

Contents

2	Corporate Information
4	Financial Highlights
6	Chairman's Statement
12	Management Discussion and Analysis
16	Directors, Supervisors and Senior Management
20	Report of the Directors
39	Report of the Supervisory Committee
41	Report of the Auditors
42	Consolidated Income Statement
43	Consolidated Balance Sheet
44	Consolidated Statement of Changes in Equity
45	Consolidated Cash Flow Statement
47	Balance Sheet
48	Notes to the Financial Accounts
104	Notice of Annual General Meeting


Corporate Information

GENERAL

Fujian Zijin Mining Industry Co., Ltd. (the “Company”) was incorporated on 6 September 2000 with the approval of the People’s Government of Fujian Province as a joint stock limited company in the PRC by Minxi Xinghang State-owned Assets Investment Company Limited (formerly known as Minxi Xinghang Industrial Company Limited), Shanghang County Jinshan Trading Company Limited, Xinhua Industrial Company Limited, Fujian Xinhua Engineering Company Limited (formerly known as Shanghang County Huadu Construction Engineering Company), Xiamen Hengxing Construction & Decoration Materials Company Limited, Fujian Xinhua Department Store Company Limited, Fujian Gold Group Company Limited, and Fujian Minxi Geologist as its promoters.

In December 2003, 400,544,000 H Shares were issued by the Company (including the 36,413,090 State-owned Shares converted into H Shares) and was listed on the Stock Exchange of Hong Kong Limited on 23 December 2003. The Company was the first mainland gold production enterprise to be listed overseas. Currently, the Company has a total of 1,314,130,910 Shares of RMB 0.1 each, of which 400,544,000 Shares are listed, representing 30.48% of the total share capital of the Company.

The Company is a comprehensive mining conglomerate primarily engaged in gold production, and specifically engaged in the exploration, mining, processing, refining of gold and non-ferrous metals and other mineral resources, and the sale of mineral products. The Company possesses Zijinshan Gold Mine (which is the largest single open pit gold mine in terms of gold production output and mining scale in the PRC), Guizhou Shuiyindong Gold Mine, Jilin Hunchun Gold-Copper Mine and Anhui Guichi Paodaoling Gold Mine, all of them are in operation, as well as Xinjiang Ashele Copper Mine, Fujian Zijinshan Copper Mine, Anhui Tongling Jiaochong Gold Mine and Sichuan Jiuchaigou Caodi Gold Mine, all of them are under construction, together with other risk assessment or exploration projects.

The gold refinery of the Company and its subsidiaries (collectively referred to as the “Group”) is mainly engaged in the production of gold bullions of 99.99% and 99.95% purity under the “ ZIJIN” brand. Quality of these gold bullions meets the standards as recognized by the Shanghai Gold Exchange, and is one of the first ten qualified gold refineries approved by the Shanghai Gold Exchange.

As at the end of 2003, the Company has the proven reserves of approximately 235 tonnes of gold metal and approximately 2,460,000 tonnes of copper metal. At the same time, the Group also obtains the exploration rights of approximately 704 sq. km.. It is expected that, with further geological exploration, the mineral resources of the Group for both gold and copper can be further increased. As the second largest shareholder of Fujian Longyan Makeng Mining Company Limited, the Company has participated in the development of one of the largest iron mines in eastern China, Longyan Makeng Iron Mine, with reserves estimated to be amounting to approximately 434 million tonnes of iron ore.

Currently, the Company is producing more than 10 tonnes of gold per annum and ranks top among participants in the industry in the PRC in terms of various economic efficiency indicators.

EXECUTIVE DIRECTORS

Chen Jinghe (*Chairman*)
Liu Xiaochu
Luo Yingnan
Lan Fusheng
Rao Yimin

NON-EXECUTIVE DIRECTORS

Ke Xiping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yang Dali
Yao Lizhong
Loong Ping Kwan

SUPERVISORS

Zeng Qingxiang
Xu Qiang
Lan Liying

COMPANY SECRETARY

Wang Yuanheng

AUDIT COMMITTEE

Yang Dali
Yao Lizhong
Ke Xiping

AUTHORISED REPRESENTATIVE

Chen Jinghe
Liu Xiaochu

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LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghang county
Fujian province
The PRC

SPONSOR

China Everbright Capital Limited

LEGAL ADVISERS TO THE COMPANY (AS TO HONG KONG LAW)

Koo & Partners
in Association with
Paul, Hastings, Janofsky & Walker LLP

AUDITORS

International Auditors:
Ernst & Young

PRC Auditors:
Ernst & Young Hua Ming

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STOCK CODE

2899

Financial Highlights

In this annual report, unless otherwise stated, monetary units are denominated in Renminbi.

FINANCIAL INFORMATION AS PREPARED IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

	For the year ended 31 December			
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Results				
Turnover	1,050,529	592,654	369,757	296,097
Cost of sales	(482,853)	(301,278)	(207,879)	(161,684)
Gross profit	567,676	291,376	161,878	134,413
Other revenue	3,975	1,994	2,474	1,901
Selling and distribution costs	(4,926)	(2,163)	(3,526)	(1,224)
Administrative expenses	(120,944)	(63,166)	(41,296)	(30,330)
Other operating costs	(12,119)	(7,305)	(9,466)	(20,879)
Profit from operating activities	433,662	220,736	110,064	83,881
Finance costs	(17,129)	(15,805)	(10,346)	(6,403)
Share of profit/(loss) of an associate	2,018	1,100	(13)	19
Profit from operating activities before tax and minority interests	418,551	206,031	99,705	77,497
Tax	(95,677)	(67,850)	(35,209)	(29,183)
Net profit from ordinary activities	322,874	138,181	64,496	48,314
Minority interests	(8,968)	102	1,606	113
Net profit attributable to shareholders	313,906	138,283	66,102	48,427

Financial Highlights

For the year ended 31 December

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Assets and liabilities				
Total assets	2,695,401	1,009,361	557,601	417,008
Total liabilities	767,621	607,302	361,335	269,557
Minority interests	221,418	120,707	6,594	—
Shareholders' interests	1,706,362	281,352	189,672	147,451

LIQUIDITY

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Cash and cash equivalent	1,114,466	153,339	25,746	29,337
Current ratio (%)	304.3	140.8	64.2	67.1
Trade receivables turnover (days)	0.8	1.0	0.1	3.5

Notes

- The Company was incorporated as a joint stock limited company in the PRC on 6 September 2000.

Chairman's Statement

To all shareholders:

I wish to take this opportunity to express my sincere gratitude towards your trust and support to Fujian Zijin Mining Industry Co., Ltd. ("the Company"). I am pleased to report herewith the operating results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December, 2003 as follows:

The Company achieved (turnover) sales income of RMB1,050,529,000, an increase of 77.26% over the previous year, and achieved net profit after tax (net profit attributable to shareholders) of RMB313,910,000, an increase of 127% over the previous year. Earnings per share (basic) was RMB0.33, an increase of 120% over the previous year.

■ MARKET REVIEW

The world gold market was volatile in 2003. The prices of the international gold market at the beginning and end of the year were US\$347.8/ounce and US\$415.4/ounce respectively, with an increase of 19.4% for the whole year. While the exchange rate of the Euro to US dollar continued to rise, the strong position of the US currency experienced increasing challenges. The US war on Iraq as well as the frequent terrorists' attacks after the war enhanced the advantage of gold as a risk haven. The changes in international political and economic conditions resulted in increase in both investment and demands for physical gold, which strongly supported the gold price appreciation. The gold price in the PRC benefited from the establishment and commencement of trading of the Shanghai Gold Exchange in October 2002 and kept its pace of growth with the international gold price simultaneously.

During the year, the average price of gold sold by the Company was RMB96.7/g, an increase of 19.53% over the corresponding period in the previous year.

■ OPERATION OVERVIEW

1. Breakthrough in productivity

By leveraging on the excellent organization structure and improved management of the Zijinshan Gold Mine and the gold refinery, the Group's gold production of Zijinshan Gold Mine for the year reached 9,887 kg which exceeded the annual production plan with respect to all performance indicators.

The operation of Phase I of Guizhou Shuiyindong Gold Mine commenced successfully during the year. It produced a total of 562.26 kg of gold within half year and recorded a sales income of RMB55.02 million.

Jilin Hunchun Gold-Copper Mine achieved positive investment returns during the year, 224,000 tonnes of ores were processed, producing 180 kg of gold and 577 tonnes of copper concentrates, and realising sales income of RMB17.79 million.

288,000 tonnes of ores were processed from Paodaoling Gold Mine, producing 112 kg of gold, and realising sales income of RMB11.16 million.

Xinjiang Ashele Copper Mine completed infrastructure investments of RMB106.0 million in the year, with the aggregate investments of RMB266 million. Construction is expected to be completed and put into production in 2004.

Construction of the Zijinshan Copper Mine has been formally commenced, with initial design plans completed and civil engineering of well and tunnel commencing in full force.

Construction of infrastructures such as water, electricity, roads and housing, at Jiuzhaigou Caodi Gold Mine was also completed, and achieved a solid foundation for the completion of phase I engineering by June 2004.

Xiamen Zijin Technology Building was completed in 2003 during the period of "8 September Trade Forum". Preparation works for the construction of Precious Metal Research Institute and Mineral Products Testing Center were fundamentally completed.

In respect of resources exploration, Zijinshan Gold Mine has completed acquisition of the south-eastern section of its mine, with additional mining areas of 0.2805 sq. km., and exploration areas of 1.91 sq. km. Registered exploration rights at Guizhou Shuiyindong Gold Mine amounted to 237 sq. km. in total, where newly discovered resources were identified in geological prospecting. Newly registered exploration rights at Hunchun Gold-Copper Mine amounted to 207 sq. km. in total. New proven resources in the peripherals of Paodaoling Gold Mine amounted to 580,000 tonnes, with gold metals of 1,546 kg. Exploration projects at Tibet Mayou Muyuan Gold Mine, Sichuan Shimian Platinum Mine, Tongling Jiaochong Gold Mine, Kaiyang Alumyte Mine are progressing steadily.

Chairman's Statement

2. Remarkable results achieved upon technology inputs

The "Open pit mining and steep slope stabilisation study in Zijinshan Gold Mine" is an advanced mine construction method of infrastructure stripping and production stripping researched by the cooperation of the Company with Maanshan Mining Research Institute. It was awarded Science and Technology Grade I Award by the China Gold Association.

Research on biological metallurgy technology and engineering research project, a major subject of the State Tenth-Five Plan for Key Projects, was completed. Results derived from the scientific researches were assessed and inspected by authorities under the Ministry of Science and Technology in December last year.

The "Thermal Chemical Pre-Oxidation Process By Normal Pressure — The New Cyaniding Technique", with proprietary intellectual property rights owned by the Group on its own, successfully commenced industrialised production at Guizhou Shuiyindong Gold Mine, which improved the conventional refining method in the PRC that refractory gold ore cannot be refined.

3. Exploring for underutilized resources and minimize wastage through systematic management

The Group reinforced fundamental management from the financial perspective so as to improve its performance as a whole. Management expenses and mining costs were reduced with an enhanced rate of resources utilization. Ore-processing cycle was shortened so as to improve technical economic indicators. Average cut-off grades of the Zijinshan Gold Mine reached 0.87 g/t in 2003, and the recovery rate in ore processing was up to 83.4%.

