



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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(在中華人民共和國註冊成立的股份有限公司)

(Stock Code 股份代號: 2899)

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INTERIM REPORT



*For identification purpose only

*僅供識別

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MARKET REVIEW

Under the political and economic atmosphere in the first half of year 2007, the price of gold remained high. The international opening price of gold was US\$636.7 per ounce (1 January 2007) and the closing price was US\$648.8 per ounce (29 June 2007). During the reporting period, the gold price once reached the highest of US\$695 per ounce, and fell to the lowest of US\$ 607.1 per ounce. The average trading price at the Shanghai Gold Exchange was RMB163.38 per gramme, which was RMB10.7 per gramme higher than it was in the same period last year, representing a 14% growth. The Group's average selling price of gold during the reporting period was RMB163.17 per gramme (about US\$667.8 per ounce).

In the first half of year 2007, production of gold in the PRC was noticeably increased. The domestic gold production was 122.2 tonnes, representing a 15.26% growth when compared with the same period last year, among which, 98 tonnes of gold were produced from mines representing a 11% growth. The gold industry realized RMB31.857 billion of production value and RMB3.468 billion of profit, representing a 43.83% growth and a 40.35% growth respectively when compared with the same period last year. The profit of gold had risen more than its volume of production. The Group's gold production from mines and its profit represented 10.4% and 29.25% respectively of the PRC total gold production from mine and profit.

In the first half of year 2007, the price of copper fluctuated but went up despite various market factors. Since the mid of February 2007, LME copper price has started to rebound dramatically to US\$8,335 per tonne. From then on, the copper price declined, and ranged between US\$7,000-7,600 per tonne until the mid of June 2007. Shanghai copper price recorded similar trend with the LME copper price, which went up to around the second highest of RMB75,500 per tonne and declined thereafter and adjusted between RMB60,000 – RMB68,000 per tonne.

In the first half of year 2007, the trend of the price of zinc was weaker than other metals. It fell quickly from US\$4,280 per tonne, breaking US\$3,000 per tonne and eventually reached US\$2,990 per tonne. Then it was adjusted around US\$3,500 per tonne. Until April 2007, zinc price rebounded to US\$4,175 per tonne.

[1 troy ounce = 31.1035 gramme]

Production and Operation Status

During the reporting period, the Group produced 22,271 kg (716,028.74 ounces) gold in total, representing a 5.3% growth when compared with the corresponding period last year (21,149.59 kg), among which, 10,268 kg (330,123.62 ounces) was produced from mines and 12,002 kg (385,872 ounces) was produced from refinery facilities, representing 8.5% and 2.69% in growth respectively when compared with the corresponding period last year (9,463.09 kg and 11,686.5 kg). The Group produced 21,358 tonnes of copper, representing a 13.5% growth over the same period last year (18,821 tonnes). The Group produced 336,222 tonnes of iron concentrates which represents a 60.88% growth over the same period last year (208,982 tonnes). The Group produced zinc concentrates containing 22,929 tonnes zinc, representing a 234% growth over the same period last year (6,864.7 tonnes). The Group produced 55,825 tonnes refinery zinc ingots (the same period last year was nil).

During the reporting period, the Group generated an income of RMB6,673,418,000 and a net profit of RMB1,201,833,000, representing 68.98% and 81.52% growth respectively when compared with the corresponding period last year (RMB3,949,243,000 and RMB662,089,000).

1. *Gold Mine Business*

During the reporting period, the Group produced 10,268 kg (330,123.62 ounces) gold from mines representing a 8.5% growth over the same period last year, among which Zijinshan Gold Mine produced 6,913 kg (222,258 ounces): Guizhou Shuiyindong Gold Mine produced 703 kg (22,601 ounces) gold when production resumed after passing the examination conducted by the safety and environment protection department in April 2007 as a result of a slide of a dam for wastes and tailings at the end of 2006, Hunchun Shuguang Gold Copper Mine produced gold concentrates containing 720 kg (23,149 ounces) gold. In total, the above three mines produced about 81.18% of the Group's total gold production from mines. Other mines produced 1,549.5 kg (49,817.5 ounces) gold, constituting approximately 15.09% of the Group's total gold production from mines. Xinjiang Ashele and other mines produced 382 kg (12,281 ounces) gold from other associated metals, constituting about 3.73% of the Group's total gold production from mines.

During the reporting period, the Group produced 12,002 kg (385,872 ounces) of refinery gold, representing a growth of 2.69% over the same period last year, of which, Luoyang Zijin Yinhui produced 11,492 kg (369,476 ounces) of refinery gold, Xiamen Zijin Science and Technology produced 510 kg (16,396 ounces) of refinery gold.

Sales income generated from gold business of the Group represented about 58.5% of the sales income during the reporting period, and net profit of gold business represented about 50.2% of the total net profit.

Operation Overview

2. *Copper Mine Business*

Copper mine business gradually became one of the major businesses of the Group. During the reporting period, the Group produced 21,358 tonnes of copper from mines, of which, Ashele Copper Mine produced copper concentrates consisted of 13,950 tonnes of copper. Zijinshan Copper Mine produced 3,506 tonnes copper cathodes. Hunchun Shuguang Gold Copper Mine produced copper concentrates consisted of 1,909 tonnes of copper. Qinghai Deerni Copper Mine produced copper concentrates consisted of 1,992 tonnes of copper in its trial production.

Sales income from copper business of the Group represented about 15.5% of the sales income during the reporting period, and net profit of copper business represented about 30.06% of the total net profit.

3. *Zinc Mine and Lead Mine Business*

The Group's lead and zinc businesses were mainly conducted in Neimenggu area. Beside Ashele Copper Mine produced some zinc from other associated metals, other mines in the Yunnan area also produced small amount of zinc. During the reporting period, the Group produced zinc concentrates consisted of 22,929 tonnes zinc (among which, 20,154 tonnes was sold to Bayannaer Zijin Zinc Refinery Plant), 55,825 tonnes refined zinc bullion, and lead concentrates consisted of 1,188 tonnes lead.

Sales income from zinc and lead business of the Group represented about 22.62% of the sales income during the reporting period, and net profit of zinc and lead business represented about 17.03% of the total net profit.

4. *Other Business*

The Group's other businesses include production of iron, further processing of iron mine – reduced iron project and sale of associated metals from mines. During the reporting period, the Group produced 336,222 tonnes iron concentrates and 25,740 kg silver (associated in other metals). The Xinjiang reduced iron project is still under construction and trial production is expected to commence in the second half of year 2007.

Sales income from iron ore and other business of the Group represented about 3.38% of the sales income during the reporting period, and net profit of iron mine and other business represented about 2.71% of the total net profit.

5. *Investment*

In the first half of year 2007, the Group investigated 43 projects in the PRC and abroad, among which, contracts of 7 domestic mine projects were officially concluded, including the Xinjiang Wulagen Lead and Zinc Mine, Sichuan Songpan County Dongbeizhai Gold Mine, Malipo County Tungsten Mine and an integration of associated resources, Hunan Anhua Liaojiaping Antimony Tungsten Mine, Hunchun Yangjingou Tungsten Mine, Yunnan Langdu Copper Mine, Lannitang Copper Mine and as a result that the resources controlled by the Group increased dramatically. The Group also successfully acquired two international projects. The Group's associate company-Zijin Tongguan successfully acquired 89.9% equity interest of Monterrico by way of offer, and as a result, it gained the exploration right of a substantial large copper and molybdenum mine in Rio Blanco, Peru. The takeover has successfully been completed. The Group's wholly owned subsidiary – Xinjiang Zijin has successfully acquired the whole equity interest of CBML recently and accordingly controlled the ZGC Gold Project in Tajikistan. The Group has sent over key technical and management members to the ZGC to supervise ZGC's production and operation. The Group has made great progress in internationalization.

6. *Projects Construction*

Domestic projects progressed smoothly, including, the Zijinshan Gold Copper Mine joint technological renovation, Dongping Gold Mine technological renovation, Guizhou Shuiyindong Phase III technological renovation, Guangdong Xinyi Gold Mine and Tin Mine technological renovation, Xinjiang Fuyun Reduced Iron Project, Wulatehouqi 200,000 tonnes per year process plant technological renovation, Zijin Copper Company Copper Sheet Belt Project, Makeng Iron Mine Phase II technological renovation, Tibet Yulong Phase I Project etc. Some of the above projects will start production soon, and will provide powerful support for the Group's future development.

As to the international projects, the exploration, development, and construction of Mongolia Nari Tolgoi Gold Mine proceed on schedule and is expected to be completed and production is to commence by the second half of year 2007. The Vietnam Ha Giang Lead-Zinc Mine is in production and its 300 tonnes per day production plant was in operation. Russia Kuton Gold Mine and Tuva Lead Zinc Mine were also in the process of applying for approval and have in place certain preliminary preparation work for project construction.

7. *Geological Exploration and Management of Mining Rights*

During the reporting period, the Group invested RMB49,850,000 into geological exploration, mainly for the purpose of enhancing the depth of mine exploration. The Group has made good progress in the exploration of the Zijinshan area, Guizhou Shuiyindong Gold mine and Wulatehouqi Dongshengmiao areas and their surroundings.

Operation Overview

In the first half of year 2007, the Group has transferred 19 exploration rights, cancelled 3 exploration rights, and increased 8 new exploration rights (140.31 sq.km.), and 1 exploration right was used as capital injection. As at 30 June 2007, the Group has a total of 163 exploration rights, covering an area of 5,293.36 sq.km.

As at 30 June 2007, the Group has a total of 33 mining rights, covering an area of 50.1912 sq.km. It included 6 mining rights newly acquired in this year, covering an area of 8.924 sq.km. The above mining rights covers various mineral resources including gold, copper, zinc, iron, lead, tin, antimony, tungsten, limestone, and etc.

