



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 PRC with limited liability)
 (Stock Code: 2899)

Announcement

Unaudited interim results for the six months ended 30 June 2006

The board of directors (the "Board") of Zijin Mining Group Co., Ltd. (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 (the "reporting period"). This report has been reviewed and passed by the Board and the audit committee.

1. GROUP'S FINANCIAL SUMMARY (AS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS)

In this report, unless otherwise indicated in the context, the currency is RMB.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the 6 months ended 30 June	
		2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Turnover	1	3,949,243	1,074,401
Cost of sales	2	(2,427,797)	(427,248)
Gross profit		1,521,446	647,153
Other Income and gains	1	104,654	15,559
Selling and distribution costs		(38,466)	(11,213)
Administrative expenses		(194,160)	(108,879)
Other operating costs		(254,499)	(17,045)
Profit from operating activities		1,138,975	525,575
Finance costs	3	(39,467)	(8,136)
Share of profit of associates		6,705	14,570
Profit before tax		1,106,213	532,009
Tax	4	(212,850)	(167,896)
Profit before minority interests		893,363	364,113
Minority interests		(231,274)	(33,166)
Net profit from ordinary activities attributable to shareholders		662,089	330,947
Proposed dividend		0	0
Earnings per share - basic	5	RMB0.063	RMB0.031

CONDENSED BALANCE SHEET

As at 30 June 2006

	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant & equipment	3,085,255	2,394,982
Land use rights	99,249	54,583
Long term deferred assets	303,943	211,765
Prepayments	425,263	85,059
Intangible assets	608,680	530,163
Goodwill	69,899	65,665
Interest in associates	448,283	361,754
Interest in joint-controlled entities	5,295	5,295
Other investment	156,774	90,928
	<u>5,202,641</u>	<u>3,800,194</u>
CURRENT ASSETS		
Inventories	499,327	302,584
Prepayments, deposits and other receivables	978,652	243,615
Trade receivables	174,837	61,668
Bills receivables	600	7,693
Due from connected parties	—	—
Financial assets at fair value through profit & loss	109,506	6,100
Pledged cash	41,157	23,688
Cash and cash equivalents	1,173,601	1,029,836
	<u>2,977,680</u>	<u>1,675,184</u>
CURRENT LIABILITIES		
Accrued liabilities and other payables	573,043	413,596
Trade payables	290,910	213,165
Interest-bearing bank loans	980,065	630,627
Government grants	11,693	10,693
Tax payable	84,202	215,718
Derivative financial instruments	179,037	10,287
	<u>2,118,950</u>	<u>1,494,086</u>
NET CURRENT ASSETS	<u>858,730</u>	<u>181,098</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,061,371</u>	<u>3,981,292</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	2,131,030	655,030
Provision for land restoration and environmental costs	43,715	37,628
Other long term payables	114,142	109,990
	<u>2,288,887</u>	<u>802,648</u>
NET ASSETS	<u>3,772,484</u>	<u>3,178,644</u>
EQUITY		
Equity attributable to equity holders of the Parent		
Issued capital	1,051,305	525,652
Reserves	1,560,492	1,845,264
	<u>2,611,797</u>	<u>2,370,916</u>
MINORITY INTERESTS	<u>1,160,687</u>	<u>807,728</u>
TOTAL EQUITY	<u>3,772,484</u>	<u>3,178,644</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 6 months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Turnover:		
Sale of gold bullions	3,150,291	910,843
Sale of gold concentrates	52,965	36,670
Sale of iron concentrates	18,882	10,566
Sale of copper concentrates	543,159	106,180
Sale of copper cathodes	117,381	15,728
Sale of zinc concentrates	63,412	—
Others	26,098	813
Less: Sales taxes and levies (note)	(22,945)	(6,399)
	3,949,243	1,074,401
Other revenue:		
Interest income	3,833	6,583
Rental income	624	1,471
Processing income	4	60
Dividend income from other investment	11,444	132
Sale revenue of silver powder	1,195	620
Others	21,868	6,673
	38,968	15,539
Gains:		
Gain on a transaction	0	0
Available-for-sale investment at fair value through profit or loss	55,780	0
Gain on disposal of equity interest in associated companies	9,906	0
Amortisation of negative goodwill	0	20
	65,686	20
	104,654	15,559

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

The Group has one business segment only, i.e., the business of gold and copper mining and geological studies in the PRC. Accordingly, no business segment information is presented. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are mainly located in the PRC. Accordingly, no geographical segment analysis is presented.