By capitalizing on the Company's credibility and financial products in accordance with the domestic financial environment, finance costs dropped accordingly.

By putting firm controls over material purchases, implementation of tendering, inventory clearing, and activate inventory assets, expenditures on purchases were reduced.

4. Environment protection and safety, ecological tours

In conformity with the principle of "Development with protection", we have implemented strict control measures over safety, environment protection and ecological rehabilitation issues. There has been no casualty incident occurred during the year. Indicators on environment protection were attained. The "Gold Tour" ecological tour has formed its preliminary scale.

■ OUTLOOK

I. Operation environment

It is expected that the global economy will recover. Under the impact of international political situation, international economic policies and changes in the structure of international monetary system, the attractiveness of gold as a special commodity remains. Sustained and steady growth in the economy of the PRC facilitated the expansion of the gold market in the PRC horizontally and vertically. Upon the gradual opening of the gold market, investments in gold will become a common topic. A spree for gold consumption is rapidly emerging on a brand new platform, and will bring a golden opportunity to the development of gold industry.

Global copper price has reversed its long-term downward trend, and is currently picking up. Global steel price has been maintained at a relatively high level, and will be extremely beneficial to the development of the two copper mines of the Group.

Upon the development of economy in the PRC, the conventional industrial sectors are receiving more and more attention. Resources utilization per capita in the PRC remains in a low level as compared with that of the international market. At present, there is an increasing reliance on the overseas for the supply of mineral resources such as petroleum, iron, copper, nickel, aluminium etc. Undersupply of raw mineral materials created a favourable environment for the Group as a resources production enterprise.

II. Business Strategies

1. Expansion of gold production capacity

The Group will make good use of the proceeds. By accomplishing the gold-bearing solid tailings and environment improvement projects at the Zijinshan Gold Mine, the Group will enhance the utilization rate of resources by lowering the ore cut-off grades.

Phase II engineering construction of Guizhou Shuiyindong Gold Mine will be accelerated and form a production capacity of 600-800 t/d in the year.

The construction of ore-processing plant of 4,000 t/d at Hunchun Gold Copper Mine will be completed during the year, and form a production capacity.

The construction of ore-processing plant of primary ore at Anhui Paodaoling Gold Mine will be completed, and form a production capacity of 600 t/d.

Phase I engineering construction at Sichuan Caodi Gold Mine will be completed during the year, and commence production as soon as possible.

Construction of combined stripping and mining at Tongling Jiaochong Gold Mine will be accelerated. Efforts will be devoted to complete construction and commence operation in 2004.

2. More efforts will be devoted to develop copper mines and other metal mineral resources

Progress for the construction of Xinjiang Ashele Copper Mine will be accelerated, so as to ensure the completion and commencement of operation during the year with production capacity of 4,000 t/d.

Construction of Zijinshan Copper Mine shall be carefully organized. Various coordination activities shall be handled properly, so as to complete construction and commence trial production by the end of the year.

Proactively participate in the construction work of phase one Longyan Makeng Iron Mine to establish the productivity as soon as possible.

Chairman's Statement

3. Actively participating in the development of gold and other metal resources in the central and western parts of the PRC

Strengthen the concept of resources, put more efforts on the development of new projects and assessment of risks. We shall grasp the opportunities on the development of the central and western regions, and in the promotion of the old industrial base in the northeast, and realise the occupation for gold and other metal and non-metal resources and expertise through acquisitions, mergers, share participation, share control, registration and tendering etc.

Further enhance the strength in the geologic exploration at Guizhou Shuiyindong Gold Mine and its peripheral coal mine at the rear slopes of Hua Jiang, Sichuan Caodi Gold Mine, Mayou Gold Mine at Muyan of Tibet, Xinjian Dongtianshan Gold-Copper Mine, Sichuan Shimian Platinum Mine, Jilin Hunchun Gold Copper Mine and its peripherals, making efforts to obtain new gold reserves of 20 tonnes, and copper reserves of 100,000 tonnes.

Explore for new sites in prospective areas in Guizhou, Xinjiang, Sichuan, Yunnan, Guangxi, Qinghai, and put in new investment funds to explore for ore.

Strengthen acquisitions and cooperation on the ore bodies discovered by geologic institutes, trying to obtain 3-4 large ore deposits of mining value to complement the Company's exploration and mining rights.

Grasp the opportunity of the reform on State-owned enterprises, make efforts to acquire and restructure 2-3 mining enterprises with prospective resources.

Further exploit its mining sector, and place high importance on the exploration and control on ore species such as nickel, platinum, iron, aluminium, coal in addition to non-ferrous metals such as gold and copper.

4. Promote technological innovations

We will put more resources in technology research and development. By focusing on the cooperation with the Mining Industry Design Institute and Xiamen Zijin, we will do our best in technical service works in respect of mine production, technical reform and project construction. We will expedite the optimization of the mining techniques, reduce and control the depletion rate of ores, so as to enhance the utilisation rate of resources. We will enhance the strength in the research and development of new techniques of chemical pre-oxidation, pressurised pre-oxidation, biological pre-oxidation, in order that they can be applied in the processing of refractory gold ores and other mineral species, thus forming a production capacity. We will place importance on the fore-front sectors in the research of material science, so as to lay a new technological foundation for the further development of the Company.

5. Extend mining industrial chain, expand the metallurgy and materials sectors

In the light of the conditions of the mining resources controlled by the Company, we will further extend our industrial chain towards metallurgy, in particular to sectors which are relatively unfamiliar to the Company by making efforts to gain entry through acquisitions or restructuring of State-owned enterprises. We attach great importance on the reform of traditional industries by the application of new and high technology, and using new and high technology to produce new products.

The operating results the Group achieved in the past year has been attributable to the supports of the entire staff and the shareholders. I would like to express herewith my sincere thanks to all of you. In the future operation developments, the Company will continue to create better results, and provide satisfactory returns to the shareholders.

Chen Jinghe
Chairman

Fujian, the PRC
3 April, 2004

Management Discussion and Analysis

The Company's management hereby presents the discussion and analysis on the operating results for the year 2003:

OPERATING RESULTS

In 2003, the Company's management have executed various resolutions passed in the shareholders meetings and Board meetings in every respect, and capitalised on the rise in gold prices, with well-organised production planning, realising sales income of RMB1,050.53 million during the year, an increase of RMB457.88 million, or 77.3% over the previous year.

For the year ended 31 December, 2003, the Group's turnover was mainly derived from the sale of gold bullion, copper cathodes, gold concentrates, copper concentrates and iron concentrates. Turnover refers to the total sales amount after deducting sales tax and levies.

The table below sets out details of sales by products for the two years ended 31 December, 2002 and 2003:

Product	2003			2002		
	Unit price	Volume	Amount/ RMB'000	Unit price	Volume	Amount/ RMB'000
Gold	RMB96.7/g	10,448kg	1,009,979	RMB80.9/g	7,225kg	584,232
Gold concentrates	RMB66.7/g	179.62kg	11,972	—	—	—
Iron concentrates	RMB267/t	53,706.67t	14,360	RMB168/t	24,615t	4,138
Copper concentrates	RMB10,084/t	577.129t	5,820	—	—	—
Copper cathodes	RMB15,054/t	989.52t	14,896	RMB13,009/t	686.36t	8,929
Others	—	—	524	—	—	—
Less: Sales tax & levies	—	—	(7,022)	—	—	(4,645)
Total	—	—	1,050,529	—	—	592,654

The Group's turnover in 2003 increased by 77.26% over 2002, which was mainly attributable to the commencement of production at Hunchun Zijin and Guizhou Zijin in March and June 2003 respectively. Comprehensive utilisation project of solid tailings of the gold mines have also been partially put into operation, thereby enabling a significant growth in the production of gold. Another important factor was the significant increase in the prices of gold and copper cathodes as illustrated from the above table.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

As a mining enterprise, the Group's cost of sales mainly includes blasting cost, ore transportation cost, raw materials consumption, utilities expenses, salaries and depreciation on fixed assets. Cost of sales in 2003 was RMB482.85 million, representing an increase of approximately 60.27% as compared to RMB301.28 million in 2002, which was mainly attributable to the increase in the output. The table below sets out details of the gross profit margin for the two years ended 31 December, 2002 and 2003.

Product	2003 %	2002 %
Gold	55.16	50.4
Gold concentrates	40.3	—
Iron concentrates	12.26	5.1
Copper concentrates	34.05	—
Copper cathodes	15.8	16.6
Others	100	—
Total	54.04	49.2

The Group's overall gross profit margin increased from 49.16% in 2002 to 54.04% in 2003, which was mainly attributable to the increase in the selling price of gold. In 2003, structures of product portfolio were adjusted. However, sales income from gold products accounted for 95.5% of the total sales income, while the proportion of turnover from gold concentrates and copper concentrates with lower gross profit margins represented only 1.68%. The selling price of gold increased from RMB80.9/g in 2002 to RMB96.7/g in 2003, which was mainly attributable to the increase in international gold price. Average unit production cost of gold increased from RMB41.2/g in 2002 to RMB42.8/g in 2003, and consolidated costs of ore were RMB38.51/g in 2002 and 2003, which did not appear to be volatile to a significant extent.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs increased by 127.74% from RMB2.16 million in 2002 to RMB4.93 million in 2003, which was mainly attributable to the increase in transportation and insurance fees, handling fees in gold transactions.

ADMINISTRATION EXPENSES

The Group's administration expenses in 2003 amounted to RMB120.94 million, representing an increase of 91.5% over RMB63.17 million in 2002. The increase was mainly attributable to (i) the operating expenses upon the establishment of seven subsidiaries in Sichuan, Jilin Hunchun, Tibet, Anhui Tongling, Shanghang successively in 2003, (ii) Guizhou Zijin commenced production in June 2003, causing increase in the management personnel and expenses, and (iii) increase in the research and development cost to enhance the development of the newly-established subsidiaries of the Group.

Management Discussion and Analysis

FINANCE COSTS

The Group's finance costs in 2003 was RMB17.13 million, an increase of 8.38% over RMB15.81 million in 2002, which was mainly attributable to the increase in part of the bank loans upon the establishment of seven new subsidiaries of the Group.

WORKING CAPITAL AND SOURCE OF FUNDS

As at 31 December, 2003, the Group's cash and cash equivalents increased by RMB961.13 million from the previous year to RMB1,114.47 million, an increase of over 6 times in the previous year.

During the year, cash in-flow generated from the Group's operation activities amounted to RMB476.38 million, an increase of RMB222.64 million (or increase of 87.7%) over the previous year. The main reasons for the increase in the cash-flow generated from the Group's operation activities were due to increase in the sales quantities and selling price of gold during the year, and some of the projects of the Group commenced production during the year which increased the sales incomes of copper cathodes, copper concentrates, gold concentrates and iron concentrates.

During the year, net cash out-flow generated from the Group's investment activities amounted to RMB471.07 million, an increase of RMB279.95 million (or increase of 146.48%) over the previous year. The main reasons for the increase in the cash out-flow generated from the Group's operation activities were that the Group increased its external investments during the year, and established seven subsidiaries successively. At the same time, the Group also increased its investments in the fixed assets of subsidiaries, technical enhancement and construction of low ore-grade systems to Zijinshan Gold Mine, and increase in the investment to Zijinshan Copper Mine, resulting in considerable increase in the capital expenditures in 2003 compared with previous year.