As a result of the successful acquisition of RIO-BLANCO Copper Molybdenum Mine in Peru and JILAU/TAROR gold mine in Tajikistan, mineral resources controlled by the Group increased tremendously. As at 30 June 2007, the Group has recorded the following metal (ore) resource/reserves: about 591 tonnes of gold (including 57 tonnes gold associated with other metals), about 151 tonnes of platinum and palladium, about 8,520,000 tonnes of copper, about 2,380,000 tonnes of zinc, about 0.5446 million tonnes of nickel, about 0.4 million tonnes of lead, about 0.36 million tonnes of molybdenum (including 0.027 million tonnes molybdenum associated with other metals), about 0.1 million tonnes of tin, about 173 million tonnes of iron ores, and about 300 million tonnes of coal (on equity base for non-subsidiaries).

Management Review and Analysis

OPERATION RESULTS

As at 30 June 2007, the Group's turnover was RMB6,673.418 million, which increased RMB2,724.175 million since last year and represented 68.98% growth when compared with the corresponding period last year.

The table below sets out details of sales by products for the six months ended 30 June 2007 and 30 June 2006 respectively:

Product	30 June 2007 (Unaudited)			30 June 2006 (Unaudited)		
	Unit price RMB	Volume	Amount/ RMB'000	Unit price RMB	Volume	Amount/ RMB'000
Gold	163.17/g	23,926.94 (kg)	3,904,350	151.03/g	21,209.24 (kg)	3,203,256
Copper concentrates	46,236/t	19,196.24 (t)	887,556	37,975.3/t	14,302.95 (t)	543,159
Copper cathodes	51,321/t	2,868 (t)	147,204	49,974.89/t	2,348.8 (t)	117,381
Zinc ingots	25,767/t	57,365 (t)	1,478,129	-	-	-
Zinc concentrates	17,851/t	3,365 (t)	60,062	13,544.75/t	4,681.69 (t)	63,412
Iron concentrates	389.59/t	453,908 (t)	176,837	305.28/t	61,850 (t)	18,882
Others	-	-	84,479	-	-	26,098
Less: Sales tax & levies			(65,198.8)			(22,945)
Total			6,673,418			3,949,243

Note: The sale of gold included 12,233 kg refined from gold-containing metal/ore. The sales volume of such product has been off-set with the Group's internal sales volume.

The Group's turnover for the first half of year 2007 increased by 68.98% over the same period last year, which was mainly attributable to (i) the growth in the sales of gold by 12.81%, (ii) the sales of copper increase by 32.5% over the same period last year, and (iii) selling prices of gold and copper increased substantially over the same period last year. The selling prices of gold and copper concentrates increased by 8% and 21.7% respectively over the same period last year.

Management Review and Analysis

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group mainly engages in development of mines. The costs of sales include mining, processing, and refining, ore transportation, raw materials consumption, utilities expenses, raw materials purchased for gold refinery, and depreciation on fixed assets. The table below sets out details of the gross profit margin for the two periods ended 30 June, 2006 and 2007.

Product	As at 30 June	
	2007 %	2006 %
Gold (gold and gold concentrates from mines)	67.72	66.70
Gold (processed gold from refinery)	0.42	0.76
Copper concentrates	78.50	80.50
Copper cathodes	66.95	68.98
Zinc ingots	27.25	–
Zinc concentrates	70.98	78.90
Iron concentrates	58.17	48.58
Others	39.91	14.47
Overall (included refinery products)	38.45	38.30
Overall (excluded refinery products)	69.26	69.23

The Group's overall gross profit margin was almost the same when compared with the same period last year.

In products classification, the average cost of gold has slightly increased from RMB49.65 per gramme in the first half of year 2006 to RMB50.71 per gramme in the first half of year 2007 as a result of the increase of prices of sodium cyanide and other raw materials, the average cost of copper has increased by RMB2,000 per tonne (except Ashele Copper) which was caused by: an inclusion of copper ores produced in infrastructure construction time in the first half of year 2006 (mining costs excluded); longer transportation distance from the mine to depot and prices increase of raw materials used in mining; lower down the mining grade and the difficulties in mining. Also, Deerni Copper Mine was in trial run and its production costs would be higher.

The profit margin of zinc ingots and zinc concentrates recorded a decrease when compared with the same period last year, which was mainly caused by a price change in zinc products. In addition, the sales of zinc products within the Group would affect the profit margin of zinc ingots and zinc concentrates. The mines in South-west area are relative small which causes higher production costs when compared with mines in Xinjiang and Inner Mongolia. It directly affects the profit margin of zinc concentrates.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution cost was RMB38.466 million in the period ended 30 June 2006 and RMB110.278 million in the period ended 30 June 2007 respectively, which was mainly attributable to the increased sales volume of iron concentrates, copper concentrates, and copper cathodes. The transportation cost was increased and has directly been booked under selling and distribution costs.

ADMINISTRATION COSTS

In the first half of year 2007, the Group's administration costs was RMB229.158 million which increased 18% over the same period of last year that was RMB194.16 million. The main reasons was that with the expansion of the Group, increased employees, and increased performance based bonus in some production enterprises increased expenses of salaries and welfares over the same period of last year.

FINANCE COSTS

In the first half of year 2007, the Group's finance cost was RMB130.898 million which increased by 231% over the same period last year (that was RMB39.467 million). It was mainly caused by an increase of the Group's investment in projects (including overseas projects) and increased loan of the Company and subsidiaries. During the reporting period, the short term finance and long term finance have been increased by RMB1,886.273 million and RMB1,040.635 million respectively over the same period last year. The increase in loan led to increase in interest costs.

OTHER OPERATING COSTS

In the first half of year 2007, the Group's other operating costs were RMB201.989 million which decreased RMB52.51 million over the same period last year. The main reason was that profit of fair value change of the Company's copper forward selling contracts was RMB72.26 million at the end of the reporting period, and the loss of fair value change of the Gold Mountains Hong Kong's financial assets held for trading was RMB3.67 million. The overall profit of fair value change was RMB68.589 million. The loss of settlement in forward contracts was decreased when compared with the same period last year.

WORKING CAPITAL AND SOURCES OF FUND

For 6 months ended 30 June, 2007, the Group's cash and cash equivalents were RMB2,244.85 million, increased by RMB1,074.25 million or 91.77% from previous year.

For 6 months ended 30 June, 2007, net cash in-flow generated from the Group's operating activities was RMB1,501.446 million, representing an increase of RMB1,046.086 million over the previous period in 2006. The main reasons for the increase in the cash-flow generated from the Group's operating activities were (i) increased prices of gold, copper, and zinc; (ii) increased sales volume of gold, copper and zinc.

Management Review and Analysis

For 6 months ended 30 June 2007, net cash out-flow from the Group's investment was RMB2,041.66 million, which represents an increase of RMB392.41 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, has successfully acquired some minority interests in subsidiaries, and some other enterprises, has increased the registered capital of some subsidiaries, 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 to certain extent from the corresponding period last year.

For 6 months ended 30 June 2007, net cash in-flow generated from the Group's financing activities was RMB836.197 million, which represents a decrease of RMB522.492 million from the corresponding period last year. The decrease in the net cash in-flow generated from the Group's financing activities was mainly due to distribution of substantial amount of dividend, which was RMB1,340 million during the reporting period (including the dividend to the Group's subsidiaries minority shareholders).

As at 30 June 2007, the Group's total borrowings amounted to RMB6,028.003 million (it was RMB3,111.095 million as at 30 June 2006). Among which, the amount repayable within one year was approximately RMB3,205.338 million, the amount repayable within one-year to two-years was approximately RMB174.5 million, the amount repayable within two to five years was approximately RMB2,414.735 million, and the amount repayable over five years was approximately RMB233.43 million. The interest rates of all the bank borrowings range between 2.25% to 6.7% (which it ranges from 2.55% to 6.696% for the same period last year).

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.

GEARING RATIO

Gearing ratio is defined the ratio of consolidated total liabilities to consolidated total equity. As at 30 June 2007, the Group's consolidated total liabilities was RMB8,536.431 million (it was RMB6,295.925 million as at 30 June 2006), and the Group's consolidated total equity was RMB5,403.327 million (it was RMB5,055.472 million as at 30 June 2006). As at 30 June 2007, the Group's gearing ratio was 1.58 (it was 1.25 as at 30 June 2006).

INVESTMENT STATUS

Formation of subsidiaries

Malipo Zijin Tungsten Co., Ltd.

Malipo Zijin Tungsten Co., Ltd. was established on 16 February 2007, and its registered capital was RMB0.1 billion, in which, the Group has invested RMB49 million therein, holding 49% of the shares. Malipo County State-owned Assets Holdings Company Limited invested RMB51 million, holding 51% of the shares. The initial investment was RMB20 million. Currently, the company is mainly engaged in restructuring the mining business and consolidating the tungsten mines and other mineral resources in Malipo County under the guidance of the government.

Xinjiang Wuqia Jinwang

The Group's wholly-owned subsidiary – Xinjiang Zijin Mining Company Limited (“Xinjiang Zijin”) entered into an agreement with Wuqia County Jinwang Mining Company Limited on 16 January 2007, pursuant to which its registered capital would be increased from RMB10 million to RMB100 million. Xinjiang Zijin has invested RMB60 million by cash, and holds 60% of the shares. The company's two original shareholders additionally invested a total of RMB30 million by cash and jointly hold 40% of the shares. The company is principally engaged in the development of Wulugan Lead Zinc Mine, which is currently in the exploration stage.