(2) Profit from operating activities

The Group's profit before tax is arrived at after charging:

	For the 6 months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventory sold	2,400,500	405,341
Provision for land restoration and environmental costs	6,087	5,654
Amortisation of land use rights*	1,998	218
Amortisation of long term deferred assets*	8,224	7,243
Amortisation of intangible assets*	10,988	8,792
	<u>2,427,797</u>	<u>427,248</u>
Depreciation (note (i))	114,694	61,816
Research expenditures	19,001	13,535
Staff costs (Including Directors, Supervisors, and Senior Staff)		
Salaries and remunerations (note (ii))	104,408	74,456
Retirement benefits - defined contribution fund (note (iii))	6,579	4,046
	<u>110,987</u>	<u>78,502</u>
Provision for obsolete stock (writeback)	—	—
Provision for bad and doubtful trade receivables**	—	—
Provision for bad and doubtful other receivables (writeback)**	297	—
Loss on disposal of fixed assets**	(282)	(126)
Donations**	12,017	1,565
Amortisation of goodwill**	—	1,052
Provision for devaluation of equity investment	2,822	14,100
	<u>2,822</u>	<u>14,100</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 RMB114,694,000 was included in the cost of sales for the six months ended 30 June 2006 (2005: RMB61,816,000).
- (ii) Staff costs of approximately RMB104,408,000 were included in the cost of sales for the six months ended 30 June 2006 (2005: RMB74,456,000).
- (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 6 months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest paid on bank loans repayable within five years	63,344	14,976
Less: Amount capitalised as construction in progress	(23,877)	(6,840)
	<u>39,467</u>	<u>8,136</u>

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 2.55% to 6.696% per annum (2005: 2.55% to 6.696% per annum).

(4) TAX

	For the 6 months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Group:		
Current - Hong Kong	—	—
- Mainland China	212,850	167,896
Overprovision in the period	—	—
	<u>212,850</u>	<u>167,896</u>

Provision for Hong Kong profits tax has not been made as the Group had no assessable profits arising in Hong Kong during the year. Provision for the PRC corporate income tax has been made 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 the separate approval from the local tax bureaus by the end of 2003, two subsidiaries of the Group, Guizhou Zijin and Hunchun Zijin, located in the western region of China, were granted a tax concession of 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 period of 10 years to 31 December 2010 as long as the subsidiaries continue to engage in qualified operations in their respective regions. As Guizhou Zijin and Hunchun Zijin began their operations in 2003, no overprovision for tax has been made as at 30 June 2006.

Since Xiamen Zijin was established in Xiamen's economic region, they were charged the preferential tax rate of 15% from the first day of their establishment.

Pursuant to "Ha Di Shui Han [2005] No. 80" issued by the local tax bureau of Habahe County, Xinjiang Ashel is exempted from corporate income tax for a five-year period from 1 January 2005 to 31 December 2009. In addition, Xinjiang Ashele was granted a tax concession at a preferential rate of 15% from 2010 onwards.

Pursuant to "Xin Di Shui Han [2005] No. 522" issued by the local tax bureau of Uigur Municipality, Xinjiang Jinbao is exempted from corporate income tax from 1 January 2004 to 31 December 2006.

Pursuant to "Pan Guo Shui Han [2005] No. 59" issued by the state tax bureau of Panlong District in Kunming, Yunnan Huaxi is exempted from corporate income tax from 1 January 2004 to 31 December 2006 and was granted a tax concession of 50% reduction for the years ended 31 December 2007 and 2008.

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 tax rates) to the effective tax rates, are as follows:

	For the 6 months ended 30 June			
	2006		2005	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Profit before tax	1,060,683		532,009	
At the PRC statutory tax rate	350,025	33.0	175,563	33.0
Expenses not deductible for tax	—	—	4,967	0.92
Income not subject to tax	—	—	—	—
Differential tax rate on the profit of certain subsidiaries	(137,175)	(12.93)	(12,634)	(2.37)
Overprovision in prior years	—	—	—	—
Tax charge at the Group's effective rate	<u>212,850</u>	<u>20.07</u>	<u>167,896</u>	<u>31.55</u>

At 30 June 2006, there was no significant unrecognised deferred tax liability (2005: 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.

At 30 June 2006, the share of tax attributable to associates amounting to RMB3,302,000 (2005: RMB7,039,000).

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

(5) EARNINGS PER SHARE

On the basis of the Group's net profit from ordinary activities attributable to shareholders in the amount of RMB662,089,000 during the reporting period (Six months ended 30 June 2005: RMB330,947,000) and the total number of 10,513,047,280 ordinary shares in issue during the reporting period, the earnings per share attributable to the ordinary shareholders of the Company is RMB0.063. (The total number of issued shares the Company was 10,513,047,280 as at 30 June 2006 and 5,256,523,640 as at 30 June 2005 respectively. For the purpose of providing comparable figures, the earnings per share as at 30 June 2005 was RMB0.031 on the basis of doubling the number of shares as at 30 June 2005 to 10,513,047,280 ordinary shares.)