During the year, net cash in-flow generated from the Group's financing activities amounted to RMB955.83 million, an increase of RMB890.85 million (or increase of 1,370.9%) over the previous year. The main reasons for the significant increase in the net cash in-flow generated from the Group's financing activities were the proceeds received from the Company's Public Offer during the year, and the cash invested by the minority shareholders during the establishment of subsidiaries.

As at 31 December, 2003, the Group's total borrowings amounted to RMB255.9 million (31 December, 2002: RMB401.25 million). Of these, amount repayable within one year was approximately RMB56.5 million, amount repayable within one to five years was approximately RMB174.6 million, and amount repayable over five years was RMB24.8 million. All the bank borrowings bear interest rates between 2.88% to 6.7% (2002: 2.88% to 8.07%).

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

PROFITS ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS PER SHARE

The Group's profits attributable to shareholders as at 31 December, 2003 was approximately RMB313.91 million, representing an increase of 127% over approximately RMB138.28 million in 2002, and an increase of 12.1% compared with the profit forecast of RMB280.0 million contained in the prospectus of the Company. For the year ended 31 December, 2003, the Group's earnings per Share (basic) was RMB0.33, an increase of 120% over the previous year. Earnings per Share in 2002 was RMB0.15.

TAXATION

Income taxes of the Group for 2003 and 2002 are as set out in the table below:

The Group

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
PRC Corporate Income Tax	137,025	67,398
Provision in prior year	(42,077)	—
	94,948	67,398
Income tax of an associate	729	452
	95,677	67,850

No provision for Hong Kong income tax was provided, as the Group did not derive any taxable profits in Hong Kong for both 2003 and 2002. The Group's PRC Corporate Income Tax were provided at a rate of 33% on assessable profit, except for the Group's two subsidiaries in the Western region (Guizhou Zijin and Hunchun Zijin) and Xiamen Zijin which was established in the Special Zone which were subject to a preferential tax rate of 15% in accordance with the relevant tax laws in the PRC.

Directors, Supervisors and Senior Management

BRIEF BIOGRAPHY OF THE DIRECTORS, SUPERVISORS, AND SENIOR OFFICERS

Executive Directors

Mr. Chen Jinghe , aged 46, chairman of the Company. He graduated from Fuzhou University with a bachelor's degree in science in 1982. Mr. Chen is currently the vice president of the Gold Association of China, president of the Gold Association of Fujian province and a delegate to the Tenth People's Congress of Fujian province. Prior to joining the Company in August 1993, he was the head of a sub-team of Minxi Geologist during January 1986 and December 1992. He was the chairman and general manager of the Company from August 1993 to August 2000.

Mr. Liu Xiaochu , aged 56, vice-chairman of the Company. He graduated from Fuzhou University with a bachelor's degree in science in 1982. Mr. Liu was the division head, deputy department head and department head of the Fujian Economic Reform Commission from December 1986 to December 1999. Prior to joining the Company in August 2000, he was the director and vice-president of Xinhua Industrial from December 1999 to March 2002. Mr. Liu was appointed as the vice-chairman of the Company in August 2000.

Mr. Luo Yingnan , aged 46, general manager of the Company. He graduated from Fuzhou University with a bachelor's degree in science in 1982. Mr. Luo was the head of the Geological Unit of the Third Team of the Second Geological Prospecting Bureau under the Ministry of Metallurgy and the head of the Second Team from 1982 to 1992. Prior to joining the Company in July 2000, he was the manager of Longyan Metallurgy Industry Company from 1998 to 2000. He is the chairman of Longyan Makeng Mining Company Limited since 1999. Mr. Luo was appointed as an executive director and a general manager of the Company in August 2000.

Mr. Lan Fusheng , aged 39, deputy general manager (General Affairs) of the Company. He graduated from Fuzhou University with a bachelor's degree in science in 1984 and obtained a master's degree in business administration from La Trobe University in 2000. Prior to joining the Company in October 1994, he was the manager of Shanghang County Xinhui Jewellery Company from 1992 to 1994. Mr. Lan was appointed as an executive director and a deputy general manager of the Company in August 2000.

Mr. Rao Yimin , aged 55, deputy general manager of the Company. He graduated from Fuzhou University with a bachelor's degree in science in 1982. Prior to joining the Company in November 1999, he was the director of the Economic and Trade Commission of Shanghang County and the director of the Labour Bureau of Shanghang County from 1986 to 1999. Mr. Rao was appointed as an executive director and the deputy general manager of the Company in August 2000.

Directors, Supervisors and Senior Management

Non-executive Director

Mr. Ke Xiping , aged 43. He graduated from Xiamen University with a bachelor's degree in business in 1993. Mr. Ke is chairman of the General Chamber of Commerce of Huli District, Xiamen City, a delegate to the 12th People's Congress for Xiamen City and a member of the People's Political Consultative Committee of Quanzhou City. He is one of the promoters and chairman of Xiamen Hengxing. Mr. Ke was appointed as a non-executive director of the Company in August 2000.

Independent Non-executive Directors

Mr. Yang Dali , aged 65. He graduated from Zhongnan Industrial University with a bachelor's degree in science in 1960. He was an engineer of the Beijing Non-ferrous Metallurgy Design and Research Institute. He held positions such as department head, director of external affairs and chief engineer of organizations such as the Gold Bureau under the Ministry of Metallurgy, the Gold Company of China, Headquarters of the Military Police for Gold, the State Gold Administration and the Gold Administration under the State Economic and Trade Commission from 1975 to 1998. He is also a member of the Precious Metal Reserves Commission and a member of the Land and Geology Society of China. He is a senior adviser and expert (registered) of the Mineral Resources Association of China and a part-time professor at Zhongnan Industrial University. Mr. Yang was appointed as an independent non-executive director in November 2001.

Mr. Yao Lizhong , aged 63, graduated from Xiamen University with a bachelor's degree in science in 1970. He is a registered accountant and registered asset valuer and registered taxation consultant. Mr. Yao held positions such as associate professor and director of teaching and research at the faculty of accounting of Xiamen University from 1988 to 1998. He was a director of Xiamen Tianjian Accountants' Firm and senior partner of Tianjian Accountants' Firm from 1998 to 2000. Presently, Mr. Yao is a senior partner and person-in-charge of Xiamen Tianjian Huatian Accountants' Firm, the deputy chairman of the Association of Registered Valuers of Xiamen and a member of the Registered Asset Valuation Experts of Fujian. Mr. Yao was appointed as an independent non-executive director of the Company in November 2002.

Mr. Loong Ping Kwan , aged 39, is a practicing solicitor admitted in Hong Kong and England and Wales. Mr. Loong graduated from the University of Hong Kong with a bachelor's degree in Art and is a founder of Messrs. Loong and Yeung in Hong Kong. Mr. Loong is an associate member of the Hong Kong Institute of Bankers. Mr. Loong was appointed as an independent non-executive director of the Company in August 2003.

Directors, Supervisors and Senior Management

Supervisory Committee and Supervisors

Mr. Zeng Qingxiang , aged 55, chairman of the Supervisory Committee of the Company. He graduated from Fujian Television Broadcasting University. Mr. Zeng was the chief controller of Shanghang County Decorative Boards Factory from 1981 to 1986 and deputy chief for technology of Taibo Township from 1988 to 1992. Mr. Zeng was appointed the chairman of the supervisory committee of the Company in August 2000.

Mr. Xu Qiang , aged 52, supervisor of the Company. He is a chief accountant of Fujian Huamao Accountants' Firm, certified public accountant and registered valuer. Mr. Xu graduated from the communist party school of Fujian province in 1990. He was the deputy director of Fujian Huaxing Accountants' Firm from 1994 to 1999 and the director of Fujian Asset Valuation Centre from 1999 to 2001. Mr. Xu was appointed as a supervisor of the Company in August 2000.

Ms. Lan Liying , aged 38, supervisor of the Company. She is a certified public accountant. Ms. Lan was the head of the financial division of Shanghang County Jiannan Cotton Spinning Factory from 1985 to 1994 and the deputy manager of the financial department of the Company from 1995 to 1999. Ms. Lan was appointed as a supervisor of the Company in August 2000.

SENIOR MANAGEMENT

Mr. Li Da , aged 41, deputy general manager of the Company. He graduated from Science and Technology University of China in 1985 and obtained his doctor's degree Economics at Jilin University in 1998. Mr. Li was engaged in teaching and research in international finance, securities and foreign exchange in the Financial Management School of the Industrial and Commercial Bank of China from 1988 to 1993. He was the head of the Clearing Division of Changchun Commodity Exchange from December 1993 to August 1994, the director of the Operation Centre of Tianjin Joint Features Exchange from August 1994 to August 1995 and the vice-president of Dalian Commodity Exchange from August 1995 to May 1997. Prior to joining the Company in September 2000, he participated in the establishment of the Shanghai Silver Exchange. Mr. Li was appointed as a deputy general manager in 2001.

Mr. Zeng Xianhui , aged 47, deputy general manager of the Company. He graduated from Fuzhou University in 1984. Mr. Zeng worked for the Third Team of the Second Geological Prospecting Bureau of the Ministry of Metallurgical from 1982 to 1995. He has held various positions at the Company such as deputy chief engineer and chief engineer since September 1995. Mr. Zeng was appointed as a deputy general manager of the Company in May 2003.

Mr. Liu Rongchun , aged 39, deputy general manager of the Company. He graduated from Zhongnan Industrial University in 1984. Mr. Liu worked for the Company since December 1993 and is responsible for execution of special projects and office administration. Mr. Liu was appointed as a deputy general manager of the Company in February 2001.

Directors, Supervisors and Senior Management

Mr. Zou Laichang , aged 35, chief engineer of the Company. He graduated from Forest College of Fujian in 1990. Mr. Zou was the head of production division of Shanghang County Forestry and Chemical Factory from August 1990 to March 1996. He worked for the Company as the deputy director of gold refinery, the deputy chief engineer and the deputy head of the Institute of Mining and Refining Design and Research since March 1996. Mr. Zou was appointed as the chief engineer of the Company in May 2003.

Mr. Zhou Zhengyuan , aged 56, chief financial officer of the Company. He graduated from Fujian Economics and Management College in 2000. Mr. Zhou was the director of financial section and manager of Shanghang County Second Light Industry Company from 1976 to 1984, head of the financial division of Shanghang County Second Light Industry Bureau from 1985 to 1993. He worked for the Company as the manager of financial department, the chief economist and the chief accountant since October 1994. Mr. Zhou was appointed as the chief financial officer of the Company in June 2003.

Mr. Zheng Yuqiang , aged 49, secretary to the Board of Directors. He graduated from Fujian Television Broadcasting University in 1986. Mr. Zheng becomes a qualified secretary to the board of directors after taking the 5th training course in Beijing which was jointly sponsored by the Shenzhen Stock Exchange and the Hong Kong Institute of Company Secretaries. He was the division head of production of Fuzhou Construction Machinery Factory from 1986 to 1989, the director of the Electronics Factory of Shenzhen Dongnan Economic Development Company from 1989 to 1990 and the director and secretary to the Board of Directors of Fujian Sannong Group Company Limited from 1996 to 2001. Mr. Zheng was appointed as the secretary to the Board of Directors of the Company in June 2001.