Shangri-la Huaxi Mining Company Limited

On 30 January 2007, Yunnan Huaxi Mineral Resources Company Limited (“Yunnan Huaxi”) and Mr. Zhang Bihong jointly invested and established Shangri-la Huaxi Mining Company Limited. Its registered capital is RMB10 million. Yunnan Huaxi invested RMB9 million, holding 90% of the shares. Mr. Zhang Bihong invested RMB1 million, holding 10% of the shares. The company increased its registered capital from RMB10 million to RMB40 million in March 2007. Each shareholder increased their investment proportionally by various installments. As at 28 March 2007, the company has received RMB17 million increased capital, the remaining RMB 13 million increased capital will be fully paid before March 2008. The company is principally engaged in geological exploration in the Yunnan Diqing state.

Fujian Taixin Resources Development Company Limited

On 3 April 2007, Fujian Zijin Investment Company Limited (“Zijin Investment”) entered into an agreement with the shareholders of Longyan Taixin Resources Development Company Limited (“Taixin Resources”), pursuant to which Zijin Investment unilaterally invested RMB6 million to increase the registered capital of Taixin Resources from RMB4 million to RMB10 million. Zijin Investment and the original shareholders of Taixin Resources held 60% and 40% of the shares respectively. The company is principally engaged in exploration and development of Wuping County Beizhai Gold Mine.

Management Review and Analysis

Shanghang Jinshan Mining Company Limited

On 18 June 2007, Fujian Zijin Investment Company Limited and Fujian Province Geologist Team Eight (“Geologist Team Eight”) jointly established Shanghang Jinshan Mining Company Limited, with registered capital of RMB50 million. Zijin Investment invested RMB35 million, and holds 70% of the shares. Geologist Team Eight invested RMB15 million, and holds 30% of the shares. Each shareholder invested proportionally in instalments. The initial investment was RMB10 million and each shareholder invested proportionally by instalments thereafter. The remaining capital will be fully paid within two years. The company is mainly engaged in the exploration and development of Shanghang Luoboling Copper Mine and Nanshanping – Shicao Copper Mine.

Fujian Longyan Zijin Reduction Iron Ball Company Limited

On 28 December 2006, Fujian Zijin Investment Company Limited established Fujian Longyan Zijin Reduction Iron Ball Company Limited. Its registered capital was RMB60 million, with initial investment of RMB12 million. Currently, it is in the pre-phase of techniques study and the design of the reduction iron ball production.

Xinjiang Jinhui Mining Development Company Limited

On 26 March 2007, Xinjiang Jinbao Mining Company Limited (“Xinjiang Jinbao”) and Fuyun County Fukun Mining Company Limited (“Fuyun County Fukun Mining”) jointly established Xinjiang Jinhui Mining Development Company Limited. Its registered capital was RMB5 million, whereas Xinjiang Jinbao invested RMB4.25 million, and holds 85% of the shares. Fuyun County Fukun Mining invested RMB0.75 million, and holds 15% of the shares. The company is principally engaged in the geological exploration in the Fuyun county.

Guangdong Xinyi Zijin Mining Company Limited

On 17 January 2007, Guangdong Xinyi Dongkeng Gold Mine Company Limited and Guangdong Xinyi Baoyuan Mining Company Limited merged as Guangdong Xinyi Zijin Mining Company Limited (“Xinyi Zijin”). The Group invested RMB80 million into Xinyi Zijin and holds 80% of the shares. Xiamen Minxing Investment Company invested RMB9.8 million, and holds 9.8% of the shares. Fujian Province Shanghang Tongkang Trading Company Limited invested RMB2.4 million, and holds 2.4% of the shares. Other six shareholders (natural persons) aggregately jointly invested RMB7.8 million and jointly hold 7.8% of the shares. The Group invested RMB63.9 million to acquire the 20% minority interest of Xinyi Zijin in March 2007. As a result, Guangdong Xinyi Zijin Mining Company Limited became a wholly-owned subsidiary of the Group.

Anhua Zijin Antimony Tungsten Mining Company Limited

Anhua Zijin Antimony Tungsten Mining Company Limited was established on 26 March 2007 with registered capital of RMB40 million. Hunan Zijin Mining Company Limited invested RMB38 million and holds 95% of the shares. Hunan Anhua Liaojiaping Antimony Tungsten Mine invested RMB2 million and holds 5% of the shares. Currently the company is mainly engaged in consolidating the antimony tungsten mining resources in the Anhua county under the guidance of the government.

Hunan Jinfeng Mining Company Limited

On 1 January 2007, the Group and its wholly-owned subsidiary Gold Mountains (HK) International Mining Company Limited (“Gold Mountains Hong Kong”) jointly established the Hunan Jinfeng Mining Company Limited with registered capital of RMB50 million. The Group invested RMB37.5 million and holds 75% of the shares. Gold Mountains Hong Kong invested RMB12.5 million and holds 25% of the shares. The initial capital injection is RMB25 million. The company principally engages in the exploration and development of vanadium mine.

Formation of Associated Companies

Acquisition of equity interest in Monterrico

On 5 February 2007, Xiamen Zijin Tongguan Investment Company Limited (“Zijin Tongguan”), an associate company of the Group, made an offer to Monterrico Metals plc (“Monterrico”), which was listed on AIM, the UK, to fully acquire its equity interest at the consideration of 350 pence per share. From the date of the announcement of such offer until 11 April 2007, Zijin Tongguan has acquired 50.17% equity interest in Monterrico. Zijin Tongguan then declared that such offer became unconditional, and such offer remained open until 27 April 2007. By 27 April 2007, Zijin Tongguan has acquired 89.9% equity interest in Monterrico, and has controlled a substantial and big copper molybdenum mine in Rio-blanco, Peru. This information was price sensitive and the Company has made announcements at each relevant stages of the acquisition.

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

Connected Transaction

Acquisition of the minority interest in Longkou Jintai Gold Company Limited

On 16 January 2007, the Group invested RMB90 million to acquire 39% equity interest in Longkou Jintai Gold Company Limited (“Longkou Jintai”) held by Longkou Jinxing Gold Company Limited. After the acquisition, the Group holds 90% equity interest in Longkou Jintai. The acquisition of minority interest constitutes a connected transaction, and the Group issued an announcement on 16 January 2007 accordingly.

Details of various connected transactions in relation to the purchase of goods, provision of services, etc. are set out in Note 12 to the financial report of the Company’s 2007 Interim Report.

OUTLOOK

Business Environment

We estimated that the global political and economic situation will remain the same in the second half of year 2007. The geopolitical tension, high oil price, the trend of US dollar, and the volume of gold production will not be changed substantially in a short period of time. The international gold price will maintain high, though the selling of gold by the central banks of some European countries stopped the rising of gold price. Copper price may become soft, but metals prices will remain high due to the speedy growth of the global economy, especially the Chinese economy. The macro economic environment will remain favourable for the mining industry.

Business Objectives

After considering the Group's production performance in the first half of year 2007, and the projected production and the actual production condition in the second half of year 2007, the Board has decided to adjust the production and operation plan of 2007. The Group plans to produce approximately 29 tonnes of gold in the second half of year 2007, of which 13 tonnes will be produced from mines, and 16 tonnes will be processed gold; approximately 26,000 tonnes of copper metal; approximately 70,000 tonnes of zinc metal, of which 20,000 tonnes zinc will be produced from mines, and 50,000 tonnes will be refinery zinc; and approximately 430,000 tonnes of iron concentrates.

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

Business Strategy

Gold Mine Business

In order to enhance gold production as a core business and to take the lead within the Group, Zijinshan Gold Copper Mine will endeavor to improve its production system, prepare for the joint open pit mining of gold and copper mine, so as to match the annual production objectives. Guizhou Shuiyindong Gold Mine will emphasize on the safety and environment protection measures and shall closely monitor their implementation. Its production will be organized in a scientific way so as to achieve the adjusted annual production objectives. Hunchun Zijin Shuguang Gold Copper Mine will ensure that it shall fully achieve the annual production objectives, and complete work for technological innovation and the expansion. Chongli Zijin will prepare an overall planning of production and technological innovation, and enhance the technological innovation and the expansion, while ensuring the fulfillment of the production objectives. Shanxi Zijin will focus on the examination and approval procedure of environment protection, and intensify the work on the exploring mines and increasing reserves. Luoyang Yinhui shall actively explore the sources of raw materials and control the risk of gold trading, while developing its own gold mine to obtain new profit. Other companies will strengthen their fundamental management, safety and environment protection management, and gradually consolidate the production foundation according to the actual situation of each mine.

Copper Mine Business

The Ashele Copper Mine will organize its production, improve the utilization of resources, accelerate the implementation of the 1,000t/d process system construction project, and further improve its production capacity. The Qinghai Deerni Copper Mine will conscientiously gather the experiences in the trial production, ensure and improve the operation efficiency of mechanical equipment, overcome the difficulties of production on a plateau, and achieve the production objectives as soon as possible. The Zijinshan Copper Mine will speed up the pits development under-ground and improve the safety facilities and stabilize the production capacity. The Duobaoshan Copper Mine will accelerate the prophase work of the project and try to start the project as soon as possible.

Zinc Mine Business

The Bayannaer Zinc Refinery Plan will stabilise its main production capacity and accelerate the recycling of valuable ingredients, explore the production of the pressing and casting alloy products, streamline the management of the company and improve the company's comprehensive competitiveness. Wulatehouqi will enhance the exploration in Sanguikou mining section and prepare the works for the development of the mine, while maintaining its normal production level, ensure the success of the trial of the newly established 200,000 tonnes per year process plant, and balance the mining and process work after capacity is increased.