Diluted earnings per share amount have not been disclosed as there were no potential dilutive ordinary shares outstanding in 2006 and 2005.

2. OPERATION OVERVIEW

Market review

In the first half year of 2006, the international gold price continued increasing, similar to the trend in year 2005, which was affected by the geopolitical factors, trend of US dollar, oil trends, and the correlation of resource commodities. The gold price rose by US\$84 per ounce in total, from US\$530 per ounce on 1 January 2006 to US\$614 per ounce on 30 June 2006 during this period (the gold price hit a record high in 26 years when it reached US\$730 per ounce) representing 15.8% growth. The average gold price in first half year 2006 was US\$589 per ounce which represented 38% growth in comparison with the same period last year. The average price in Shanghai Gold Exchange was RMB152.68 per gramme. The Group's average selling price of gold in the reporting period was RMB151.55 per gramme (about US\$598 per ounce).

In the first half year of 2006, the operation of the PRC gold industry was in good shape. The price of gold had risen more than its volume of production. From the period January 2006 to June 2006, the PRC domestic gold production was 106 tonnes (including 77.33 tonnes gold produced from mines) which represented 6.33% growth in comparison with the same period last year. It realised RMB2,470 million profit and represented 53.21% growth in comparison with the same period last year. The Group's gold production from mines and its profit represented 12.24% and 30.35% respectively of the PRC total gold production from mine and profit.

In year 2006, the situation of demand and supply of copper had not been changed. There was no solution to ease the insufficient global of copper supply. The Group's average selling price of copper cathodes in the reporting period was RMB49,974 per tonne (about US\$6,246 per tonne).

[1 troy ounce = 31.1035 gramme]

Production and operation status

In the reporting period, the prices of global mineral products were consistently increasing, and remained at the peak prices. During the reporting period, the Group achieved good results by attentively management of production. The Group produced 21,149.59kg gold (679,974 ounces) in total, representing a 183.66% growth rate in comparison with the corresponding period last year of the total amount provided, 9,463.09kg (304,245 ounces) was produced from mines and 11,686.5kg (375,729 ounces) was produced from smelting facilities, respectively representing 32.57% and 3,575% in growth rates with the corresponding period last year. The Group produced 18,821 tonnes of copper, showing a 133.42% growth rate over the same period last year. The Group produced 208,982 tonnes of iron concentrates and this represents a 213.95% growth rate over the same period last year. The Group produced zinc concentrates containing 6,864.7 tonnes zinc. The Group generated an income of RMB3,949,243,000 and a net profit of RMB662,089,000, representing 267.58% and 100% growth rates respectively in comparison with the corresponding period last year.

1. Gold Mine Business

In the reporting period, the Group's gold production kept a steady growth. Zijinshan Gold Mine, Guizhou Shuiyindong Gold Mine, Hunchun Gold Copper Mine are the three major mines for gold production, and they each produced 6,580.55kg, 1,511.31kg, and 515.92kg of gold respectively. In total, these three mines produced about 90.96% of the Group's total gold production from mines. The Group has been modifying the gold production systems, upgrading existing technology, and enlarging the current productions in Shanxi Yixingzhai Gold Mine, Hebei Dongping Gold Mine, and Yunan Dixu Gold Mine. In the meantime, these mines could produce gold in small scale by using its existing facilities. In total, these mines produced 855.31kg of gold which represents 9.04% of the Groups total gold production from mines.

2. Copper Mine Business

Copper mine business gradually became one of the most profitable businesses in the Group. In the reporting period, Ashele Copper Mine produced copper concentrates which consisted of 14,647.5 tonnes of copper. Zijinshan Copper Mine produced 2,459.46 tonnes copper cathodes. Hunchun Gold Copper Mine produced copper concentrates which consisted of 1,714.2 tonnes of copper. Ashele Copper Mine will gradually achieve the production target. The new production system in Zijinshan Copper Mine has been improving and the production volume of ore has been increased significantly. Qinghai Deerni has almost finished the infrastructure construction and equipment installation, it will start the trial production in October 2006.

3. Other Mine Business

In the reporting period, Xinjiang Jibao (Mongku) Iron Mine produced 208,982 tonnes in iron concentrates. The associated enterprise of the Group - Makeng Iron Mine produced 170,000 tonnes in iron concentrates. Ashele Copper Mine produced 4,498.8 tonnes of associated zinc. Yun Ye Jin Yuan Mining Co., Ltd., a subsidiary of Yunan Huaxi Mining Co., Ltd. produced zinc concentrates which consisted of 2,365.9 tonnes of zinc. In June 2006, Inner Mongolia Wulate Houqi Lead Zinc Mine was acquired by the Group. In order to ensure the supply of raw material to our Bayannaer Zinc Refinery, the Group will use the mine to control the lead and zinc resources in the region.