Company Secretary

Mr. Wang Yuanheng , aged 42, company secretary of the Company. He is a lawyer admitted in Hong Kong and England and Wales. Mr. Wang holds a bachelor degree of laws from the University of Wales in the United Kingdom and a postgraduate certificate in laws from the University of Hong Kong. He has extensive legal experience in commercial and corporate matters and is currently the consultant of Livasiri & Co., Solicitors. Mr. Wang was appointed as the Company Secretary of the Company in November 2003.

Report of the Directors

The Directors of the Company (“Directors”) hereby submit the first Report of the Directors and the audited financial statements of the Group for the year ended 31 December 2003.

PRIMARY BUSINESS

The Company is principally engaged in the exploration, mining, processing, refining and sale of gold and non-ferrous metals and other mineral resources in the PRC, and is a large mining conglomerate primarily engaged in the production of gold and non-ferrous metals. The Company produces mainly gold bullions of 99.99% and 99.95% purity under the “ ZIJIN” brand, and copper cathodes, copper concentrates and iron concentrates. Currently, the sales of gold products represent over 96% of the incomes of its key business.

Details regarding the key business of the Company’s subsidiaries and an associate are set out in note 17 and note 18 of the financial statements.

OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement in page 42 of the financial statements.

USE OF THE PROCEEDS

The net proceeds arising from the Initial Public Offering of the Company’s Shares in Hong Kong in December 2003 (after deducting the relevant issue expenses) was approximately RMB1,205,748,000. The proceeds was repatriated back to the Company before the end of February 2004, and was deposited in the bank as short-term deposits. The proceeds has not yet been used during the reporting period.

The Company will use the proceeds in accordance with the future plans as set out in the prospectus as and when the Directors consider such use to be in the best interests of the Company and its shareholders as a whole.

FINAL DIVIDEND

As audited by Ernst & Young, the Company’s net profit for the year ended 31 December, 2003 prepared under International Financial Reporting Standards was RMB313,906,000. The Board of Directors proposed to pay dividends of RMB0.15 per Share in cash on the basis of 1,314,130,910 shares in issue of the Company at the end of 2003. The pay-out ratio is 45.45%.

ISSUE OF NEW SHARES BY CONVERSION

Apart from the proposed final dividend aforesaid, on 3 April 2004, the Board of Directors also proposed to convert an amount of RMB131,413,091 in the Company’s share premium into 1,314,130,910 shares of RMB0.1 each, and the Company will issue additional new shares on the basis of 10 new ordinary shares for every 10 existing ordinary shares to shareholders.

The H share register of the Company will be closed from 28 April 2004 to 27 May 2004 (both days inclusive). Final dividends and additional new ordinary shares will be paid on 25 June 2004 to holders of H Shares whose name appear on the H share register of members of the Company at the close of business on 27 April 2004 (being the record date).

For the distribution of dividends, dividends for domestic shares will be distributed and paid in RMB, while dividends for H Shares will be declared in RMB but paid in Hong Kong dollars (conversion of RMB to HK\$ shall be calculated on the average price of the middle prices of the conversion of RMB to HK\$ announced by the People's Bank of China one calendar week preceding 25 June 2004).

Proposed distribution of final dividends and conversion of share premium into new shares are subject to the approval at the annual general meeting to be held on 28 May 2004.

RESERVES

Details of changes in the reserves of the Company and the Group for the year ended 31 December 2003 are set out in note 32 of the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

According to the articles of association of the Company, the reserves available for distribution are based on the lower of the Company's profits determined under PRC accounting standards and regulations and IFRS.

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the statutory surplus reserve and public welfare fund.

As at 31 December 2003, the Company's reserves available for distribution (before proposed final dividend of RMB197,120,000) were approximately RMB270,804,000 (2002: RMB107,272,000).

FIXED ASSETS

Details of changes in the fixed assets of the Company and the Group for the year ended 31 December 2003 are set out in note 12 of the financial statements.

SHARE CAPITAL

Details of the changes in the share capital of the Company for the year ended 31 December 2003 are set out in note 31 of the financial statements.

Report of the Directors

DONATIONS

During the year 2003, donations made by the Company was RMB5,890,000.

BANK LOANS

Details of the Group's bank loans are set out in notes 26 to 27 of the financial statements.

TAXATION

The corporate income tax rate of the Company is 33%, details of which are set out in note 8 of the financial statements.

PRE-EMPTIVE RIGHTS

According to the Articles of Association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

FINANCIAL HIGHLIGHTS

The financial highlights of the Group are set out in pages 4 to 5 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 23 December 2003, the Company's H Shares commenced its listing on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). Details regarding the issue of H Shares are set out in note 31 of the financial statements.

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2003.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 28 June 2003.

As at the date of this report, the Company has not granted or agree to grant any option to its Directors or Supervisors or to the employees of the Company or its subsidiaries.

MAJOR SUPPLIERS AND CUSTOMERS

Transactions of the Company's gold products were conducted and settled through the Shanghai Gold Exchange. Information about the ultimate customer is unknown.

The Company's total purchases from the five largest suppliers and the largest supplier amounted to RMB68,037,400 and RMB40,346,000 respectively, representing 50.96%, 30.22% of the total purchases respectively. All transactions between the Company and the related customers were entered into under normal commercial terms.

As far as the Directors are aware, none of the Directors, Supervisors and their respective associates (as defined in the Listing Rules of the Stock Exchange ("Listing Rules")) has any interest in the above five largest suppliers in the year 2003.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company respectively. Except for Mr. Loong Ping Kwan who has been appointed for a term of three years commencing from his appointment on 15 August 2003, the terms of all other directors, supervisors are for a term of three years commencing from their re-appointments at the general meeting held on 28 June 2003. Pursuant to article 92 of the Articles of Association, the terms for Directors will be for three years, (commencing from the date of its appointment or re-appointment) subject to re-appointment. Under the Company Law of the PRC, the term of appointment for supervisors are also for three years, and subject to re-appointment. Remuneration of Directors and Supervisors can be amended at Annual General Meetings.

Save as disclosed above, there are no service contracts (excluding contracts expiring or terminable by the Company within one year without payment of compensation other than statutory compensation) between the Company and any of the Directors or Supervisors.

Report of the Directors

ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Annual Remuneration

Details are set out in notes 6 and 7 of the financial statements.

Procedures and basis for determination of remuneration

Pursuant to the Articles of Association of the Company, procedures for determination of remuneration of directors and supervisors shall be subject to consideration and approval in general meeting, whereas remuneration of senior officers shall be considered and approved by the Board. The remuneration of the Company's directors, supervisors and senior management is determined according to the resolutions passed at the general meeting/by the Board, service contracts of directors, and the improvement in the Company's operating results for the year.

DIRECTORS AND SUPERVISORS

During the year and up to the date of this report, the terms of the existing Directors and Supervisors are:

EXECUTIVE DIRECTORS:

TERMS

Chen Jinghe	3 years from his re-appointment on 28 June 2003
Liu Xiaochu	3 years from his re-appointment on 28 June 2003
Luo Yingnan	3 years from his re-appointment on 28 June 2003
Lan Fusheng	3 years from his re-appointment on 28 June 2003
Rao Yimin	3 years from his re-appointment on 28 June 2003

NON-EXECUTIVE DIRECTORS:

Ke Xiping	3 years from his re-appointment on 28 June 2003
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INDEPENDENT NON-EXECUTIVE DIRECTORS:

Yang Dali	3 years from his re-appointment on 28 June 2003
Yao Lizhong	3 years from his re-appointment on 28 June 2003
Loong Ping Kwan	3 years from his appointment on 15 August 2003

SUPERVISORS:

Zeng Qingxiang	3 years from his re-appointment on 28 June 2003
Xu Qiang	3 years from his re-appointment on 28 June 2003
Lan Liying	3 years from her re-appointment on 28 June 2003

BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biography of directors, supervisors and senior management are set out in pages 16 to 19 in this report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save for the service contracts of directors and supervisors as disclosed above, there were no contracts of significance to which the Company or its subsidiaries was a party and in which a director or supervisor of the Company had a material interest, either directly or indirectly, subsisting at the end of the year or at any time during the year.

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

As at 31 December 2003, the interests and short positions of directors, supervisors and chief executive in the share capital of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(a) Shareholdings of directors, supervisors or chief executive in the Company as at 31 December 2003:

Director	Number of Domestic Shares/amount of equity interests held	Nature of interests	Long/short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Ke Xiping	114,000,000 (note 1)	Company	Long	12.48%	8.67%

Report of the Directors

(b) Shareholding of Directors, supervisors or chief executive in the Company's subsidiaries as at 31 December 2003:

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

Notes:

- (1) Xiamen Hengxing Construction & Decoration Materials Company Limited holds 47,500,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhuada Engineering Company Limited (which is holding 66,500,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Construction & Decoration Materials Company Limited is therefore interested in 114,000,000 Domestic Shares in the Company. Mr. Ke Xiping owns 73.21% interest in Xiamen Hengxing Construction & Decoration Materials Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such Shares.
- (2) Sichuan Jiuzhaigou Zijin Mining Company Limited (“Jiuzhaigou Zijin”) is a subsidiary in which the Company beneficially owns 60%.
- (3) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB50,000 as an agent for and on behalf of each of Mr. Chen Jinghe, Mr. Liu Xiaochu, Mr. Luo Yingnan, Mr. Lan Fusheng, Mr. Rao Yimin and Mr. Zeng Qingxiang.
- (4) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB25,000 as an agent for and on behalf of Ms. Lan Liying.

Save as disclosed above, none of the Directors, supervisors and the chief executive or their associates has any interest in the securities of the Company or its associated company (as defined in the SFO) during the year. 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 year, 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.

Report of the Directors

SHAREHOLDING STRUCTURE

As at 31 December, 2003, the Company has a total of 9,624 shareholders, of which 9,616 are holders of H Shares.

The shareholdings of the Company's top ten shareholders as at 31 December, 2003 are as follows:

Shareholders' Names	Number of Shares held	Class of Shares	Proximate percentage of shareholding in the registered capital
1. Minxi Xinghang State-owned Assets Investment Co., Ltd.	421,090,212	(Domestic Shares)	32.04%
2. HKSCC Nominees Limited (Note 1)	379,440,000	(H Shares)	28.87%
3. Xinhudu Industrial Co. Ltd. (Note 2)	172,900,000	(Domestic Shares)	13.16%
4. Shanghang County Jinshan Trading Co., Ltd.	171,095,000	(Domestic Shares)	13.02%
5. Fujian Xinhudu Engineering Company Limited (Note 2)	66,500,000	(Domestic Shares)	5.06%
6. Xiamen Hengxing Construction & Decoration Materials Co., Ltd. (Note 3)	47,500,000	(Domestic Shares)	3.61%
7. Fujian Xinhudu Department Store Co., Ltd. (Note 2)	16,368,500	(Domestic Shares)	1.25%
8. Fujian Gold Group Co., Ltd.	15,071,521	(Domestic Shares)	1.15%
9. Fujian Minxi Geologist	3,061,677	(Domestic Shares)	0.23%
10. SO KWOK BON & YAN LAI PING (Note 4)	58,000	(H Shares)	0.004%

Notes:

- (1) HKSCC Nominees Limited is holding 379,440,000 H Shares in the Company as a nominee, representing 28.87% of the Company's Shares in issue. HKSCC Nominees Limited is a member of the Central Clearing and Settlement System, which carries out securities registration and trust business for customers.
- (2) Xinhudu Industrial Company Limited, Fujian Xinhudu Engineering Company Limited and Fujian Xinhudu Department Store Company Limited are connected with each other. Xinhudu Industrial Company Limited holds 51% in Shanghang County Huadu Construction Engineering Company Limited and holds 64.54% in Fujian Xinhudu Department Store Company Limited.
- (3) Xiamen Hengxing Construction & Decoration Materials Company Limited holds 49% in Fujian Xinhudu Engineering Company Limited .
- (4) SO KWOK BON & YAN LAI PING are independent third parties which are not connected with the Directors, supervisors, chief executive and the substantial shareholders of the Company or their respective associates.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2003, the interests and short positions of substantial shareholders (other than directors, supervisors and the chief executives of the Company) in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Names of shareholders	Number of Shares/equity interest held	Class of shares	Nature of interests	Long/Short Position	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered of capital
Minxi Xinghang State-owned Assets Investment Co., Ltd.	421,090,212	Domestic Shares	Company	Long	46.09%	32.04%
HKSCC Nominees Ltd.	379,440,000	(H Shares)	Custodian	—	94.73%	28.87%
Fujian Xinhudu Industrial Company Limited	255,768,500 (Note 1)	Domestic Shares	Company	Long	28%	19.46%
Chen Fashu	255,768,500 (Note 2)	Domestic Shares	Company	Long	28%	19.46%
Shanghang County Jinshan Trading Co., Ltd.	171,095,000	Domestic Shares	Company	Long	18.72%	13.02%
Xiamen Hengxing Construction & Decoration Materials Co., Ltd.	114,000,000 (Note 3)	Domestic Shares	Company	Long	12.48%	8.67%
Ke Xiping	114,000,000 (Note 4)	Domestic Shares	Company	Long	12.48%	8.67%
Fujian Xinhudu Engineering Company Limited	66,500,000	Domestic Shares	Company	Long	7.28%	5.06%

Notes:

- (1) Xinhudu Industrial Company Limited holds 172,900,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhudu Engineering Company Limited (which holds 66,500,000 Domestic Shares in the Company), holds 64.54% in Fujian Xinhudu Department Store Company Limited (which holds 16,368,500 Domestic Shares in the Company). Therefore, under Section 316 of the SFO, Xinhudu Industrial Company Limited is interested in 255,768,500 Domestic Shares in the Company.
- (2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhudu Industrial Company Limited, therefore, under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 255,768,500 Domestic Shares in the Company.

Report of the Directors

- (3) Xiamen Hengxing Construction & Decoration Materials Company Limited holds 47,500,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhudu Engineering Company Limited (which holds 66,500,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Construction & Decoration Materials Company Limited is therefore interested in 114,000,000 Domestic Shares in the Company.
- (4) Mr. Ke Xiping holds 73.21% interests in the issued share capital of Xiamen Hengxing Construction & Decoration Materials Company Limited. Under Section 316 of the SFO, Mr. Ke Xi Ping is deemed to be interested in 114,000,000 Domestic Shares in the Company.

As at 31 December 2003, no shares of any of the shareholders holding 5% or more in the Company have been pledged or are under lock-up.

Save as disclosed above, as far as the Directors, Supervisors and chief executive are aware, as at 31 December 2003, there are no interest or short position of other parties in the shares or related securities of the Company which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2003 are set out in note 34 of the financial statements. Certain of these transactions constitute connected transactions/ongoing connected transactions under the Listing Rules at the time when such transactions were entered into, and which are required to be disclosed under rule 14A.45 of the Listing Rules. Such connected transactions/ongoing connected transactions are summarised as follows:

Contracted parties	Relationship with the Company	Contract Date	Nature of transaction	Combined consideration (for the year ended 31 Dec 2003) (RMB'000)	Combined consideration (for the year ended 31 Dec 2002) (RMB'000)	Under the applicable Listing Rules at the time	
1. Purchases of materials from Connected Parties							
1.1	Shanghang County Jinshan Trading Co Ltd	Shareholder of the Company	The respective occurrence dates of each transaction	Purchase of construction materials	915	3,737	Rule 14.24(5), this transaction was an exempted connected transaction (note 1)
2. Services provided by Connected Parties							
2.1	Guizhou Bureau of Geology & Mineral Resources 105	Shareholder of a subsidiary of the Company	19 Feb 2003	Geologic exploration services	80	0	Rule 14.24(5), this transaction was an exempted connected transaction (note 1)
2.2	Anhui Geological and Mining Bureau, Geological Team 321	Shareholder of a subsidiary of the Company	One of the contracts on 13 Dec 2002, and two other contracts on 31 Mar 2003	Geologic exploration and drilling services	368	0	Rule 14.24(5), this transaction was an exempted connected transaction (note 1)
2.3	Xinjiang Non-ferrous Metals Industry Engineering Quality Control Team	Company controlled by a shareholder of a subsidiary of the Company	27 Oct 2002	Supervisory service	114	0	Rule 14.24(5), this transaction was an exempted connected transaction (note 1)

Report of the Directors

Contracted parties	Relationship with the Company	Contract Date	Nature of transaction	Combined consideration (for the year ended 31 Dec 2003) (RMB'000)	Combined consideration (for the year ended 31 Dec 2002) (RMB'000)	Under the applicable Listing Rules at the time
2.4 Xinjiang Aletai Zhenan Blast Limited	Company controlled by a shareholder of a subsidiary of the Company	1 Jul 2002	Drainage construction works	845	0	Rule 14.24(5), this transaction was an exempted connected transaction (note 1)
2.5 Hunchun Gold and Copper Mine Mining Co Ltd	Shareholder of a subsidiary of the Company	Two contracts on 27 Mar 2003, and a supplementary agreement on 27 May 2003	Stripping works	3,222	0	Rule 14.25(1), this transaction was a non-exempt connected transaction (note 2)
2.6 Fujian Xinhua Engineering Co Ltd	Shareholder of the Company	3 May 2000, 4 Nov 2002	Stripping works	97,093	102,276	Rule 14.26, this transaction was a non-exempt connected transaction (note 3 and 3A)
2.7 Fujian Shanghang Hongyang Mine Engineering Co Ltd	Shareholder of two subsidiaries of the Company	26 Sep 2000, 15 Apr 2002, 25 Apr 2003	Stripping works	72,290	0	Rule 14.26, this transaction was a non-exempt connected transaction (note 3 and 3B)
2.8.1 Urumqi Non-ferrous Metal Refining Research Institute	Company controlled by a shareholder of a subsidiary of the Company	2 Mar 2001, and 20 May 2002 (supplementary agreement)	Construction design services	2,050	0	Rule 14.25(1), this transaction was a non-exempt connected transaction (note 2)
2.8.2 Xinjiang Non-ferrous Gold Construction Co	Company controlled by a shareholder of a subsidiary of the Company	3 May 2002	Mining tunnel construction works	1,282 (advance payment of construction fee), 3,768 (infrastructure construction fee)	292 0	Rule 14.25(1), this transaction was a non-exempt connected transaction (note 2)

Report of the Directors

Contracted parties	Relationship with the Company	Contract Date	Nature of transaction	Combined consideration (for the year ended 31 Dec 2003) (RMB'000)	Combined consideration (for the year ended 31 Dec 2002) (RMB'000)	Under the applicable Listing Rules at the time	
3. Financial assistance provided to Connected Parties							
3.1	Zhenfeng Industrial Investment Ltd	Shareholder of a subsidiary of the Company	20 Feb 2003	The Company provided a loan of RMB800,000	800 (loan)	0	Rule 14.26, this transaction was a non-exempt connected transaction (note 4)
3.2	Hunchun Gold and Copper Mining Ltd	Shareholder of a subsidiary of the Company	16 Dec 2002	The Company provided loans with annual cap of RMB3,500,000	2,905 (loan)	0	Rule 14.26, this transaction was a non-exempt connected transaction (notes 3 and 3C)
3.3	Fujian Shanghang Hongyang Mine Engineering Co Ltd	Shareholder of two subsidiaries of the Company	28 Mar 2003	The Company provided guarantee of RMB3,000,000			Rule 14.26, this transaction was a non-exempt connected transaction (notes 4 and 4A)
4. Financial assistance provided by Connected Parties							
4	Xinjiang Non-ferrous Metal Industry (Group) Ltd	Shareholder of a subsidiary of the Company	8 May 2003, 9 May 2003	For provision of guarantee on the bank loans of a subsidiary (max RMB116 million)			Rule 14.24(8), this transaction was an exempted connected transaction (note 5)
5. Financial assistance provided to non-wholly-owned subsidiaries							
5.1	Xinjiang Ashele Copper Co Ltd	Non-wholly-owned subsidiary of the Company	8 May 2003, 9 May 2003	Guarantee provided by the Company for loans of the subsidiary (utilized guarantee)	173,400 (maximum guarantee), 10,000	180,200 (maximum guarantee)	Rule 14.25(2)(a), this transaction was a non-exempt connected transaction (note 6)
5.2	Xiamen Zijin Science and Technology Co Ltd	Non-wholly-owned subsidiary of the Company	14 Oct 2002, 9 Feb 2003, 26 May 2003	Guarantee provided by the Company for loans of the subsidiary (utilized guarantee)	25,000 (maximum guarantee), 25,000	10,000 (maximum guarantee), 10,000 (utilized guarantee)	Rule 14.26, this transaction was a non-exempt connected transaction (notes 3 and 3D)

Contracted parties	Relationship with the Company	Contract Date	Nature of transaction	Combined consideration (for the year ended 31 Dec 2003) (RMB'000)	Combined consideration (for the year ended 31 Dec 2002) (RMB'000)	Under the applicable Listing Rules at the time
5.3 Guizhou Zijin Mining Co Ltd	Non-wholly-owned subsidiary of the Company	21 Jan 2003	Guarantee provided by the Company for loans of the subsidiary	27,000 (maximum guarantee), 27,000 (utilized guarantee)	0	Rule 14.26, this transaction was a non-exempt connected transaction (note 7)

Note (1): Exempted connected transactions - The Directors (including Independent Non-executive Directors) confirmed that such connected transaction has been or will continue to be conducted under normal commercial terms which are fair and reasonable and to the overall interests of shareholders. The connected transaction will also constitute exempted ongoing connected transaction under the Listing Rules from time to time after the listing date, as the total annual consideration involved under the connected transaction is less than HK\$1,000,000 or 0.03% of the book value of the Group's net tangible assets in its latest audited consolidated accounts (whichever is higher). Therefore, the connected transaction falls under the scope of rule 14.24(5) of the Listing Rules at the time, and as an exempted ongoing connected transaction, is not subject to disclosure or approval by independent shareholders.

Note (2): Non-exempt connected transaction not requiring a waiver - The Directors (including Independent Non-executive Directors) confirmed that such connected transaction has been or will continue to be conducted under normal commercial terms which are fair and reasonable and in the overall interests of shareholders. The connected transaction will constitute a non-exempt ongoing connected transaction under the Listing Rules from time to time after the listing date. Under rule 14.25(1) of the Listing Rules at the time, such connected transaction does not require the approval by independent shareholder, as the total annual consideration involved under the connected transaction is less than HK\$10,000,000 or 3% of the book value of the Group's net tangible assets in its latest audited consolidated accounts (whichever is higher).