Overseas Business

The ZGC Gold Mine Project in Tajikistan will reorganize its operation, including its employees, logistics, production system, salary adjustment, so as to promote the employee's morale and resume production capacity, and try to reduce its loss within this year.

In relation to the Rio-blanco Project in Peru, work will include active communication with local societies, continue to consolidate the resource reserves, adjust and prepare a practical development plan, and gradually implement the development of the project.

The Tuva Lead Zinc Mine will speed up the prophase preparation work, coordinate the relationship between the government of the Tuva Republic and among the shareholders, and try to get the working approval as soon as possible.

Other Business

The Mengku Iron Mine will further improve the mining and process capacity, and try to enhance the daily processing scale to more than 10,000 tonnes of ore, and to increase the sales channel, so as to achieve the sales plan fully.

The Fuyun Jinshan Reduction Iron Project will organize the preparation work of the trial run and to make the first trial a success and proceed to production during the year. Xinyi Zijin will accelerate the process of obtaining all the examination and approval of certain technological innovation projects, and target to obtain the working approval during the year.

Management Review and Analysis

Malipo Zijin will, after studying the market, get prepared for the resources integration project of the tungsten mines, and try to make progress in resources integration.

Resources Control

The Group will fully utilize its technical and management and brand name advantages, continue to increase the Group's reserve by merger and acquisition and other efficient methods, so as to further enhance the follow-up and operation of potential gold mine projects, highlight gold as the main business, and try to acquire domestic and overseas large gold mines in the second half of year 2007. The Group will also participate actively in the integration and the development of antimony tungsten mines and other minority minerals. Such development will introduce new business to the Group. The Group will also increase its investment in geological exploration, and try to make a breakthrough in the area of mine exploration and reserves volume.

Improve the Management

The Group will define clearly the relationship between and responsibilities of various departments within the Group and its subsidiaries for the purpose of strengthening the management of the subsidiaries and the investment projects by establishing simple and effective management system, and actively explore the best way of group management. Also, the Group will enhance the supervision and consciousness of environmental protection and safety to uplift the management standard in resources exploitation.

Share Capital and Shareholders

CHANGE OF SHARES

On 14 March 2007, the Company's shareholder – Fujian Xinquadu Engineering Co., Ltd. sold the holding of 532,000,000 shares Zijin's domestic shares. It sold 271,320,000 shares to Mr. Chen Fashu and 260,680,000 shares to Mr. Ke Xiping respectively.

On 14 March 2007, the Company's shareholder – Fujian Xinquadu Department Store Co., Ltd. sold 114,948,000 shares Zijin's domestic shares. It sold 87,561,599 shares to Mr. Chen Fashu, 15,798,361 to Mr. Chen Zhiyong, 3,862,680 shares to Mr. Chen Zhicheng, 3,862,680 shares to Mr. Liu Xiaochu, and 3,862,680 shares to Mr. Ye Lusheng respectively.

On 14 March 2007, the Company's shareholder – Shanghang County Jinshan Trading Co., Ltd. ("Jinshan Trading") sold 1,026,172,800 shares Zijin's domestic shares. It sold 176,244,000 shares to Mr. Li Rongsheng, 165,304,000 shares to Mr. Hu Yuesheng, 132,400,000 shares to Mr. Deng Ganbin, 123,600,800 shares to Ms. Chen Xiaoqing, 122,400,000 shares to Mr. Xie Fuwen, 105,648,000 shares to Mr. Lin Yu, 77,608,000 shares to Mr. Wu Wenxiu, 70,792,000 shares to Mr. He Xixiang, and 52,176,000 shares to Mr. Chen Yunlan.

The above-mentioned transfers have been filed to the domestic shares trust unit and also filed it to The Stock Exchange of Hong Kong Ltd. accordingly.

Shareholder	Amount of equity interest held (Domestic Shares)	Nature of interest	Long/short positions	Proximate percentage held in similar class of securities	Proximate percentage of shareholding in the registered capital
Chen Fashu	358,881,599	Personal	Long	4.91%	3.41%
Jinshan Trading	266,912,000	Company	Long	3.65%	2.54%
Ke Xiping (<i>Director</i>)	260,680,000	Personal	Long	3.57%	2.48%
Li Rongsheng	176,244,000	Personal	Long	2.41%	1.68%
Hu Yuesheng	165,304,000	Personal	Long	2.26%	1.57%
Deng Ganbin	132,400,000	Personal	Long	1.81%	1.26%
Chen Xiaoqing	123,600,800	Personal	Long	1.69%	1.18%
Xie Fuwen	122,400,000	Personal	Long	1.67%	1.16%
Lin Yu	105,648,000	Personal	Long	1.45%	1.00%
Wu Wenxiu	77,608,000	Personal	Long	1.06%	0.74%
He Xixiang	70,792,000	Personal	Long	0.97%	0.67%
Chen Yunlan	52,176,000	Personal	Long	0.71%	0.50%
Chen Zhiyong	15,798,361	Personal	Long	0.22%	0.15%
Chen Zhicheng	3,862,680	Personal	Long	0.05%	0.04%
Liu Xiaochu (<i>Director</i>)	3,862,680	Personal	Long	0.05%	0.04%
Ye Lusheng	3,862,680	Personal	Long	0.05%	0.04%

Share Capital and Shareholders

On 30 April 2007, the proposal regarding issue of new shares by capitalisation of the Company's surplus reserve fund was considered and approved at the Group's 2006 annual general meeting. Pursuant to which and on the basis of 10,513,047,280 shares in issue of RMB0.1 each at the end of 2006, new shares would be issued to shareholders on the basis of 2.5 new ordinary shares for every ten existing ordinary shares then.

Distribution of new shares by the Group was completed on 15 May 2007. New H shares issued by the capitalisation commenced trading on the Hong Kong Stock Exchange on 17 May 2007.

As at 30 June 2007, the Group had issued 13,141,309,100 ordinary shares of RMB0.1 each.

	30 June 2007	30 June 2006
Domestic Shares	9,135,869,100	7,308,695,280
H Shares	4,005,440,000	3,204,352,000
Total	13,141,309,100	10,513,047,280

Share Capital and Shareholders

SHAREHOLDING STRUCTURE

As at 30 June 2007, the Company had a total of 825 shareholders, of which 803 were holders of H shares (“H shares”) and 22 were holders of domestic shares (“Domestic Shares”). The shareholdings of the Company’s top ten shareholders are as follows:

No.	Shareholders’ names	Class of Shares	Number of Shares held (shares)	Approximate percentage of Shareholding in the registered capital
1.	Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	4,210,902,120	32.04%
2.	HKSCC Nominees Limited	H Shares	3,985,643,062	30.32%
3.	Xinhuadu Industrial Group Co., Ltd.	Domestic Shares	1,729,000,000	13.16%
4.	Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	475,000,000	3.61%
5.	Chen Fashu	Domestic Shares	448,601,999	3.41%
6.	Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	333,640,000	2.54%
7.	Ke Xiping	Domestic Shares	325,850,000	2.48%
8.	Li Rongsheng	Domestic Shares	220,305,000	1.68%
9.	Hu Yuesheng	Domestic Shares	206,630,000	1.57%
10.	Deng Ganbin	Domestic Shares	165,500,000	1.26%

Share Capital and Shareholders

SUBSTANTIAL SHAREHOLDERS

So far as the Director, supervisors and chief executive of the Company are aware, as at 30 June 2007, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and as recorded in the register required to be kept under section 336 of the SFO. Each of the substantial shareholders who owns 5% or more of the issued capital of the Company (as such term is defined in the Listing Rules) were as follows:

Name of Shareholder	Class of shares	Number of shares/equity interest held	Proximate percentage of shareholding in the registered capital	Proximate percentage of shareholding of Domestic shares	Proximate percentage shareholding in H shares	Long/short positions
Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	4,210,902,120	32.04%	46.09%	–	Long
Xinhuadu Industrial Group Company Limited	Domestic Shares	1,729,000,000 (Note 1)	13.16%	18.93%	–	Long
Chen Fashu	Domestic Shares	2,177,601,999 (Note 2)	16.57%	23.84%	–	Long
Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	475,000,000 (Note 3)	3.61%	5.2%	–	Long
Ke Xiping	Domestic Shares	800,850,000 (Note 4)	6.09%	8.77%	–	Long
Merrill Lynch & Co., Inc.	H Shares	754,291,163 (Note 5)	5.74%	–	18.83%	Long
Merrill Lynch & Co., Inc.	H Shares	2,459,000 (Note 6)	0.02%	–	0.06%	Short

Share Capital and Shareholders

Notes:

- (1) Xinhua Industrial Group Company Limited holds 1,729,000,000 Domestic Shares in the Company.
- (2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhua Industrial Group Company Limited, Under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 1,729,000,000 Domestic Shares in the Company. Mr. Chen Fashu also holds 448,601,999 Domestic Shares in the Company. Therefore, Mr. Chen Fashu is deemed to be interested in 2,177,601,999 Domestic Shares in the Company.
- (3) Xiamen Hengxing Industrial Company Limited holds 475,000,000 Domestic Shares in the Company.
- (4) Mr. Ke Xiping holds 95.4% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xi Ping is deemed to be interested in 475,000,000 Domestic Shares in the Company. Mr. Ke Xiping also holds 325,850,000 Domestic Shares in the Company. Therefore, Mr. Ke Xiping is deemed to be interested 800,850,000 Domestic Shares in the Company.
- (5) Merrill Lynch & Co., Inc. is interested in 754,291,163 H Shares (Long position) of the Company (representing approximately 18.83% of the total issued H Shares). 734,782,500 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch Group, Inc., ML Invest. Inc., ML Invest Holdings Ltd., Merrill Lynch Investment Managers Group Ltd. and Merrill Lynch Investment Managers Ltd. (on behalf of discretionary clients). 19,508,663 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe PLC., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings, and Merrill Lynch International.
- (6) Merrill Lynch & Co., Inc. is interested in 2,459,000 H Shares (Short position) of the Company (representing approximately 0.06 % of the total issued H Shares). 2,459,000 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch Group, Inc., ML Invest. Inc., ML Invest Holdings Ltd., Merrill Lynch Investment Managers Group Ltd. and Merrill Lynch Investment Managers Ltd. (on behalf of discretionary clients).