4. Refinery Business

4.1 Gold refinery

The Group gold refinery had obtained LBMA (LONDON BULLION MARKET ASSOCIATION) certificate. An international certificate has been obtained for the Company's gold products. Luoyang Zijin Yinhui Co., Ltd. (a newly established company at the end of 2005) had utilised and integrated its resources, and by doing so gained advantages in production capacity, brand name, technology and finance. In the reporting period, it produced 11,389 kg gold and sold 15,695 kg gold (including agency). It realised RMB1,756 million income.

4.2 Zinc refinery

Bayannaer Zinc Refinery started a trial run of its production facility in May 2006 with 100,000 tonnes of annual production capacity and in July it produced the first lot of electrolytic zinc. The plant hit records in the domestic zinc refinery industry.

4.3 Reduction Iron

In order to uplift resource value and reduce transportation cost, the Company formed Jinshan Fuyun Iron Co., Ltd. in Xinjiang and invested money in order to build a plant with production capacity of 300,000 tonnes/year reduction iron (initial stage 150,000 tonnes/year). It will promote Fuyun's competition and value in iron business.

Mining Right Management and Increase Reserve by Exploration

In 2006, the Company put more effort in management of mining right and tried to improve the quality of mining rights by cancellation, maintain, and transfer. Up to 30 June 2006, the Group owns 158 exploration rights, its total area is 5,893.61 km square and situate in 13 different provinces and autonomous. In which, 28 exploration rights were newly acquired in this year and it covers 969.91 km square. The Group owns 21 mining rights which covers 39.657 km square. In which, 6 mining rights were newly acquired in this year and it covers 10.1247 km square. The Group increases its reserve in gold, lead and other metals by risk explorations. The operation enables the continuous development of the Group.

In order to adopt the international practice, the Group started to conduct a grading process and certification of reserves. We will announce the details of resources and reserve of the Group in year 2006 annual report.

3. MANAGEMENT REVIEW AND ANALYSIS

Operation results

As at 30 June 2006, the Group's turnover was RMB3,949.243 million, which increased RMB2,874.842 million since last year and represented 267.58% 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 2006 and 30 June 2005 respectively:

Product	30 June 2006 (Unaudited)			30 June 2005 (Unaudited)		
	Unit price RMB	Volume	Amount/ RMB'000	Unit price RMB	Volume	Amount/ RMB'000
Gold	151.55/g	20,786.94(kg)	3,150,291	114.19/g	7,976.8(kg)	910,843
Gold concentrates	125.42/g	422.3(kg)	52,965	93.07/g	394(kg)	36,670
Iron concentrates	305.28/t	61,850(t)	18,882	299/t	35,335(t)	10,566
Copper concentrates	37,975.3/t	14,302.95(t)	543,159	18,803/t	5,646.9(t)	106,180
Copper cathodes	49,974.89/t	2,348.8(t)	117,381	27,936/t	563(t)	15,728
Zinc concentrates	13,544.75/t	4,681.69(t)	63,412	—	—	—
Others			26,098			813
Less: Sales tax & levies			(22,945)			(6,399)
Total			<u>3,949,243</u>			<u>1,074,401</u>

Note: The sale of gold was 21,209.24kg which included a purchase of 11,686.50kg refined from gold-containing metal/ore.

The Group's turnover for the first half year of 2006 increased by 267.58% over the same period last year, which was mainly attributable to (i) the growth in gold selling by 153.37%, in which the gold production in Guizhou Shuiyindong and Hunchun, subsidiaries of the Company, has been increased by 60.13% and the increase in the sales of 11,389.5kg gold refined by Luoyang Yinhui Gold Refinery; (ii) the sales of copper increase by 168.15% over the same period last year, and it was mainly attributed to the production at Ashele Copper Mine that has almost reached its production target, and that Zijinshan Copper Mine's 10000 tonnes facility has commenced production, and (iii) selling prices of gold and copper increased substantially over the same period last year. The selling price of gold and copper increased by 32.72% and 102% respectively over the same period last year.

An analysis of gross profit and gross profit margin

In the first half year of 2006, the Group realised RMB1,521.45 million gross profit, which represents an increase of RMB874.29 million (increase of 135%) over the same period last year. This was mainly affected by the increases of production volume increase and price. The Group's production costs include processing, and refining, ore transportation, raw materials consumption, utilities expenses, raw materials purchased for gold refinery, and depreciation on fixed assets. The cost of sales was increased by 468.2% from RMB427.25 million to RMB2427.8 million for the periods ended 30 June 2005 and 30 June 2006 respectively. Such increase was mainly caused by an increase of production of refining gold. The table below sets out details of the gross profit margin for the two periods ended 30 June, 2005 and 2006.