Note (3): Non-exempt connected transaction which have applied for a waiver - The Directors (including Independent Non-executive Directors) confirmed that such connected transaction has been or will continue to be conducted (i) under normal and general business operations of the Group (other than item 3.2 above); and (ii) under normal commercial terms which are fair and reasonable and in the overall interests of shareholders. The connected transaction will constitute a non-exempt connected transaction after the listing date. As a non-exempt connected transaction, it will be subject to disclosure and approval by independent shareholders.

Note (3A): For the three financial years ending 31 December 2005, the annual cap being the total value of transactions shall not exceed higher of 20.9% of the total cost of sales of the Group or RMB105,000,000. The annual cap has been determined by reference to the Group's historical figures based on the relevant contract agreements, and on the possible increase in the Group's production scope in future.

Report of the Directors

Note (3B): For the three financial years ending 31 December 2005, the annual cap on the total consideration shall not exceed the higher of 15.6% of the total cost of sales of the Group or RMB80,000,000. The annual cap has been determined based on the historical figures payable by the Group to Fujian Shanghang Hongyang Mine Engineering Company Limited under the relevant contract agreements during the Track Record Period, taking into account the possible increase in the Group's output in the future.

Note (3C): For the three financial years ending 31 December 2005, the annual cap of the relevant loan facilities shall not exceed the amounts of the continuation or renewal of the existing loan facilities (being RMB3,500,000). Such annual cap have been determined with reference to the relevant agreements.

Note (3D): For the three financial years ending 31 December 2005, the annual cap of the total guaranteed amounts under the relevant guarantee contracts shall not exceed the amounts of the continuation or renewal of the existing guarantees (being RMB25,000,000). Such annual cap has been determined with reference to the past figures of the total amounts of the guarantees provided by the Group to Xiamen Zijin Science and Technology Co., Ltd.

Note (4): Non-exempt connected transaction not requiring a waiver - The Directors (including Independent Non-executive Directors) confirm that such connected transaction has been or will continue to be conducted under normal commercial terms which are fair and reasonable and in the overall interests of shareholders. The connected transaction will constitute a non-exempt ongoing connected transaction after the listing date. As a non-exempt connected transaction, it is not subject to disclosure and approval by independent shareholders.

Note (4A): As Fujian Shanghang Hongyang Mine Engineering Company Limited has repaid such loan to the bank prior to 31 December 2003, therefore the connected transaction has been released.

Note (5): The Directors (including Independent Non-executive Directors) confirm that the financial assistance provided by the connected parties to the Group under such connected transactions is or will continue to be under normal or better commercial terms.

The financial assistance will be extended or replaced by similar financial assistance, until the relevant loan has been fully repaid. Pursuant to rule 14.24(8) of the Listing Rules at the time, it will also constitute an exempted ongoing connected transaction. As an exempted ongoing transaction, it will not be subject to disclosure and approval by independent shareholders.

Note (6): Non-exempt connected transaction not requiring a waiver - This transaction constitute a transaction, the main objective and purpose of which is to provide financial assistance by the Company to a non-wholly-owned subsidiary. The connected parties of the non-wholly-owned subsidiary are shareholders of Xinjiang Ashele (other than persons who become connected parties through their shareholding in Xinjiang Ashele). The Directors (including Independent Non-executive Directors) confirm that such connected transaction has been or will continue to be conducted under normal commercial terms which are fair and reasonable and to the overall interests of shareholders. The connected transaction will constitute a non-exempt connected transaction after the listing date. As a non-exempt connected transaction, it is not subject to approval by independent shareholders under rule 14.25(2)(a) of the Listing Rules at the time.

Note (7): Non-exempt connected transaction not requiring a waiver - The Directors (including Independent Non-executive Directors) confirm that such connected transaction has been or will continue to be conducted under normal commercial terms which are fair and reasonable and in the overall interests of shareholders. The connected transaction will constitute a non-exempt connected transaction after the listing date. As a non-exempt connected transaction, it is not subject to disclosure and approval by independent shareholders.

In respect of the connected transactions under items 2.6, 2.7, 3.2 and 5.2 mentioned above, the Directors believe that strict compliance with the Listing Rules regarding disclosure and approval by independent shareholders is not practical. Therefore, the Directors have made an application to the Stock Exchange for a waiver from the strict compliance with such requirement. The Stock Exchange has granted the Company with an exemption on the transactions involved for the three financial years ending 31 December 2005 from the strict compliance of the Listing Rules regarding disclosure and approval by independent shareholders, subject to the following conditions:

- (a) For each of the three financial years ending 31 December 2005, the total amount of the relevant connected transactions shall not exceed their respective annual caps;
- (b) The above non-exempt ongoing connected transactions have been entered into in accordance with their respective agreements, and the terms of agreement governing such transactions:
 - (i) in ordinary and normal business of the Company (other than the financial assistance provided to Hunchun Gold and Copper Mining Limited); and
 - (ii) under (1) normal commercial terms or (2) under terms not less favourable than those provided by independent third parties to the Company (or provided by the Company to independent third parties), or (3) if no comparable transaction is available to judge whether (1) or (2) above has been entered into under normal commercial terms, then under terms which are fair and reasonable to the shareholders of the Company; and
- (c) Details of the transactions under the above agreements must be disclosed in the Company's annual report and accounts in compliance with rule 14.25(1)(a) to (d) of the Listing Rules at the time;
- (d) Independent Non-executive Directors shall review the above transactions annually and confirm in the Company's annual report whether the transactions have been conducted in the way as stated in paragraphs (a) and (b) above;
- (e) The Company's auditors shall review the above transactions annually and confirm in writing to the Board (with copy to the Stock Exchange) on the following:
 - (i) that the transactions have been approved by the Board;
 - (ii) that the transactions have been conducted in accordance with the terms of the relevant agreement and the Company's pricing policies; and
 - (iii) whether the total of such transactions have not exceeded their respective annual caps as mentioned in paragraph (a) above;
- (f) The connected parties of the above connected transactions have undertaken to the Stock Exchange that they will provide adequate access for the inspection of the relevant books and records, in order to review the above connected transactions and prepare the relevant reports; and
- (g) The Company has undertaken to the Stock Exchange, if it is aware or has reasons to believe that the Independent Non-executive Directors and/or auditors are unable to confirm the conditions as set out in paragraphs (d) and (e) above respectively, to immediately notify the Stock Exchange, and the Company may have to re-comply with the conditions as set out in paragraphs (d) and (e) above, and any other conditions as the Listing Division of the Stock Exchange may deem to be appropriate in respect of non-exempt ongoing connection transactions.

Report of the Directors

Accordingly, it is confirmed by the Directors that:

- (a) The connected parties in the above connected transactions have undertaken to the Company and the Stock Exchange to provide adequate access for the inspection of the relevant books and records, in order to review the above connected transactions and prepare the relevant reports;
- (b) The Company has undertaken to the Stock Exchange, if it is aware or has reasons to believe that the Independent Non-executive Directors and/or auditors are unable to confirm the conditions as set out in paragraphs (d) and (e) above respectively, to immediately notify the Stock Exchange, and the Company may have to re-comply with the conditions as set out in paragraphs (d) and (e) above, and any other conditions as the Listing Division of the Stock Exchange may deem to be appropriate in respect of non-exempt ongoing connection transactions.
- (c) Independent directors of the Group has confirmed that all the connected transactions of the Group or its subsidiaries involved in the year 2003 were:
 - (i) entered into under normal and general business operations of the Group or its subsidiaries (other than the financial assistance provided to Hunchun Gold Copper Mine Limited);
 - (ii) entered into under (1) normal commercial terms, or (2) where no comparisons are available, then under terms which are fair and reasonable to the shareholders of the Company;
 - (iii) entered into under (1) the terms of the agreement governing such transactions or (2) where no such agreement is available, under terms not inferior from those available from or to independent third parties.
- (d) The Group's auditors have reviewed the transactions (details of which are set out in note 34 of the financial statements), and confirmed to the Board that:
 - (i) The transactions have been approved by the Board;
 - (ii) Terms of the agreement of the relevant transactions were attached to the connected transactions;
 - (iii) The aggregated amounts of the transactions have not exceeded the respective annual caps as set out in Notes 3A to 3D above.

MANAGEMENT CONTRACTS

There was no management and administrative contracts relating to the business as a whole or any principal operations of the Company entered into by the Company or existing for the year ended 31 December 2003.

MAJOR LITIGATION, ARBITRATION

The Company has no major litigation, arbitration during the reporting period.

ACQUISITIONS, DISPOSALS AND MERGERS

The Company has no acquisitions, disposals and mergers of assets during the reporting period.

POST BALANCE SHEET DATE MATTERS

Details of the post balance sheet date matters of the Group are set out in note 39 of the financial report.

AUDIT COMMITTEE

The audit committee of the Company consists of the two independent non-executive directors, namely Mr. Yang Dali, Mr. Yao Lizhong and the non-executive director, Mr. Ke Xiping in accordance with the requirements of the Code of Best Practice ("Code of Best Practice"), as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. An audit committee meeting was held on 2 April 2004 to review the Group's annual report and provide advice and recommendations to the Board.

Report of the Directors

COMPLIANCE WITH THE CODE OF BEST PRACTICE UNDER THE LISTING RULES

To the best knowledge of the Directors, the Company has complied with the Code of Best Practice under the Listing Rules for the year ended 31 December 2003.

AUDITORS

In the Annual General Meeting to be held, the Company will submit a resolution for the reappointment of Ernst & Young Hua Ming and Ernst & Young as the domestic and international auditors of the Company for the year 2004 respectively.

On behalf of the Board

Chen Jinghe

Chairman

Fujian, the PRC

3 April, 2004

Report of the Supervisory Committee

I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2003, three meetings were held by the Supervisory Committee.

The Ninth Meeting of the First Supervisory Committee was held at the Company's conference room on 3 February, 2003. Senior officers of the Company presented their reports on the Company's operations in 2002 in the meeting. The Company's final financial statements of 2002 year and the audit report issued by Ernst & Young Hua Ming were reviewed. Conclusions were drawn on the annual performance of the Supervisory Committee, where the "2002 Working Report of the Supervisory Committee" was considered and approved in the meeting for submission to the general meeting.

The First Meeting of the Second Supervisory Committee was held at the Company's conference room on 28 June, 2003. In the meeting, Mr. Zheng Qingxiang was re-elected as the chairman of the Supervisory Committee.

The Second Meeting of the Second Supervisory Committee was held at the Company's conference room on 18 October, 2003. The meeting examined the various resolutions regarding external investment projects of the Company and "Regarding adjustments on the use of proceeds" which the Board intend to submit to the general meeting.

II. INDEPENDENT WORKING REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee attended all the Board meetings. The chairman of the Supervisory Committee also participated in the meeting for the General Manager's office, received working reports of the Board and the management, and participated in the studies and issued opinions on the major decisions, significant change in appointments, resolution for fund raising of the Company.

1. Compliance of the Company's operations during the reporting period

In accordance with the relevant resolutions in general meetings, the Board seriously implemented the various resolutions. Its decision procedures complied with the Company Law and the Articles of Association. On the principles of prudent operations, the Company effectively prevented and diverted the risks of loss of assets. Through setting up internal control system, management on project investment, rules for connected transactions, management on guarantees to external parties, materials purchasing system, management on engineering project tendering, these various rules and systems were duly implemented after considerations and passed by the Board. It is not aware of violation of the laws, regulations, the Articles of Association or the Company's interests being hampered by the Company's directors and senior officers in the course of performance of their duties.