Save as disclosed above and so far as the Directors are aware, as at 30 June 2007, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Listing Rules) of the Company.

Share Capital and Shareholders

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007 (unaudited)

	Issued share capital	Share premium account	Statutory surplus reserve	Public welfare fund	Capital reserve	Retained profits	Proposed final dividend	Exchange fluctuation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	1,051,304	294,487	557,407	–	5,332	801,039	946,174	(3,715)	3,652,028
Dividend paid	–	–	–	–	–	–	(946,174)	–	(946,174)
Net profit for the period	–	–	–	–	–	1,201,833	–	–	1,201,833
Additional shares by conversion	262,827	(262,827)	–	–	–	–	–	–	–
Changes of fair value of available-for-sale financial assets	–	–	–	–	(1,956)	–	–	–	(1,956)
Exchange difference	–	–	–	–	–	–	–	(8,918)	(8,918)
At 30 June 2007	1,314,131	31,660	557,407	–	3,376	2,002,872	–	(12,633)	3,896,813
Balance at 1 January 2006	525,652	820,139	199,438	99,768	4,497	300,900	420,522	–	2,370,916
Dividend paid	–	–	–	–	–	–	(420,522)	–	(420,522)
Net profit for the period	–	–	–	–	–	662,089	–	–	662,089
Additional shares by conversion	525,652	(525,652)	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	(686)	(686)
At 30 June 2006	1,051,304	294,487	199,438	99,768	4,497	962,989	–	(686)	2,611,797

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

As at 30 June 2007, the interests of the Directors, Supervisors or the Chief Executive of the Company in the shares or equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange are as follows:

- (a) Shareholdings of Directors, Supervisors and Chief executive in the Company as at 30 June 2007:

Directors	Number of Domestic Shares/ amount of equity interest held	Nature of interest	Long/ short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Ke Xiping	800,850,000 (Note 1)	Company & personal	Long	8.77%	6.09%
Chen Jinghe	114,594,000	Personal	Long	1.25%	0.87%
Liu Xiaochu	4,828,350	Personal	Long	0.05%	0.04%

- (b) Shareholdings of Directors, Supervisors and Chief Executive in the Company's associated corporation as at 30 June 2007:

Directors	Name of subsidiaries	Amount of equity interests held	Nature of interests	Long/ short positions	Proximate percentage of shareholding registered in the capital
Chen Jinghe	Guizhou Zijin (Note 2)	2,340,000 (Note 3)	Company	Long	2.34%
Chen Jinghe	Bayannaer Zijin (Note 4)	3,000,000 (Note 5)	Company	Long	1.00%
Lan Fusheng	Guizhou Zijin (Note 2)	1,100,000 (Note 6)	Company	Long	1.10%

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

Notes:

- (1) Xiamen Hengxing Industrial Company Limited holds 475,000,000 Domestic Shares in the Company, Mr. Ke Xiping owns 95.4% interest in Xiamen Hengxing Industrial Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such shares. Mr. Ke Xiping also holds 325,850,000 Domestic Shares and therefore Mr. Ke Xiping holds 800,850,000 Domestic Shares in total.
- (2) Guizhou Zijin Mining Company Limited (“Guizhou Zijin”) is a subsidiary in which the Company beneficially owns 51%.
- (3) On 15 March 2006, Xiamen Hengxing Mining Company Limited, a shareholder of Guizhou Zijin Mining Company Limited (being a subsidiary of the Company) transferred 1,404,000 shares it held in Guizhou Zijin to Xiamen Jinhuang Technology Consultant Company Limited is held as to 34% by Mr. Chen Jinghe, a Director, and as to 32.7% by his wife Ms. Lai Jinlian. Mr. Chen Jinghe is accordingly deemed as being interested in such shares under Section 316 of the SFO. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.
- (4) Bayannaer Zijin Non-ferrous Company Limited (“Bayannaer Zijin”) is a subsidiary in which the Company beneficially owns 75%.
- (5) On 12 September 2006, 3 million shares were transferred to Xiamen Jinhuang Technology Consultant Co., Ltd. Xiamen Jinhuang Technology Consultant Co., Ltd. is held as to 34% by Mr. Chen Jinghe, a Director, and as to 32.7% by his wife Mrs. Lai Jinlian. Mr. Chen Jinghe is accordingly deemed as being interested in such shares under Section 316 of the SFO. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.
- (6) On 1 March 2007, Xiamen Hengxing Industrial Co., Ltd. is a shareholder of the Company’s subsidiary – Guizhou Zijin Mining Co., Ltd. (“Guizhou Zijin”) and sold 1.1 million shares of Guizhou Zijin to Xiamen Diyuan Investment Co., Ltd. (“Xiamen Diyuan”). Our director Mr. Lan Fusheng holds 51% interest of Xiamen Diyuan and his wife Ms. Lan Hongying holds 49% interest of Xiamen Diyuan. According to Section 316 of the SFO, Mr. Lan Fusheng is deemed to be a holder of all the interest in Xiamen Diyuan. The above-mentioned transfer has been filed to the domestic shares trust unit and also filed with The Stock Exchange of Hong Kong Ltd. accordingly.

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

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

INTERIM DIVIDEND

The Board proposed to pay no dividend for the 6 months ended 30 June 2007. (The dividend for the 6 months ended 30 June 2006 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 6 months' period ended 30 June 2007.

STAFF MEMBERS

As at 30 June 2007, the Company employed 1,723 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

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

Save as those disclosed above, for a period of 6 months ended 30 June 2007, the Board considered that the Group has adopted and complied with the code provisions of the Code on Corporate Governance Practices and has followed most of its recommended best practices with no deviation (for details, please refer to the Group's 2006 Annual Report).

AUDIT COMMITTEE

The audit committee has reviewed the Group's adopted accounting methods, standards, and principles, internal controls, and financial reports and has reviewed the unaudited financial report for the 6 months ended 30 June 2007. The audit committee agreed to the Group's financial report for the 6 months ended 30 June 2007 and the accounting methods, standards, and principles so adopted, and considered that it is in compliance with the legal and disclosure requirements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rules 3.10(1) and 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Company appointed sufficient number of independent non-executive directors and that at least one of them possesses the appropriate professional qualifications or accounting or related financial management expertise. The Company appointed 4 independent non-executive directors and one of them possesses accounting and related financial management expertise. Details of the independent non-executive directors have been provided in the Group's 2006 annual report.

SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

During the reporting period, the Company adopted the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) in Appendix 10 of the Listing Rules. Having made a detailed inquiry, it was noted that no director and/or supervisor of the Company has violated the requirements relating to securities transactions provided in the Model Code. As at 30 June 2007, the Group confirmed that all directors and supervisors complied with the Model Code.

UNAUDITED INTERIM RESULTS

The Group has appointed Ernst & Young Hua Ming, as external auditors in June 2007 to conduct an audit for the six months ended 30 June 2007 for its application for A shares listing. After a discussion between the Board and the external auditors, the Board considers that it is more appropriate to disclose the audited interim results at the same time as the publication of the A shares prospectus. Please however note that the timetable for the A shares issue may change from time to time by reference to the actual circumstances.

POST BALANCE SHEET EVENT

Acquisition of ZGC

Xinjiang Zijin Mining Company Limited entered into a share transfer agreement with a listed company in the UK – Avocet Mining PLC on June 28, 2007, to acquire its wholly-owned subsidiary – Commonwealth & British Minerals (UK) Limited (“CBML”) at a consideration of US\$55.1 million. CBML holds 75% of the equity interest in JV-Zeravshan LLC (“ZGC”) which was formed in Tajikistan. As a result, Xinjiang Zijin indirectly controls JV-Zeravshan LLC. JV-Zeravshan LLC is principally engaged in the production of gold in Tajikistan. As this acquisition constitutes a discloseable transaction, the Company announced it on 28 June 2007.

Heilongjiang Zijin Longxing Mining Company Limited

On 29 June 2007, the Group’s wholly-owned subsidiary – Zijin International Mining Company Limited (“Zijin International”) and Heilongjiang Longxing International Resources Development Group Company Limited (“Heilongjiang Longxing”) entered into a share transfer agreement, pursuant to which, Zijin International acquired 70% equity interest in Heilongjiang Longxing’s wholly-owned subsidiary– Heilongjiang Zijin Longxing Mining Company Limited (“Heilongjiang Zijin Longxing”) at the consideration of RMB3.5 million. On 29 June 2007, Heilongjiang Zijin Longxing increased its registered capital from RMB5 million to RMB100 million and such increase was contributed by each shareholder proportionally by their respective shareholdings. Russia Siberia Longxing Company is a wholly-owned subsidiary of Heilongjiang Zijin Longxing. Russia Siberia Longxing Company owns a development right of Tuva Lead Zinc Mine by bidding the same in an international public auction.