Product	As at 30 June	
	2006 %	2005 %
Gold	67	63.57
Gold concentrates	60.73	37.52
Refined gold	0.76	0.56
Iron concentrates	48.58	52.5
Copper concentrates	80.50	57.3
Copper cathodes	68.98	48.7
Zinc concentrates	78.90	—
Others	14.47	30
Total	<u>38.3</u>	<u>60.23</u>

The Group's overall gross profit margin decreased from 60.23% in the period ended 30 June 2005 to 38.3% in the period ended 30 June 2006, which was attributable to the low profit margin of gold refinery business, low profit margin in iron concentrates, and low sales income in iron concentrates. After deduction of the gold refinery business, the overall gross profit margin is 69.55%, representing 9.32% growth in comparison with the same period last year. The main reasons were (i) gold price grew 32.72%, copper price grew 102%. The average gold price rose from RMB114.19/g in the period ended 30 June 2005 to RMB151.55/g in the period ended 30 June 2006.

Average unit production cost of gold increased from RMB41.54/g in the period ended 30 June 2005 to RMB49.65/g in the period ended 30 June 2006. The main reasons were (i) most newly acquired mines were with refractory ores and the processing costs was high, (ii) the restoration and re-organisation of new acquired business caused additional costs, (iii) Zijinshan Gold Copper Mine and Guizhou Shuiyindong Gold Mine used lower cutoff to preserve the resource which caused an increase in costs.

Selling and distribution costs

The Group's selling and distribution costs increased from RMB11.21 million to RMB38.466 million in the periods ended 30 June 2005 and 30 June 2006 respectively, which was mainly attributable to the costs of road and train transportation for the iron concentrates, copper cathodes, and copper concentrates. The transportation costs has directly been booked under selling and distribution costs.

Administration Costs

For the 6 months ended 30 June 2006, the Group's administration costs was RMB194.16 million which increased 78% over the same period last year that was RMB108.88 million. The main reasons were (i) investment in new subsidiaries like Hebei Chongli, Shanxi Zijin, and other subsidiaries increased RMB45.16 million administration costs, (ii) paid various levies increased RMB17.89 million, (iii) salaries and welfares increased RMB12.6 million, (iv) depreciation increased RMB7.65 million, (v) technology research and development increased RMB6 million, and (vi) labour insurance premium increased RMB1.71 million.

Finance Costs

For the 6 months ended 30 June 2006, the Group's finance costs was RMB39.467 million which increased 385.09% over the same period last year (that was RMB8.136 million). It was mainly caused by an increase of financial need for the Group's projects and subsidiaries. In the reporting period, the short term finance and long term finance have been increased by RMB684.818 million, and RMB1738.63 million respectively over the same period last year. The increase in loan caused increase in interest costs.

Other Operating Costs

In the first half year of 2006, the Group's other operating costs were RMB254.50 million which increased RMB237.45 million over the same period last year. The main reason was that the Company and its subsidiaries realised RMB68.2 million loss in settlement of future contracts and also made a RMB168.75 million provision for the existing future contracts. It would affect the Company's net profit about RMB89 million (based on shareholding and after tax).

Working capital and sources of fund

For 6 months ended 30 June, 2006, the Group's cash and cash equivalents were RMB1170.6 million, increased by RMB698.97 million or 148.2% from previous year.

For 6 months ended 30 June, 2006, net cash in-flow generated from the Group's operating activities was RMB455.36 million, representing a decrease of RMB57.15 million over the previous period in 2005. The main reasons for the decrease in the cash-flow generated from the Group's operating activities were (i) a deposit of RMB196 million for Bayannaoer Zinc Refinery's raw materials purchase, and (ii) the Company paid the corporate tax of RMB130 million levied in previous years.

During the reporting period, net cash out-flow from the Group's investment was RMB1,649.25 million, which represents an increase of RMB683.03 million from the corresponding period last year. The increase in the net cash out-flow generated from the Group's investment was mainly due to: (i) the Group has increased the investment this year and has established 9 subsidiaries and 2 associated companies and (ii) the investment in the Company's project relating to copper mining techniques improvement and the subsidiaries' infrastructure has increased and therefore the capital expenditure has increased substantially from the corresponding period last year.

During the reporting period, net cash in-flow generated from the Group's financing activities was RMB1,358.69 million, which represents an increase of RMB1,259.09 million from the corresponding period last year. The increase in the net cash in-flow generated from the Group's financing activities was mainly due to the increase in the bank borrowings and cash contribution by the minority shareholders at the time of establishment of the subsidiaries.

