



Zijin Mining Group Co., Ltd.*

紫金礦業集團股份有限公司

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

(Stock code: 2899)

Unaudited Result Announcement for the six months ended 30 June 2004

The board of directors (the "Board") of Zijin Mining Group Co., Ltd. (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 (the "Period"). This interim report has been reviewed and approved by the Board and the audit committee of the Company.

I. FINANCIAL HIGHLIGHTS

Condensed Consolidated Income Statement

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

Consolidated Balance Sheet

| | 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 | 15,461 | 14,520 |
| Share of Interests in an associate | 36,864 | 10,990 |
| Other investment | <u>140</u> | <u>40</u> |
| | <u>1,344,251</u> | <u>1,097,747</u> |
| CURRENT ASSETS | | |
| Inventories | 124,758 | 121,624 |
| Prepayments, deposits and other receivables | 320,684 | 340,575 |
| Trade receivables | 30,451 | 2,373 |
| Due from related parties | 1,047 | 4,141 |
| Pledged cash | 16,860 | 14,475 |
| Cash and cash equivalents | <u>970,075</u> | <u>1,114,466</u> |
| | <u>1,463,875</u> | <u>1,597,654</u> |
| CURRENT LIABILITIES | | |
| Accrued liabilities and other payables | 274,735 | 322,130 |
| Trade payables | 84,990 | 103,222 |
| Current portion of interest-bearing loans | 7,000 | — |
| Short term bank loans | 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 | <u>46,013</u> | <u>28,031</u> |
| | <u>477,969</u> | <u>525,080</u> |
| 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 | 244,400 | 199,400 |
| Other long term loans | 1,000 | 1,000 |
| Long term other payables | <u>42,140</u> | <u>42,141</u> |
| | <u>287,540</u> | <u>242,541</u> |
| MINORITY INTERESTS | <u>291,711</u> | <u>221,418</u> |
| | <u>1,750,906</u> | <u>1,706,362</u> |

| | 30 June 2004 | 31 December 2003 |
|-----------------------------|-------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Audited) |
| CAPITAL AND RESERVES | | |
| Issued capital | 262,826 | 131,413 |
| Reserves | 1,488,080 | 1,377,829 |
| Proposed final dividend | — | 197,120 |
| | <u>1,750,906</u> | <u>1,706,362</u> |

Notes:

1. 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 | 2003 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (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 (<i>note</i>) | <u>(4,071)</u> | <u>(3,452)</u> |
| | <u>734,181</u> | <u>500,134</u> |
| 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 | <u>1,315</u> | <u>834</u> |
| | 7,645 | 1,937 |
| Gains: | | |
| Gain on deemed disposal of 16% equity interest in a subsidiary | 821 | 148 |
| Amortisation of negative goodwill | <u>81</u> | <u>20</u> |
| | <u>902</u> | <u>168</u> |
| | <u>8,547</u> | <u>2,105</u> |

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.

2. 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 (<i>note (i)</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 (<i>note (ii)</i>) | 34,974 | 17,380 |
| Retirement benefits - defined contribution fund (<i>note (iii)</i>) | <u>4,896</u> | <u>1,378</u> |
| | <u>39,870</u> | <u>18,758</u> |
| 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** | <u>—</u> | <u>164</u> |

* 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.

3. Finance Costs

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

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).

4. Tax

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

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. 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 results 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 2004 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.

II. OPEARTION OVERVIEW

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, 5,798kg (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 of 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 including 152 kg (4,886.95 oz) of gold, an increasing 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% when compare 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.

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 5,174kg and 9,740 tonnes with an average cut-off grades of 0.75g/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, which was comprised of 30,943.55kg of proved and controlled reserves. It is a large gold mine endowed with high grade ore difficult to select and process. 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 cathods reached 13,000 tones. 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, Huhe Haote.

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 strike for formal agreements to be entered for part of them.

III. MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

As at 30 June 2004, the Group realized sales income 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 | | | 30 June 2003 | | |
|----------------------------|---------------|-----------|-----------------|--------------|-----------|-----------------|
| | 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 | | | <u>(4,071)</u> | — | — | <u>(3,452)</u> |
| Total | | | <u>734,181</u> | — | — | <u>500,134</u> |

* 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, first of all, the commencement of production smoothly at Guizhou Zijin and Hunchun Zijin, which contributed to the production and revenue of the Company, reflected by a significant growth in the production by 22.71%, second, 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 | <u>96.5</u> | <u>—</u> |
| Total | <u><u>57.4</u></u> | <u><u>53.50</u></u> |

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 increased from RMB42.96/g for the first half of 2003 to RMB42.8/g for the first half of 2004, which did not appear to be volatile to a significant extent.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs was RMB2.04 million for the first half of 2003 while it 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.

WORKING CAPITAL AND SOURCE OF FUNDS

As at 30 June 2004, the Group's cash and cash equivalents increased from RMB904.37 million of the previous year 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. Subsidiaries of the Group are investment holding company of 2 subsidiaries and with capital contribution in 1 subsidiary. 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 RMB60.72 million, an increase of RMB46.1 million or 315.2% 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 RMB190 million 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.

STATE ON THE USE OF PROCEEDS

The Company issued 400,544,000 H Shares on 23 December 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 investment in its related and extended industry with good use of fund raised.

Mainly in the projects as follows:

| Project | Amount intended to apply | Amount invested in the previous year | Amount invested during the period | Amount invested in total | % completed RMB'0000 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 by 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 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.
4. The Company invested RMB7.2 million and cooperated with Sichuan Accessment 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 RMB4.2 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 RMB 24.5 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 km and 10,000 km 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 financial statements.

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.

Progress as to the technology upgrade of Guizhou Zijin Phase 2 will accelerate. 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.

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 and cobalt 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 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 bred 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.

IV. 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 Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("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 annual general meeting of the Company held on 28 April 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 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.

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, it will change its name from Fujian Zijin Mining Industry Co., Ltd. to Zijin Mining Group Co., Ltd. The registered address will be changed from 277 Beihuan Road, Shanghang Country, Fujian Province to 1 Zijin Avenue, Shanghang County, Fujian Province. The Company also completed procedures for the change in registration at the Company Registry in Hong Kong on 28 June 2004.

V. POST BALANCE SHEET EVENTS

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 Securities and Futures Ordinance (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, were as follows:

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.

| | 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 |
|-----------------|---|--------------------------------|---------------------------------|---|---|
| Director | | | | | |
| Chen Jinghe | 10,000,000 | Personal | Long | 0.54% | 0.38% |

Details of the interests and short position of the Directors, Supervisors and Chief executives are set out in 2004 Interim Report will be published in the Stock Exchange and the Company.

Shares pledged by the shareholders

On 26 July 2004, Xinhua Industrial Group 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 tons 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.

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 will invest RMB8,000,000, RMB1,500,000 and RMB500,000 and accounted for 80%, 15% and 5% equity interests in the company. The company 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. 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 Huangjiazhai, Huangping County. There was about 3,480,000 tons 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. (欒川三強鉬鎢有限公司), Luanchuan Dadongpo Muwu Mining Co., Ltd. (欒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 and have investment holding over Luanchuan Sanqiang Muwu Co., Ltd. (欒川三強鉬鎢有限公司) so as to develop the mineral resources of Luanchuan Nannihu Molybdenum Mine. The development of this matter will be disclosed according to its progress in due course.

On 5 August 2004, Fijian Zijin Investment Company Limited, a subsidiary of the Company, entered into a joint venture contract with Gold Fields Fujian BVI Ltd. established in 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 Field Fujian BVI Ltd. will invest US\$333,000 and US\$500,000 respectively and account for 40% and 60% equity interests in the company. 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 the 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 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 shares. In addition, they invested RMB 30 million in Xinjiang Jinbao Mining Co., Ltd. (新疆金寶礦業有限責任公司) by way of increase in its capital and shareholding in that company, representing 60% of shares, so as to further explore and develop 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.

Publication of annual results on the Stock Exchange's website

All information required by appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

LIST OF DIRECTORS OF THE COMPANY

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors

Chen Jinghe (*the Chairman*)

Liu Xiaochu

Luo Yingnan

Lan Fusheng

Rao Yimin

Non-executive Director

Ke Xiping

Independent non-executive Directors

Yang Dali

Yao Lizhong

Loong Ping Kwan

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

Fujian, the PRC 23 August 2004

* *The Company registered as overseas company under Part XI of the Companies Ordinances.*

Please also refer to the published version of this announcement in The Standard.