Fujian Haixia Kehua Joint Stock Company Limited

On 30 June 2007, the Group has entered into an agreement with Fujian Jidian (Holdings) Company Limited (“Jidian Holdings”) to jointly establish the Fujian Haixia Kehua Joint Stock Company Limited (“Haixia Kehua”) with a registered capital of RMB230 million. Jidian Holdings subscribed 165.6 million shares (representing 72% shareholdings) by assessed assets in kind. The Group subscribed 64.4 million shares (representing 28% shareholdings) by cash. Haixia Kehua is mainly engaged in the production and sales of explosion equipments, and explosion projects and technical consulting services for civilian use. As at the date of this report, the company is still in preparation stage and has not been established yet.

Hunchun SMEs Investment Security Centre

On 13 July 2007, Hunchun Zijin Mining Company Limited (“Hunchun Zijin”), Yanbianzhou SMEs Credit Security Centre (“Credit Security Centre”), and eight county and municipal financial bureaus in Yanji City jointly established the Hunchun SMEs Investment Security Centre with a registered capital of RMB0.2 billion. Credit Security Centre invested RMB80 million and holds 40% of the shares. Hunchun Zijin invested RMB50 million and holds 25% of the shares. Other eight county level/municipal Financial Bureaus invested RMB70 million in total and hold 35% of the shares. The initial paid-up capital is RMB 100 million, of which, Credit Security Centre will invest RMB80 million, Hunchun Zijin will invest RMB20 million, and remaining registered capital will be fully paid within two years.

Hunchun Jindi Tungsten Company Limited

On 28 July 2007, Hunchun Zijin Mining Company Limited, Jilin Haorong Non-ferrous metals Group (“Haorong Non-ferrous”), Jilin Dadi Non-ferrous Geological Exploration Company Limited (“Dadi Exploration”), Hunchun Frontier Economics Cooperation Infrastructure Investment Company Limited (“Infrastructure Investment”), and China Steel Group Jilin Ferroalloy Joint Stock Limited (“China Steel Ferroalloy”) have entered into the “Jointly Exploration and Development of Jilin Hunchun Yangjingou Tungsten Gold Mine Agreement”. According to the agreement, all parties agreed to invest in the establishment of the Hunchun Jindi Tungsten Company Limited to jointly explore and develop the Yangjingou Tungsten Gold Mine. The company’s initial registered capital is RMB100 million, of which, Hunchun Zijin, Haorong Non-ferrous, Dadi Exploration, Infrastructure Investment and China Steel Ferroalloy will invest RMB40 million, RMB20 million, RMB15 million, RMB15 million and RMB10 million and hold 40%, 20%, 15%, 15%, and 10% of the shares respectively. As at the date of this report, the company is still in the preparation stage and has not been established yet.

DISPOSAL OF INTERESTS IN THE COMPANY'S ASSOCIATED CORPORATION BY DIRECTORS

1. On 10 July 2007, Mr. Chen Jinghe, a Director and his wife Ms. Lai Jinlian sold their shareholding of 34% and 32.7% respectively of Xiamen Jinhuang Technology Consultant Company Limited to independent party. Xiamen Jinhuang Technology Consultant Company Limited holds 2,340,000 shares of Guizhou Zijin (the Company's subsidiary) and 3,000,000 shares of Bayannaer Zijin (the Company's subsidiary). After the disposal of such interests, Mr. Chen Jinghe and Ms. Lai Jinlian do not hold any interest in these companies. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.
2. On 10 July 2007, Mr. Lan Fusheng, a Director and his wife Ms. Lan Hongying sold their shareholding of 51% and 49% respectively of Xiamen Diyuan Investment Co., Ltd. to independent party. Xiamen Diyuan Investment Co., Ltd. holds 1,100,000 shares of Guizhou Zijin (the Company's subsidiary). After the disposal of such interests, Mr. Lan Fusheng and Ms. Lan Hongying do not hold any interest in the company. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.

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

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

Fujian, China
15 August 2007

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

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

Condensed Consolidated Income Statement

For 6 months ended 30 June 2007

	Note	For the 6 months ended 30 June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Turnover	2	6,673,418	3,949,243
Cost of sales	3	(4,107,399)	(2,427,797)
Gross profit		2,566,019	1,521,446
Other Income and gains	2	151,956	104,654
Selling and distribution costs		(110,278)	(38,466)
Administrative expenses		(229,158)	(194,160)
Finance costs	4	(130,898)	(39,467)
Other operating costs		(201,989)	(254,499)
Share of profit of associates		51,086	6,705
Profit before tax		2,096,738	1,106,213
Tax	5	(453,599)	(212,850)
Profit before minority interests		1,643,139	893,363
Net profit from ordinary activities attributable to shareholders		1,201,833	662,089
Minority interests		441,306	231,274
		1,643,139	893,363
Proposed interim dividend		–	–
Earnings per share – basic	6	RMB0.09	RMB0.05

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant & equipment		4,928,592	4,356,320
Land use rights		91,018	96,077
Long term deferred assets		377,807	249,782
Other assets		812,787	854,279
Intangible assets		969,227	885,516
Goodwill	8	202,405	134,141
Interest in associates	9	1,357,101	762,187
Interest in joint-controlled entities		259,620	5,937
Other investments		336,534	274,163
Deferred tax assets		29,839	51,942
Total non-current assets		9,364,930	7,670,344
CURRENT ASSETS			
Inventories		994,541	939,507
Prepayments, deposits and other receivables	10	856,007	476,070
Trade receivables	7	279,537	180,874
Bills receivables		68,346	13,105
Equity investments at fair value through profit & loss		77,841	80,003
Pledged cash		53,704	49,585
Cash and cash equivalents		2,244,852	1,939,909
Total current assets		4,574,828	3,679,053
CURRENT LIABILITIES			
Accrued liabilities and other payables		1,356,289	1,237,441
Trade payables		365,956	307,888
Interest-bearing bank loans	11	3,205,338	1,448,917
Government grants		20,811	14,650
Tax payable		287,618	328,763
Derivative financial instruments		85,138	157,399
Total current liabilities		5,321,150	3,495,058
NET CURRENT ASSETS		(746,322)	183,995
TOTAL ASSETS LESS CURRENT LIABILITIES		8,618,608	7,854,339

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	11	2,822,665	2,608,665
Provision for land restoration and environmental costs		58,041	50,856
Other long term payables		334,575	141,346
Deferred tax liabilities		–	–
Total non-current liabilities		3,215,281	2,800,867
NET ASSETS			
EQUITY			
Equity attributable to equity holders of the Parent			
Issued capital		1,314,131	1,051,304
Reserves		2,582,682	2,600,724
		3,896,813	3,652,028
MINORITY INTERESTS			
		1,506,514	1,401,444
TOTAL EQUITY			
		5,403,327	5,053,472

Condensed Consolidated Cash Flow Statement

As at 30 June 2007

	For the 6 months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Net cash inflow from operating activities	1,501,446	455,356
Net cash outflow from investing activities	(2,041,663)	(1,649,247)
Net cash inflow from financing activities	836,197	1,358,691
Net increase/(decrease) in cash and cash equivalent	295,980	164,800
Cash and cash equivalent at beginning of the period	1,939,408	1,005,801
Cash and cash equivalent at end of the period	2,235,388	1,170,601

Notes to the Condensed Financial Statements

As at 30 June 2007

1. ACCOUNTING POLICIES

The condensed financial statements were prepared in accordance with Interim Financial Reporting of International Financial Reporting Standards.

The policies adopted to prepare these consolidated interim financial statements are consistent with the policies adopted to prepare the financial statements for the year ended 31 December 2006.

2. TURNOVER, REVENUE AND GAINS

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

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

	For the 6 months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Turnover:		
Sale of gold	3,904,350	3,203,256
Sale of iron concentrates	176,837	18,882
Sale of copper concentrates	887,556	543,159
Sale of copper cathodes	147,204	117,381
Sale of zinc concentrates	60,062	63,412
Sale of zinc ingots	1,478,129	–
Others	84,479	26,098
Less: Sales taxes and levies (note)	(65,199)	(22,945)
	6,673,418	3,949,243
Other revenue:		
Interest income	10,572	3,833
Rental income	1,832	624
Processing income	96	4
Dividend income from other investment	19,187	11,444
Profit from jointly-controlled operations	13,634	–
Others	34,374	23,063
	79,695	38,968
Gains:		
Gain on a transaction	–	–
Available-for-sale investment at fair value through profit or loss	72,261	55,780
Gain on disposal of equity interest in associated companies	–	9,906
Amortisation of negative goodwill	–	–
	72,261	65,686
	151,956	104,654

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

Notes to the Condensed Financial Statements

As at 30 June 2007

2. TURNOVER, REVENUE AND GAINS (Continued)

2.1 Segment Report (Unaudited)

30 June 2007

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

30 June 2006

Item	Gold ingots RMB'000	Gold ingots (Processed gold) RMB'000	Copper cathodes RMB'000	Zinc ingots RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:								
Sales to external customers	1,422,707	1,780,090	114,888	–	626,551	5,007	–	3,949,243
Intersegment sales	–	–	–	–	–	47,470	(47,470)	–
Total	1,422,707	1,780,090	114,888	–	626,551	52,477	(47,470)	3,949,243
Segment results	838,327	2,781	52,098	–	305,187	(3,395)	–	1,194,998
Interest and dividend income								15,277
Unallocated expenses								(71,300)
Finance costs								(39,467)
Share of profits and losses of associates	–	–	–	–	6,705	–	–	6,705
Profit before tax								1,106,213
Tax								(212,850)
Profit for the year								893,363

Notes to the Condensed Financial Statements

As at 30 June 2007

3. PROFIT FROM OPERATING ACTIVITIES

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

	For the 6 months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Cost of inventory sold	4,063,777	2,400,500
Provision for land restoration and environmental costs	7,186	6,087
Amortisation of land use rights*	2,629	1,998
Amortisation of long term deferred assets*	11,638	8,224
Amortisation of intangible assets*	22,169	10,988
	4,107,399	2,427,797
Depreciation (note (i))	171,585	114,694
Research expenditures	20,218	19,001
Staff costs (Including Directors, Supervisors, and Senior Staff)		
Salaries and remunerations (note (ii))	286,861	104,408
Retirement benefits – defined contribution fund (note (iii))	14,680	6,579
	301,541	110,987
Provision for obsolete stock (writeback)	48	–
Provision for bad and doubtful trade receivables**	(95)	–
Provision for bad and doubtful other receivables (writeback)**	(1,817)	297
Provision for intangible assets(writeback)**	10,000	–
Provision for non-current assets(writeback)**	178	–
Loss on disposal of fixed assets**	3,547	(282)
Donations**	108,811	12,017
Amortisation of goodwill**	–	–
Provision for devaluation of equity investment	–	2,822

* 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 to the Condensed Financial Statements

As at 30 June 2007

3. PROFIT FROM OPERATING ACTIVITIES (Continued)

Notes:

- (i) Depreciation cost of approximately RMB171,585,000 was included in the cost of sales for the six months ended 30 June 2007 (2006: RMB114,694,000).
- (ii) Staff costs of approximately RMB286,861,000 were included in the cost of sales for the six months ended 30 June 2007 (2006: RMB104,408,000).
- (iii) According to relevant rules and regulations of the PRC, the Company and its subsidiaries all are required to 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.