As at 30 June 2006, the Group's total borrowings amounted to RMB3,111.095 million (it was RMB687.65 million as at 30 June 2005). Among which, the amount repayable within one year was approximately RMB980.065 million, the amount repayable within one-year to two-years was approximately RMB152 million, the amount repayable within two to five years was approximately RMB1,949.8 million, and the amount repayable over five years was approximately RMB29.23 million. The interest rates of all the bank borrowings range between 2.55% to 6.696% (which it ranges from 2.55% to 6.696% for the same period last year).

As at 30 June 2006, the Group has not charged any of its assets or provide guarantee for the liabilities of the entities outside the Group.

As the Group has small 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 uncommitted long-term and short-term loan facilities provided by its major banks.

Investment Status

Formation of subsidiaries

In January 2006, Shanxi Zijin Mining Co., Ltd. ("Shanxi Zijin") was formed with registered capital RMB159.1 million. The Group contributed capital of RMB81.14 million in cash for 51% of its shareholding. Fenji County Yixingjai Gold Mining Co., Ltd. contributed RMB54.1 million physical asset for 34% of its shareholding, while Zijin International Mining Co., Ltd. ("Zijin International") contributed RMB23.86 million in cash for 15% shareholding of Shanxi Zijin.

On 20 January 2006, the Group entered into an agreement with Yunan Wenshanzhou Longxing Mining Co., Ltd. to acquire 51% shareholding of Guangnan Country Longxing Mining Co., Ltd. ("Guangnan Longxing") for the consideration of RMB25.5 million. The registered capital of Guangnan Country Longxing Mining Co., Ltd. is RMB50 million. Yunan Wenshanzhou Longxing Mining Co., Ltd. and Xiamen Minxing Investment Co., Ltd. are the shareholders of Guangnan Longxing and they own 25% and 24% shareholding of Guangnan Longxing respectively.

In January 2006, the Group's subsidiary Fujian Zijin Investment Co., Ltd. ("Zijin Investment") entered into an agreement with Mr. Peng Zinhua to form Zijin Process Chemistry Co., Ltd. in Shanghang ("Zijin Process") with registered capital RMB10 million. Zijin Investment invested RMB9 million and owned 90% of Zijin Process. Mr. Peng Zinhua contributed RMB1 million by his patented technology and owned 10% of Zijin Process. Zijin Process will build a plant to produce 2,000 tonnes chemistry for floating process and 300 tonnes chemistry for copper extraction, and the production will be expected in this year.

In February 2006, the Group's subsidiary Yunan Huaxi Mining Resource Co., Ltd. ("Yunan Huaxi") entered into an agreement with Mr. Huang Jinyun to form Wenshan Huayuan Mining Co., Ltd. ("Wenshan Huayuan") in Wenshan Country, Yunan with registered capital of RMB3 million. Yunan Huaxi contributed RMB1.8 million and owned 60% shareholding of Wenshan Huayuan. Mr. Huang Jinyun contributed RMB1.2 million and owned 40% shareholding of Wenshan Huayuan. Wenshan Huayuan will mainly carry out risk exploration in Wenshan County for gold and non-ferrous metals.

On 5 April 2006, the Group's subsidiary Xinjiang Zijin Mining Co., Ltd. ("Xinjiang Zijin") and the Company's Labour Union agreed to form a company – Fuyun Jinshan Mining Co., Ltd. and its registered capital is RMB120 million. Xinjiang Zijin Mining Co., Ltd. invested RMB 72 million and owned 60% shareholding of Fuyun Jinshan Mining Co., Ltd. the Company's Labour Union invested RMB 48 million and owned 40% shareholding of Fuyun Jinshan Mining Co., Ltd. After the formation of the company, a reduction iron plant with 300,000 tonnes/year capacity will be built. The Company will develop the east section of Mongbe Iron Mine.

In April 2006, the Company and Shandong Longkou Jinxing Gold Co. ("Longkou Jinxing ") entered into an agreement to inject further capital into Shandong Longkou Jintai Co., Ltd. ("Longkou Jintai"), boosting its capital to RMB200 million. The Company invested RMB102 million in cash for 51% of Longkou Jintai's shareholding, and Longkou Jinxing invested RMB98 million assets for 49% shareholding. Longkou Jintai is primarily engaged in the development of gold mines in Shandong Longkou.