Report of the Supervisory Committee

2. **The Company's financial statements for the year was audited by Ernst & Young Hua Ming, which has issued an audit report without qualified opinion that truly reflected the financial condition and operating results of the Company.**

During the year, the Company realised sales income of RMB1,050,000,000 million, and net profits of RMB314,000,000 million, an increase of 127% over the previous year, and satisfactorily completed the working plans for the year.

3. **Fund raising**

During the year, the Company raised RMB1,408,373,000 through listing. After deducting the payment to the Social Security Fund and share issue expenses relating to the sale of H Shares, net proceeds amounted to RMB1,205,748,000 have all been credited to the Company's account before February 2004.

4. **Connected transactions**

Upon review and examination, the Company's connected transactions were found to have strictly in compliance with the relevant requirements, which did not have any adverse effect on the Company's interests, and full disclosures were made on the connected transactions. The major transaction being: "Sub-contracting contracts of Zijinshan Gold Mine open pit project". In 2003, the transaction actually conducted between the Company and Xinhuaadu Engineering was RMB97.09 million in terms of monetary amount, representing 51.2% of similar transactions. The transaction actually conducted the Company and Hongyang Mine was RMB72.29 million in terms of monetary amount, representing 38.13% of similar transactions.

5. **Guarantees to external parties**

The Company's Guarantees to external parties were Board resolutions made under the principles of cautious operations to effectively prevent and divert risks of asset losses, were serious and pragmatic, and disclosures on the guarantees to external parties truly reflected the Company's actual situation.

By Order of the Supervisory Committee

Zeng Qingxiang

Chairman of the Supervisory Committee

Fujian, the PRC

3 April 2004



安永會計師事務所

To the members

Fujian Zijin Mining Industry Co., Ltd.

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

We have audited the financial statements on pages 42 to 103 which have been prepared in accordance with International Financial Reporting Standards.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

3 April 2004

Consolidated Income Statement

Year ended 31 December 2003

	Notes	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Turnover	3	1,050,529	592,654
Cost of sales		(482,853)	(301,278)
Gross profit		567,676	291,376
Other revenue	3	3,975	1,994
Selling and distribution costs		(4,926)	(2,163)
Administrative expenses		(120,944)	(63,166)
Other operating costs		(12,119)	(7,305)
Profit from operating activities	4	433,662	220,736
Finance costs	5	(17,129)	(15,805)
Share of profit of an associate		2,018	1,100
Profit before tax		418,551	206,031
Tax	8	(95,677)	(67,850)
Profit before minority interests		322,874	138,181
Minority interests		(8,968)	102
Net profit from ordinary activities attributable to shareholders		313,906	138,283
Proposed final dividend	10	197,120	95,000
Earnings per share - basic	11	RMB0.33	RMB0.15

Consolidated Balance Sheet

31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
NON-CURRENT ASSETS			
Fixed assets	12	876,249	545,794
Land use rights	13	15,236	12,006
Long term deferred assets	14	63,499	45,499
Intangible assets	15	117,213	78,507
Goodwill	16	14,520	16,766
Interest in an associate	18	10,990	9,463
Other investment		40	40
		1,097,747	708,075
CURRENT ASSETS			
Inventories	19	121,624	96,242
Prepayments, deposits and other receivables	20	340,575	46,542
Trade receivables	21	2,373	1,659
Due from related parties	22	4,141	892
Due from an associate	18	—	41
Tax recoverable		—	571
Pledged cash	23	14,475	2,000
Cash and cash equivalents	23	1,114,466	153,339
		1,597,654	301,286
CURRENT LIABILITIES			
Due to related parties	22	—	5,000
Accrued liabilities and other payables	24	322,130	81,822
Trade payables	25	103,222	76,680
Current portion of interest-bearing bank loans	26	—	12,000
Short term bank loans	27	56,500	38,200
Government grants		553	—
Current portion of other long term loans	28	230	30
Provision for land restoration and environmental costs	29	14,414	—
Tax payable		28,031	179
		525,080	213,911
NET CURRENT ASSETS		1,072,574	87,375
TOTAL ASSETS LESS CURRENT LIABILITIES		2,170,321	795,450
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	26	199,400	351,050
Other long term loans	28	1,000	200
Long term other payables	30	42,141	42,141
		242,541	393,391
MINORITY INTERESTS		221,418	120,707
		1,706,362	281,352
CAPITAL AND RESERVES			
Issued capital	31	131,413	95,000
Reserves	32	1,377,829	91,352
Proposed final dividend	10	197,120	95,000
		1,706,362	281,352

Chen Jinghe
Director

Liu Xiaochu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2003

	Notes	Issued share capital RMB'000	Share premium account RMB'000	Statutory surplus reserve RMB'000 Note 32(a)	Public welfare fund RMB'000 Note 32(b)	Capital reserve RMB'000	Retained profits/ (accumulated losses) RMB'000 Note 32(c)	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2002		95,000	45,043	8,511	4,256	—	(10,638)	47,500	189,672
Dividend paid		—	—	—	—	—	—	(47,500)	(47,500)
Net profit for the year		—	—	—	—	—	138,283	—	138,283
Transfer to reserves		—	—	13,869	6,934	—	(20,803)	—	—
Share of capital reserve of an associate		—	—	—	—	897	—	—	897
Proposed final dividend	10	—	—	—	—	—	(95,000)	95,000	—
As at 31 December 2002 and 1 January 2003		95,000	45,043	22,380	11,190	897	11,842	95,000	281,352
Dividend paid		—	—	—	—	—	—	(95,000)	(95,000)
Net profit for the year		—	—	—	—	—	313,906	—	313,906
Transfer to reserves		—	—	33,133	16,567	—	(49,700)	—	—
Share of capital reserve of an associate		—	—	—	—	356	—	—	356
New shares issued	31(c)	36,413	1,243,926	—	—	—	—	—	1,280,339
Share issue expenses	31(c)	—	(74,591)	—	—	—	—	—	(74,591)
Proposed final dividend	10	—	—	—	—	—	(197,120)	197,120	—
At 31 December 2003		131,413	1,214,378	55,513	27,757	1,253	78,928	197,120	1,706,362
Reserves retained by									
Company and subsidiaries		131,413	1,214,378	55,513	27,757	—	76,972	197,120	1,703,153
Associate		—	—	—	—	1,253	1,956	—	3,209
At 31 December 2003		131,413	1,214,378	55,513	27,757	1,253	78,928	197,120	1,706,362
Company and subsidiaries		95,000	45,043	22,380	11,190	—	11,175	95,000	279,788
Associate		—	—	—	—	897	667	—	1,564
At 31 December 2002		95,000	45,043	22,380	11,190	897	11,842	95,000	281,352

Consolidated Cash Flow Statement

Year ended 31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		418,551	206,031
Adjustments for:			
Finance costs	5	17,129	15,805
Share of profit of an associate		(2,018)	(1,100)
Interest income	3	(710)	(370)
Dividend income from other investment	3	—	(8)
Gain on deemed disposal of 8.325% equity interest in a subsidiary	3	(148)	—
Negative goodwill recognised as income	3	(40)	(40)
Depreciation	4	89,313	64,627
Amortisation of land use rights	4	305	147
Amortisation of long term deferred assets	4	3,500	2,641
Amortisation of intangible assets	4	3,112	2,761
Amortisation of goodwill	4	1,613	—
Provision for/(write back of) inventory obsolescence	4	(143)	59
Provision for bad and doubtful trade receivables	4	179	8
Provision for/(write back of) bad and doubtful other receivables	4	1,095	(1,512)
Write back of loss on guaranteed bank loans	4	—	(14)
Loss on disposal of 2% equity interest in a subsidiary	4	164	—
Loss on disposal of fixed assets	4	2,613	4,105
Write back of impairment of fixed assets	4	(149)	—
Operating profit before working capital changes		534,366	293,140
Increase in inventories		(25,239)	(32,381)
Increase in prepayments, deposits and other receivables		(47,471)	(2,269)
Increase in trade receivables		(893)	(1,597)
(Increase)/decrease in an amount due from an associate		41	(41)
Increase in accrued liabilities and other payables		58,159	37,103
Increase in trade payables		26,542	28,312
Movements in balances with related parties		(4,544)	5,000
Increase in provision for land restoration and environmental costs		14,414	—
Movements in balances with shareholders		—	(290)
Decrease in provisions		—	(3,241)
Increase in pledged cash		(12,475)	—
Cash generated from operations		542,900	323,736
Income tax paid		(66,525)	(70,000)
Net cash inflow from operating activities		476,375	253,736

Consolidated Cash Flow Statement

Year ended 31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
Net cash inflow from operating activities		476,375	253,736
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		710	370
Dividends received from other investment		—	8
Dividends received from an associate		158	432
Purchases of fixed assets	12, 33(c)	(411,065)	(151,494)
Proceeds from disposal of fixed assets		381	45
Additions to land use rights	13	(3,535)	(5,303)
Additions to long term deferred assets	14	(21,500)	(16,347)
Additions to intangible assets	15, 33(c)	(37,818)	(1,405)
Acquisition of an associate		—	(5,776)
Acquisition of a subsidiary	33(a)	—	(11,654)
Disposal of 2% equity interest in a subsidiary	33(b)	5,300	—
Loans advanced to related parties		(12,405)	—
Repayment of loans advanced to related parties		8,700	—
Net cash outflow from investing activities		(471,074)	(191,124)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new shares issued	20,31(c)	1,160,716	—
Share issue expenses	24,31(c)	(20,476)	—
New bank loans		244,900	342,460
Repayment of bank loans		(390,250)	(209,310)
Repayment of long term other payables		—	(5,040)
Interest paid		(22,677)	(15,805)
Dividend paid		(95,000)	(47,500)
Cash received from government grants		553	—
Utilisation of government grants		—	(500)
Cash received from other long term loans		1,000	—
Cash received from minority shareholders upon additional capital injection in subsidiaries		9,700	676
Cash received from minority shareholders upon establishment of subsidiaries		67,360	—
Net cash inflow from financing activities		955,826	64,981
NET INCREASE IN CASH AND CASH EQUIVALENTS		961,127	127,593
Cash and cash equivalents at beginning of year		153,339	25,746
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,114,466	153,339
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	1,044,466	153,339
Non-pledged time deposits with original maturity of less than three months when acquired	23	70,000	—
		1,114,466	153,339

Balance Sheet

31 December 2003

	Notes	2003 RMB'000	2002 RMB'000
NON-CURRENT ASSETS			
Fixed assets	12	476,916	435,153
Land use rights	13	8,771	6,703
Long term deferred assets	14	54,782	38,196
Intangible assets	15	28,770	11,440
Interests in subsidiaries	17	362,228	184,909
Interests in an associate	18	10,990	9,463
Other investment		40	40
		942,497	685,904
CURRENT ASSETS			
Inventories	19	105,159	95,596
Prepayments, deposits and other receivables	20	282,207	22,111
Trade receivables	21	437	114
Due from a related party	22	800	—
Tax recoverable		—	571
Pledged cash	23	14,475	2,000
Cash and cash equivalents	23	962,275	8,376
		1,365,353	128,768
CURRENT LIABILITIES			
Accrued liabilities and other payables	24	283,515	67,026
Trade payables	25	94,261	74,568
Current portion of interest-bearing bank loans	26	—	12,000
Short term bank loans	27	44,000	38,200
Government grants		553	—
Current portion of other long term loans	28	230	30
Provision for land restoration and environmental costs	29	13,377	—
Tax payable		22,781	—
		458,717	191,824
NET CURRENT ASSETS/(LIABILITIES)		906,636	(63,056)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,849,133	622,848
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	26	149,400	341,050
Other long term loans	28	1,000	200
		150,400	341,250
		1,698,733	281,598
CAPITAL AND RESERVES			
Issued capital	31	131,413	95,000
Reserves	32	1,370,200	91,598
Proposed final dividend	10	197,120	95,000
		1,698,733	281,598

Notes to the Financial Accounts

31 December 2003

1. CORPORATE INFORMATION

The Company was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 6 September 2000. The Company and its subsidiaries (the "Group") are mainly engaged in the gold mining business and geological studies.