4. FINANCE COSTS

	For the 6 months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest paid on bank loans repayable within five years	144,192	63,344
Less: Amount capitalised as construction in progress	(13,294)	(23,877)
	130,898	39,467

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 2.25% to 6.7% per annum (2006: 2.55% to 6.696% per annum).

Notes to the Condensed Financial Statements

As at 30 June 2007

5. TAX

	For the 6 months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Group:		
Current – Hong Kong	–	–
– Mainland China	402,826	212,850
Underprovision/(Overprovision) in the previous years	28,334	–
Overprovision in the period	22,439	–
	453,599	212,850

- (1) Pursuant to “Guo Shui Fa [2002] No. 47” issued by the State Council of the PRC and “Qian Di Shui Han [2003] No.317” issued by the local tax bureau of Guizhou Province, Guizhou Zijin Mining Company Limited (“Guizhou Zijin”), located in the western region of Mainland China, was granted a tax concession to pay PRC income tax at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations in specified regions with retroactive effect from 1 January 2004 to 31 December 2010. Guizhou Zijin paid profit tax at a preferential rate of 15% for the years from 2004 to 2007.
- (2) Pursuant to “Cai Shui Zi [1986] No. 122” and “Cai Shui Zi [1987] No. 115” issued by Ministry of Finance and State Tax Bureau respectively, Xiamen Zijin Technology Company Limited (“Xiamen Zijin”) is charged at the preferential tax rate of 15% from 2004 to 2007, since it is established in the Xiamen’s economic region.
- (3) Pursuant to “Guo Fa [2000] No. 33”, “Guo Ban Fa [2001] No. 73”, and “Ha Di Shui Han [2005] No. 80” issued by the State Council, General Office of the State Council, and local tax bureau of HaBahe County respectively, Ashele Copper Company Limited (“Ashele Copper”) is exempted from corporate income tax for a period from 1 January 2005 to 31 December 2009. In addition, Ashele Copper was granted a tax concession at a preferential rate of 15% from 2010 onwards.
- (4) Pursuant to “Guo Shui Fa [1996] No. 23”, “Guo Ban Fa [2001] No. 73”, “Yun Guo Shui Han [2005] No. 120”, and “Kun Guo Shui Han [2005] No. 191” issued by the State Tax Bureau, General Office of the State Council, State Tax Bureau in Yunnan and State Tax Bureau in Kunming respectively, Yunnan Huaxi Mining Resources Company Limited (“Yunnan Huaxi”) is exempted from corporate income from 1 January 2004 to 31 December 2006 and was granted a tax concession of 50% reduction for the years 2007 and 2008.

Notes to the Condensed Financial Statements

As at 30 June 2007

5. TAX (Continued)

- (5) Pursuant to "Guo Shui Han [2003] No. 1239", "Guo Shui Fa [2005] No. 129", issued by the State Tax Bureau, and "Ji Guo Shui Han [2005] No. 43", "Ji Guo Shui Han [2006] No. 80" issued by the state tax bureau of Jilin Province, Hunchun Zijin Mining Company Limited ("Hunchun Zijin") was confirmed as a newly formed enterprise located in "old district, minority tribes area, frontier area, and poor area" and qualified as promoted enterprise in western area and Hunchun Zijin was exempted from corporate income tax for the years 2004 and 2005 and was granted a tax concession of 15% reduction for the years 2006 to 2010.
- (6) Pursuant to "Cai Shui Zi [1994] No. 001", "Yun Guo Shui Fa [1998] No. 165", "Yun Guo Shui Han [2005] No. 136", issued by Ministry of Finance and the State Tax Bureau, and State Tax Bureau in Yunnan respectively, Yingjiang Hualong Mining Company Limited ("Yingjiang Hualong") was exempted from corporate income tax from year 2005 to year 2007.
- (7) Pursuant to Inland Revenue Ordinance of Hong Kong, Gold Mountains (Hong Kong) International Mining Company Limited's ("Gold Mountains Hong Kong") profit tax will be provided at a rate of 17.5%.

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			
	2007		2006	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited) (Adjusted)	%
Profit before tax	2,096,738		1,106,213	
At the PRC statutory tax rate	691,923	33.0	365,050	33.0
Expenses not deductible for tax	12,062	0.58	–	–
Income not subject to tax	(5,159)	(0.25)	–	–
Differential tax rate on the profit of certain subsidiaries	(256,703)	(12.24)	(152,200)	(13.75)
Profit attributable to associates and jointly controlled entities	(16,858)	(0.8)	–	–
Overprovision in prior years	28,334	1.35	–	–
Tax charge at the Group's effective rate	453,599	21.64	212,850	20.07

Notes to the Condensed Financial Statements

As at 30 June 2007

5. TAX (Continued)

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

6. EARNINGS PER SHARE

On the basis of the Group's net profit from ordinary activities attributable to shareholders in the amount of RMB1,201,833,000 during the reporting period (Six months ended 30 June 2006: RMB662,089,000) and the total number of 13,141,309,100 ordinary shares in issue during the reporting period, the earnings per share attributable to the ordinary shareholders of the Company is RMB0.09. (The total number of issued shares the Company was 13,141,309,100 as at 30 June 2007 and 10,513,047,280 as at 30 June 2006 respectively. For the purpose of providing comparable figures, the earnings per share as at 30 June 2006 was RMB0.05 on the basis of increasing 25% the number of shares as at 30 June 2006 to 13,141,309,100 ordinary shares.)

Diluted earnings per share amount have not been disclosed as there were no potential dilutive ordinary shares outstanding in 2007 and 2006.

7. TRADE RECEIVABLES

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

	Group		Company	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within 4 months	100,810	114,424	73,609	46,102
Over 4 months but within 12 months	177,091	65,702	476	14,090
Over 1 year but within 2 years	1,137	615	259	83
Over 2 years	499	133	8	30
	279,537	180,874	74,352	60,305

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

Notes to the Condensed Financial Statements

As at 30 June 2007

8. GOODWILL

Group

	RMB'000
Net book value as at 31 December 2006 (audited)	134,141
Acquisition of subsidiaries	–
Acquisition of shareholdings from minorities	68,264
Net book value as at 30 June 2007 (unaudited)	202,405

9. INTEREST IN ASSOCIATES

	Group and Company	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Share of net assets of associates	1,357,101	762,187
Negative goodwill arising on acquisition of an associate, less amortisation	–	–
	1,357,101	762,187

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Fujian Longyan Makeng Mining Co., Ltd.	Corporate	PRC	31.50%	Iron mining
Shanghang Ting River Hydro-electric Co., Ltd.	Corporate	PRC	49%	Electricity generation
Wuping Zijin Hydro-electric Co., Ltd.	Corporate	PRC	48%	Electricity generation

Notes to the Condensed Financial Statements

As at 30 June 2007

9. INTEREST IN ASSOCIATES (Continued)

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Tibet Yulong Copper Co., Ltd.	Corporate	PRC	39%	Copper mining
Fujian Jintian Zijin Mining Co., Ltd.	Corporate	PRC	40%	Mine exploration & development
Fujian Jinyi Copper Co., Ltd.	Corporate	PRC	40%	Copper product production
Heilongjiang Duobaoshan Copper Co., Ltd.	Corporate	PRC	31%	Copper mining
Wancheng Shangwu Mining Co., Ltd.	Corporate	PRC	25%	Zinc mining
Xiamen Zijin Tongguan Investment Co., Ltd.	Corporate	PRC	45%	Mine investment

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

As at 30 June 2007, the Group mainly made RMB856,007,000 as prepayments for the raw materials to be purchased by Bayannaer Zijin Zinc Refinery Plant and Luoyang Yinhui Gold Refinery Plant (31 December 2006: RMB476,070,000) under the heading of Prepayments, Deposits and Other Receivables.