In May 2006, the Company, Chongli County National Assets Management Centre and Dongping Gold Mine Labour Union (Chongli Zijin Labour Union) agreed to form Chongli Zijin Mining Co., Ltd. ("Chongli Zijin") The proposed share capital was RMB237.5 million, the Company shall invest RMB142.5 million for 60% shareholding of Chongli Zijin, while Chongli County National Assets Management Centre shall invest RMB85.5 million for 36%, and Chongli Zijin Mining Co., Ltd. Labour Union ("Chongli Zijin Labour Union") RMB9.5 million for 4%. By 22 June 2006, the Company and Chongli Zijin Labour Union has fully paid the investment and Chongli Zijin's paid up capital was RMB181.685 million. According to the agreement, Chongli County National Assets Management Centre will pay the remaining capital RMB55.815 million within 2 years. Chongli Zijin will fully integrate and develop Hebei Dongping Gold Mine and the other mining rights in the region.

In May 2006, Zijin International and Daye Gold Mine entered into an agreement to form a company – Rushan Zijin Mining Co., Ltd. ("Rushan Zijin") and its registered capital was RMB35.7 million. Zijin International agreed to invest RMB24.99 million for 70% shareholding of Rushan Zijin. While Daye Gold Mine agreed to invest RMB10.71 million for 30%. Rushan Zijin will be primarily involved in exploration and development work in Yulin Gold Mine Area.

On 21 June 2006, the Group's wholly owned subsidiary Best Ground Group Ltd. ("Best Ground") entered into a share transfer agreement with four shareholders of China Gold Development Co., Ltd. ("CGD")- China Mining Investment Limited ("CMI"), German Kingston Financial Investment Inc. ("GKF"), Gold Rich International Mining Investment Inc. ("GRI"), and Sonic International Investment Inc. ("SII") for the consideration of US\$20 million. Best Ground acquired 25%, 25%, 19.99%, and 0.01% shareholdings of CGD from GRI, SII, GKF, and CMI respectively. In total, Best Ground acquired 70% shareholding of CGD (57,330,000 shares). CGD owned 52% shareholding of Shandong Gouda Gold Co., Ltd. The Company indirectly control Shandong Douda Gold Co., Ltd. after the acquisition.

Formation of Associated Companies

On 5 January 2006, the Company, together with Western Mining Co., Ltd., Helongjiang Mining Group Co., Ltd., Helongjiang Heilong Mining Co., Ltd., and Haerbin Baifu Investment Co., Ltd. formed a company called– Helongjiang Duobaoshan Copper Co., Ltd. ("Duobaoshan"). The company's registered capital was RMB300 million. The Company owned 31% shareholding and the largest shareholder of Duobaoshan. Duobaoshan mainly carried out mining of copper and molybdenum in Duobaoshan area.

In February 2006, the Group injected RMB1.5 million into Shanghang Rural Credit Society. After this capital increase, Shanghang Rural Credit Society's registered capital increased to RMB30 million whereby Group owns 5% of its shareholding.

Save as disclosed above, in this reporting period, the Group did not have substantial purchase and disposal of subsidiary and associated company.

Connected Transaction

On 18 January 2006, the Company entered into outsourcing mining and process contracts with Shanghang Hongyang Mine Co., Ltd. ("Hongyang") and Fujian Xinhua Engineering Co., Ltd. ("Xinhua"). The Company outsourced partial mining and process works in Zijinshan to these 2 companies for 3 years. Xinhua is a promoter of the Company and Hongyang is a promoter of Hunchun Zijin Mining Co., Ltd. Pursuant to the Listing Rules, these contracts constituted non-exempted continuing connected transactions. As the consideration exceeded 2.5% in the relevant percentage as applicable in the Listing Rules, the contracts were subject to Independent Shareholders' approval pursuant to Rule 14A.35. The Company announced the transactions in newspapers and the website of The Hong Kong Stock Exchange Ltd. on 27 January 2006 and has issued an Extraordinary General Meeting ("EGM") notice on 21 February 2006. On 7 April 2006, the EGM approved these transactions.

Other than those disclosed above, details of other continuing connected transactions in relation to the purchase of good, provision of services, etc. are set out in Note 11 to the financial report of 2006 Interim Report.

OUTLOOK

Business environment

We estimated that the global political and economic situation will maintain the same in second half year of 2006. The geopolitical tension, high oil price, the trend of US dollar, and gold production volume will not be changed substantially in a short period of time. The international gold price will maintain at high price. Copper price will be soft. With the growth of global economy and the high speed growth of China economy, metal price will maintain at high price. Macro economic environment will remain good for the mining industry.

Business strategy

Gold Mine Business

In order to enlarge gold production in mine and minimise the consumption of resource, Zijinshan Gold Copper Mine will endeavour to enlarge its mining scale (copper mine) and execute joint-mining of gold and copper as planned. Guizhou Shuiyindong Gold Mine will carry out its third phase technology modification and lower down its mining cutoff of ores to promote its resource utilization. Hunchun Gold Copper Mine will enlarge exploration to confirm its reserve and prepare a new development plan. According to the practical situations, other gold mines will strengthen the management in mine and resource and make plans to promote production capacity and technology.

