferrous Metallurgy Design Institute	Company under control of a Ashele's Shareholder 2002	2 March 2001 20 May (Supplementary contract)	Building design		100
2.8	Xinjiang Non-Ferrous Gold Construction Co. (Advance payment of construction fee)	Company under control of a Ashele's Shareholder	3 May 2002	Building of Mining Pits		3,430 (Advance payment of construction fee) 3264 Foundation building fee
3.	Provide services to connected party					
3.1	Xiamen Hengxing Industrial Co., Ltd.	Shareholder of the Company	1 December 2003	Catering and property leasing	169	
4.	Provide financial assistance to connected party					
4.1	Zhenfeng Industrial Co.	Shareholder of Guizhou Zijin	20 February 2003	RMB800,000 loan		400
4.2	Hunchun Gold And Copper Mining Co., Ltd.	Shareholder Of Hunchun Zijin	16 December 2002	Annual loan cap RMB3.5 million		647
4.3	Sichuan Geology and Mineral Exploration Bureau XiBei Team	Shareholder of Songpan Zijin			2,900	0
5.	Provide financial assistance from connected party					
5.1	Xinjiang Non-ferrous Industrial (Group) Co., Ltd.	Shareholder Of Ashele	8 May 2003 9 May 2003	Loan guarantee to a subsidiary (Max. RMB116 million)	77,000	116,000 (Max. Guarantee) 10,000 (Used Loan guarantee)

Notes to the Condensed Financial Statements

As at 30 June 2005

15. CONNECTED TRANSACTIONS *(continued)*

					<i>RMB'000</i>	
Connected Party	Relationship with the Company	Date of the Contract	Nature of Transaction	Amount (up to 30 June 2005)	Amount (up to 30 June 2004)	
6.	Provide financial assistance to non-wholly owned subsidiary					
6.1	Xinjiang Ashele Copper Co., Ltd.	non-wholly owned subsidiary	8 May 2003 9 May 2003	Provide loan Guarantee to A subsidiary	77,000	173,400 (Max. loan guarantee) 10,000 (Used loan guarantee)
6.2	Xiamen Zijin Hi-tech Co., Ltd.	non-wholly owned subsidiary	14 October 2002 9 February 2003 26 May 2003	Provide loan Guarantee to A subsidiary	0	25,000 (Max. loan guarantee) 25,000 (Used loan guarantee)
6.3	Guizhou Zijin Mining Co., Ltd.	non-wholly owned subsidiary	21 January 2003	Provide loan Guarantee to A subsidiary	27,000	27,000 (Max. loan guarantee) 27,000 (Used loan guarantee)
7.	Provide loan guarantee to an associate company					
7.1	Fujian Longyan Makeng Mining Co., Ltd.	An associate company of the Company	15 November 2002	Provide loan guarantee to an associate company	15,000	15,000 (Max. loan guarantee) 15,000 (Used loan guarantee)