Notes to the Condensed Financial Statements

As at 30 June 2007

11. INTEREST-BEARING BANK LOANS

	Group		Company	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Total bank loans	6,028,003	4,057,582	3,329,013	1,994,035
Less: Amounts due within one year included under current liabilities	(3,205,338)	(1,448,917)	(1,753,978)	(404,000)
Amounts due after one year	2,822,665	2,608,665	1,575,035	1,590,035
Bank loans:				
Unsecured	5,920,643	3,307,152	3,329,013	1,994,035
Secured	107,360	750,430	–	–
	6,028,003	4,057,582	3,329,013	1,994,035
Bank loans repayable:				
Within one year	3,205,338	1,448,917	1,753,978	404,000
Between one and two years	174,500	727,000	–	184,800
Between two and five years	2,414,735	1,787,235	1,550,235	1,405,235
More than five years	233,430	94,430	24,800	–
	6,028,003	4,057,582	3,329,013	1,994,035

The bank loans carry interest at rates ranging from 2.25% to 6.7% (2006: 2.55% to 6.696%) per annum.

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

Notes to the Condensed Financial Statements

As at 30 June 2007

12. CONNECTED TRANSACTIONS

In accordance with the Listing Rules 14A.45, the Company disclosed all the connected transactions related to purchases of commodities, providing services and other continuous transactions.

All details have been disclosed in the Company's annual report 2006. As at 30 June 2007, there is no change in all these connected transactions.

The summary of the Group's connected transactions for the period up to 30 June 2007 are as the following:

Connected Party	Relationship with the Company	Date of the Agreement signed	Nature of Transaction	Amount up to 30 June 2007 RMB' 000 (Unaudited)	Amount up to 30 June 2006 RMB' 000 (Unaudited)
1. Commodities purchase/sales from connected party					
1.1 Shanghang Jinshan Trading Co., Ltd.	A shareholder of the Company	Date of each transaction	Purchase building materials	1,844	–
1.2 Xinjiang Non-ferrous Group Co., Ltd.	A shareholder of Xinjiang Ashele	Date of each transaction	Purchase raw materials	324	72
2. Services provided by connected party					
2.1 Guizhou Geology and Mineral Exploration Bureau 105 Team	Shareholder of a non-wholly owned subsidiary – Guizhou Zijin	19 February 2003	Geology exploration services	1,099	120
2.2 Fujian Shanghang Fuxin Mining Engineering Co., Ltd.	Shareholder of a non-wholly owned subsidiary – Anhui Zijin Mining Co., Ltd.		Construction Services	1,778	–
2.3 Fujian Xinhua Engineering Co., Ltd.	A shareholder of the Company	3 May 2000, 4 November 2002	Stripping	70,930	37,393
2.4 Fujian Shanghang Hongyang Mine Engineering Co., Ltd.	Shareholder of two subsidiaries	26 September 2000, 15 April 2002, 25 April 2003	Stripping	37,208	34,964

Notes to the Condensed Financial Statements

As at 30 June 2007

12. CONNECTED TRANSACTIONS (Continued)

Connected Party	Relationship with the Company	Date of the Agreement signed	Nature of Transaction	Amount up to 30 June 2007 RMB' 000 (Unaudited)	Amount up to 30 June 2006 RMB' 000 (Unaudited)
2.5 Xiangyun Feilong Enterprise Co., Ltd.	Shareholder of the Group's non-wholly owned subsidiary- Yingjiang Hualong	December 2005	Mine exploration works	-	948
2.6 Sichuan Geology and Mineral Exploration Bureau Team	Shareholder of a non-wholly owned subsidiary – Sichuan Ganzi Zijin Mining Co., Ltd.		Mine exploration works	35	42
2.7 Anhui Geology and Mineral Exploration Bureau 321 Team	Shareholder of a non-wholly owned subsidiary – Anhui Tongling Zijin Mining Co., Ltd.		Mine exploration works	-	50
2.8 Fuyun Jinbao Transportation Co., Ltd.	Shareholder of a non-wholly owned subsidiary – Xinjiang Jinbao		Transportation Services	-	6,864
3. Provide services to connected party					
3.1 Xiamen Hengxing Industrial Co., Ltd.	A shareholder of the Company	1 December 2003	Catering and property leasing	-	117
4. Provide financial assistance to connected party					
4.1 Sichuan Geology and Mineral Exploration Bureau Xibei Team	Shareholder of Songpan Zijin Industrial and Commercial Co., Ltd.			-	2,900
4.2 Hebei Chongli National Assets Management Centre	Shareholder of Hebei Congli Zijin Mining Co., Ltd.		Loan	-	4,000

Notes to the Condensed Financial Statements

As at 30 June 2007

12. CONNECTED TRANSACTIONS (Continued)

Connected Party	Relationship with the Company	Date of the Agreement signed	Nature of Transaction	Amount up to 30 June 2007 RMB' 000 (Unaudited)	Amount up to 30 June 2006 RMB' 000 (Unaudited)
4.3 Xiamen Zijin Tongguan Investment Co., Ltd.	Associate of the Company		Loan	30,197	-
5. Financial assistance provided by connected party					
5.1 Xinjiang Non-ferrous Industrial (Group) Co., Ltd.	Shareholder of Ashele Copper	8 May 2003, 9 May 2003	Loan guarantee to subsidiaries (a maximum amount of RMB116,000,000)	26,180	177,000
5.2 Xiamen Zijin Tongguan Investment Co., Ltd.	Associate of the Company		Loan	225,000	-
6. Provide financial assistance to non-wholly owned subsidiary					
6.1 Xinjiang Ashele Copper Co., Ltd.	Non-wholly owned subsidiary	8 May 2003, 9 May 2003	Provide loan guarantee to a subsidiary of the Company	77,000	177,000
6.2 Fujian Zijin Copper Co., Ltd.	Non-wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	290,000	50,000
6.3 Guizhou Zijin Mining Co., Ltd.	Non-wholly owned subsidiary	21 January 2003	Provide loan guarantee to a subsidiary of the Company	10,000	20,000

Notes to the Condensed Financial Statements

As at 30 June 2007

12. CONNECTED TRANSACTIONS (Continued)

Connected Party	Relationship with the Company	Date of the Agreement signed	Nature of Transaction	Amount up to 30 June 2007 RMB' 000 (Unaudited)	Amount up to 30 June 2006 RMB' 000 (Unaudited)
6.4 Fujian Zijin Investment Co., Ltd.	A wholly owned subsidiary	15 November 2005	Provide loan guarantee to a subsidiary of the Company	80,000	20,000
6.5 Beijing Zijin International Co., Ltd.	A wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	-	30,000
6.6 Yunnan Huaxi	Non-wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	165,000	-
6.7 Fujian Shanghang Zijin Hydro-electronic Co., Ltd.	Non-wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	40,000	-
6.8 Qinghai West Copper Co., Ltd.	Non-wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	130,000	-
6.9 Bayannaer Zijin	Non-wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	250,000	-

Notes to the Condensed Financial Statements

As at 30 June 2007

12. CONNECTED TRANSACTIONS (Continued)

Connected Party	Relationship with the Company	Date of the Agreement signed	Nature of Transaction	Amount up to 30 June 2007 RMB' 000 (Unaudited)	Amount up to 30 June 2006 RMB' 000 (Unaudited)
6.10 Xiamen Zijin Technology Co., Ltd.	A wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	7,000	–
6.11 Tongling Zijin Investment Co., Ltd.	A wholly owned subsidiary	2006	Provide loan guarantee to a subsidiary of the Company	35,000	–
7. Provide loan guarantee to associate company					
7.1 Fujian Longyan Makeng Mining Co., Ltd.	An associate company	15 November 2002	Provide loan guarantee to an associate company of the Company	11,250	11,250
7.2 Xiamen Zijin Tongguan Investment Co., Ltd.	An associate company	6 June 2007	Provide loan guarantee to an associate company of the Company	297,000	–

Notes to the Condensed Financial Statements

As at 30 June 2007

12. CONNECTED TRANSACTIONS (Continued)

Connected Party	Nature of Transaction	Note	January 2007 to June 2007 RMB	January 2006 to June 2006 RMB
8. Acquire equity interest from connected party				
8.1 Minority shareholders of Xinyi Zijin	Acquire 20% equity interest of Xinyi Zijin	(1)	63,900,000	–
8.2 Longkou Jinxing Gold Co., Ltd.	Acquire 39% equity interest of Longkou Jintai	(2)	90,000,000	–
8.3 Shareholder (natural person) of Longkou Jinye Investment Co., Ltd. ("Longkou Jinye")	Acquire 7.32% equity interest of Longkou Jinye	(3)	7,245,110	–
8.4 Shareholder (natural person) of Longkou Jinfeng Co., Ltd. ("Longkou Jinfeng")	Acquire 0.15% equity interest of Longkou Jinfeng	(4)	5,550,718	–

Notes:

- (1) Pursuant to the equity transfer agreement, entered into between the Company, and minority shareholders of Xinyi Zijin on 26 March 2007, the Company acquired their 20% shareholdings of Xinyi Zijin at a consideration of RMB63.9 million. After the transfer, the Company holds 100% shareholding of Xinyi Zijin.
- (2) Pursuant to the equity transfer agreement on 16 January 2007, the Company acquired 39% shareholding in Longkou Jintai held by Longkou Jinxing Gold Co., Ltd. at a consideration of RMB90 million. After the completion, the Company holds 90% shareholding of Longkou Jintai.
- (3) Pursuant to the equity transfer agreement on 1 February 2007, Hunchun Zijin acquired 7.32% shareholding of Longkou Jinye held by its minority shareholders at a consideration of RMB7,245,110. After the completion, Hunchun Jinfeng and Hunchun Zijin hold 100% shareholding of Longkou Jinye in total.
- (4) Pursuant to the equity transfer agreement on 1 February 2007 entered into between the Company and minority shareholders of Longkou Jinfeng, the Company acquired their 0.15% shareholding in Longkou Jinfeng at a consideration of RMB5,550,718. After the completion, Longkou Jinye, Hunchun Zijin and the Company aggregately hold 100% shareholdings in Longkou Jinfeng.



ZiJin

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