Copper Mine Business

The Group will try to enlarge copper production capacity for the good market. Ashele Copper Mine will adopt a precise plan to achieve the production target. Qinghai Deerni will ensure the infrastructure construction and equipment installation as schedule and it will start the trial production in October 2006. Yulong Copper Mine and Duobaoshan Copper Mine need to have an intensive plan for construction as a big mine. After completion of all initial preparation works, these mines will start the construction as soon as possible.

Other Mine Business

Mongku Iron Mine, Makeng Iron Mine, and Wulatehouqi Lead Zinc Mine need to strengthen their basic management of mines. These mines will execute their resource strategies by explorations for reserve increase and promotion of production technology and capacity. Tongjiaping Molybdenum Mine will endeavour to prepare the initial preparation work and start the construction as soon as possible.

Refinery Business

Luoyang Yinhui will consistently strengthen its refinery business by utilising its brand name, technology, capital and building a secure source of raw materials supply. Luoyang Yinhui will try to have a development in gold mine business.

In order to ensure a safe transfer from construction phase to production phase, Bayannaer Zinc Refinery will focus on steady production and supply of raw materials. Bayannaer Zinc Refinery will become a new profit centre after achieved these targets.

Investment and Acquisition

The Group will reinforce in investment and acquisition as the quickest way to develop gold business and non-ferrous metals business. Simultaneously, the Group will strengthen its image as a gold mining enterprise. In order to provide a strong support for future development, the Group will try to have a breakthrough in new mines and internationalization in the second half year of 2006.

Except for increasing reserve by acquisition and carrying out risk exploration on prospected areas, the Group will reinforce supplementary exploration in the surrounding area of existing mines. The Group manages the mining resources as its biggest asset and grasps the detail of resource changes. The Group will keep on promoting the work flow of mining and process and uplifting the standard of resources utilization.

Extraordinary General Meeting

The Company will convene an extraordinary general meeting on 18 August 2006 for election of a new Board. The new Board and management will focus on management system building for the Group and perfect the Group's management system to be a lean, effective, structured, and orderly management system gradually.

4. OTHERS

Interim dividend

The Board proposed to pay no dividend for the 6 months ended 30 June 2006. (The dividend for the 6 months ended 30 June 2005 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 2006.

Staff Members

As at 30 June 2006, the Company employed 1,492 staff. To encourage conscientiousness and diligence in the workplace, it is the Company's Policy that staff remuneration concords with the Company's profits. The Company has no share option scheme for its staff.

Corporate Governance

For a period of 6 months ended 30 June 2006, the Board considered that the Group has adopted and complied with the code provisions of Code on Corporate Governance Practice and most of the recommended best practice and there was no deviation. (for details, please refer to the Group's 2005 Annual Report).

Audit Committee

The audit committee has reviewed the Group's 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 2006. The audit committee agreed to the Group's financial report for the 6 months ended 30 June 2006 and the accounting methods, standards, and principles adopted, and the compliance with legal and disclosure requirements.

Independent non-executive directors

In compliance with rules 3.10(1) and 3.10(2) of the Listing Rules, the Company appointed sufficient number of independent non-executive directors and that at least one of them must possess the 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 provided in the Group's 2005 annual report.

Securities Transactions by Directors of listed issuers

During the reporting period, the Company adopted the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. Having made a detailed inquiry, it was found that no director and supervisor of the Company has violated the standard related to securities transactions stated Model Code. As at 30 June 2006, the Group confirmed that all directors and supervisors complied with the Model Code.

Post Balance Sheet Event

On 26 July 2006, the Company and two connected parties Fujian Shanghang Hongyang Mine Co., Ltd. and Xiamen Henxing Mining Co., Ltd. entered into a share acquisition agreement. The Company acquired 7.875% shareholding of Hunchun Zijin for the consideration of RMB39.4 million. The Company also acquired 10% shareholding of Hunchun Zijin for the consideration of RMB49.975 million from five independent third parties. Upon the completion of the acquisition, Hunchun Zijin will become a wholly owned subsidiary of the Company. The Company announced this transaction in the newspapers and at the website of the Hong Kong Stock Exchange on 28 July 2006.

Post Interim Report at the Hong Kong Stock Exchange Website

When appropriate, the Company will post all the information as required by Appendix 16 of the Listing Rules at the Hong Kong Stock Exchange Website (<http://www.hkex.com.hk>).

This announcement is written in both Chinese and English. In the case of any 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

Fujian, China
7 August 2006

As at the date of this announcement, 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*

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