On 23 December 2003, 348,300,000 new H shares in the Company were listed on The Stock Exchange of Hong Kong Limited. On 29 December 2003, additional 52,244,000 new H shares in the Company, representing the over-allotment shares, were listed on The Stock Exchange of Hong Kong Limited.

The registered office and principal place of business of the Company is located at 277 Beihuan Road, Shanghang County, Fujian Province, the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Company have been prepared in Renminbi and in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standard Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The consolidated financial statements have been prepared on a historical cost basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries drawn up to 31 December each year after the elimination of all material intercompany transactions. Subsidiaries are consolidated from the date which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. A subsidiary is consolidated from the date the Company obtains control until such time as control ceases. A subsidiary is excluded from consolidation if it operates under severe long term restrictions which may impair its ability to transfer funds to the Company.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's and Company's share of the post-acquisition results and reserves of associates are included in the results and reserves, respectively. The interests in associates are stated in the balance sheets at the Company's share of net assets under the equity method of accounting, less any impairment losses. The Group's interest in associates include negative goodwill (net of accumulated amortisation) on acquisition, which are treated in accordance with the accounting policy for negative goodwill stated below.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of subsidiaries or associates at the date of acquisition. Goodwill is amortised on the straight-line basis over its useful life up to a presumed maximum of 10 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Notes to the Financial Accounts

31 December 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition as at the date of acquisition.

To the extent that negative goodwill can be associated with expectations of future losses or expenses identified in the acquirer's plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the income statement is included in the carrying amount thereof, rather than as a separately identified item on the balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the income statement and any relevant reserves, as appropriate.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of that asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Fixed assets** *(continued)*

Depreciation is provided using the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account their estimated residual value. The estimated useful lives of fixed assets are as follows:

Buildings	8 - 35 years
Electricity generation plant	8 - 45 years
Leasehold improvements	5 years
Plant, machinery and equipment	5 -15 years
Furniture and fixtures	4 -10 years
Motor vehicles	6 years

Also included in fixed assets are mining assets which comprise the openpit platform, leaching piles, mine shafts and buildings located at the mining sites. Depreciation is provided to write off the cost of openpit platform, leaching piles and mine shafts using the units of production method based on the estimated proved and probable mineral reserves. The buildings located at the mining sites are depreciated on the straight-line basis between 7 to 10 years.

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset at the time of disposal.

Construction in progress

Construction in progress represents buildings, mining structures, various plant and equipment and other fixed assets under construction and pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Notes to the Financial Accounts

31 December 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long term deferred assets

Long term deferred assets are recorded at cost less accumulated amortisation and any impairment losses. Long term deferred assets include exploration and development costs and land compensation costs.

Exploration and development costs include expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and development costs are capitalised and written off on the straight-line basis over the estimated useful life of 3 to 10 years. If any project is abandoned during the development stage, the total expenditure thereon will be written off.

Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. Such costs are written off on the straight-line basis over the estimated useful life of 10 years.

Mining rights

Mining rights, including exploration rights and development rights, are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on the straight-line basis over the estimated useful life of 5 to 10 years. The useful lives of the mining rights are reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mines. Amortisation of mining rights commences once the mining rights are used when production commences. Mining rights are written off to the income statement if the mining property is abandoned.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. The land use rights are amortised on the straight-line basis over the unexpired period of the rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project basis regarding research and development related to mining technology is capitalised as intangible assets only when the project is clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Any expenditure capitalised is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Other investment

Other investment represents investment in an unlisted company held on a long term basis and is stated at cost less any impairment losses.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Accounts

31 December 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	-	purchase cost on a first-in, first-out basis
Finished goods and work in progress	-	cost of direct material and labour and a proportion of manufacturing overheads

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables are recognised and carried at original invoiced amounts less allowances for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Other receivables are recognised and carried at cost less allowances for any uncollectible amounts.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issued costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired, as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Trade payables and other payables

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) processing income, when the relevant service is rendered;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (d) rental income, on an accrual basis; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivables under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Notes to the Financial Accounts

31 December 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

PRC corporate income tax is provided at rates applicable to enterprises in the PRC on the Company and its subsidiaries' income for financial reporting purposes, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- (i) except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with interests in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carryforward of unused tax assets and unused tax losses can be utilised:

- (i) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Retirement benefits

The companies now comprising the Group that were established in the PRC participate in a defined contribution retirement plan managed by the local municipal government in the PRC in which they operate. The relevant authorities of the local municipal government in the PRC undertake the retirement obligations of the Group's employees. The Group has no obligation for payment of retirement benefits beyond the annual contributions. The contribution payable is charged as an expense to the income statement as and when incurred.

Government grants and subsidies

Grants and subsidies from the government are recognised at their fair value where there is reasonable assurance that the grant or subsidy will be received and all attaching conditions will be complied with. When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs which it is intended to compensate. Where the grant or subsidy relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Notes to the Financial Accounts

31 December 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheets, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

3. 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:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Turnover:		
Sale of gold bullions	1,009,979	584,232
Sale of gold concentrates	11,972	—
Sale of iron concentrates	14,360	4,138
Sale of copper concentrates	5,820	—
Sale of copper cathodes	14,896	8,929
Others	524	—
Less: Sales taxes and levies (Note)	(7,022)	(4,645)
	1,050,529	592,654
Other revenue:		
Interest income	710	370
Rental income	338	142
Processing income	—	742
Dividend income from other investment	—	8
Others	2,294	692
	3,342	1,954
Gains:		
Exchange gains	445	—
Gain on deemed disposal of 8.325% equity interest in a subsidiary	148	—
Amortisation of negative goodwill (note 18)	40	40
	633	40
	3,975	1,994

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

The Group conducts its business within one business segment, i.e. the business of gold mining and geological studies in the PRC. Accordingly, no business segment information is presented. 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 data is presented.

Notes to the Financial Accounts

31 December 2003

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	2003 RMB'000	2002 RMB'000
Cost of inventories sold		468,439	301,278
Provision for restoration, rehabilitation and environmental costs	29	14,414	—
		482,853	301,278
Depreciation (note (i))	12	89,313	64,627
Amortisation of land use rights *	13	305	147
Amortisation of long term deferred assets *	14	3,500	2,641
Amortisation of intangible assets *	15	3,112	2,761
Research and development expenditures		9,309	5,044
Minimum lease payments under operating leases on land and buildings		362	355
Auditors' remuneration		856	400
Staff costs (including directors', supervisors' and senior executives' emoluments as set out in notes 6 and 7)			
Salaries and other staff costs (note (ii))		53,818	26,169
Retirement benefits - defined contribution fund (note (iii))		3,742	3,608
		57,560	29,777
Provision for/(write-back of) inventory obsolescence		(143)	59
Provision for bad and doubtful trade receivables **		179	8
Provision for/(write-back of) bad and doubtful other receivables **		1,095	(1,512)
Write back of loss on guaranteed bank loans **		—	(14)
Loss on disposal of fixed assets **		2,613	4,105
Donations **		5,885	4,609
Amortisation of goodwill **	16	1,613	—
Loss on disposal of 2% equity interest in a subsidiary **	33(b)	164	—
Write-back of impairment of fixed assets **	12	(149)	—

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

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

4. PROFIT FROM OPERATING ACTIVITIES *(continued)*

Notes:

- (i) Depreciation cost of approximately RMB80,080,000 was included in the cost of sales for the year ended 31 December 2003 (2002: RMB60,230,000).
- (ii) Staff costs of approximately RMB25,626,000 were included in the cost of sales for the year ended 31 December 2003 (2002: RMB13,904,000).
- (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 pension benefits beyond the annual contributions to the local social security bureau as set out above.

5. FINANCE COSTS

	Group	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Interest paid on bank loans repayable within five years	22,677	21,400
Less: Amount capitalised as construction in progress	(5,548)	(5,595)
	17,129	15,805

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 2.88% to 7.84% per annum (2002: 5.18% to 10.53% per annum).

Notes to the Financial Accounts

31 December 2003

6. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	692	829
Discretionary bonuses	2,789	859
Retirement benefits scheme contributions	12	7
	3,493	1,695

The emolument payable to the independent non-executive directors during the year is RMB128,000 (2002: RMB41,000).

The remuneration of each director during the years ended 31 December 2003 and 2002 fell within the band of nil to HK\$1,000,000 (equivalent to approximately RMB1,066,000). There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

There was no emolument paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2002: Nil).

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included three (2002: four) directors for the year ended 31 December 2003. Details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining two (2002: one) non-director, highest paid employees for the year are as follows:

	Group	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Salaries, allowances and benefits in kind	336	143
Discretionary bonuses	834	106
Retirement benefits scheme contributions	11	2
	1,181	251

All of the non-director, highest paid employees during the years ended 31 December 2003 and 2002 fell within the band of nil to HK\$1,000,000 (equivalent to approximately RMB1,066,000). There was no arrangement under which the non-director, highest paid employees waived or agreed to waive any remuneration during the year (2002: Nil).

There was no emolument paid by the Group to the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2002: Nil).

8. TAX

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
	Group:	
Current - Hong Kong	—	—
- Mainland China	137,025	67,398
Overprovision in prior years (note (ii))	(42,077)	—
	94,948	67,398
Share of tax attributable to:		
An associate	729	452
	95,677	67,850

Notes to the Financial Accounts

31 December 2003

8. TAX (continued)

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

- (i) Pursuant to "Guo Shui Fa No. 47" issued by the State Council of the PRC, two subsidiaries of the Group located in the western region of China (namely Guizhou Zijin and Hunchun Zijin) were granted a tax concession to pay PRC income tax at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations in specified regions with retroactive effect from 1 January 2001 for a 10 year period to 31 December 2010 as long as the two subsidiaries continue to engage in qualified operations in their respective regions. As Guizhou Zijin and Hunchun Zijin commenced operation in 2003, there was no tax payable for the year ended 31 December 2002.

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

- (ii) Pursuant to an approval document issued by the local tax authority of Shanghang County in 2003, the Company is taxed at a preferential rate of 15% with retroactive effect from 1 January 2000 to 31 December 2001 as the Company is classified as a "high-tech" enterprise in its province for tax purposes. As confirmed by the local tax authority of Shanghang County on 10 February 2004, the excessive tax paid in relation to the two years ended 31 December 2001 would offset against the tax liabilities of the Company for the year ended 31 December 2003. Accordingly, tax expense for the year was reduced by RMB34,133,000.

Pursuant to relevant PRC tax regulations and subject to the approval of the local tax authority, the Company can claim an additional deduction when calculating the income tax provision if machinery was purchased locally. Such machinery was purchased in 2002 or before and an approval from the local tax bureau to reduce income tax liabilities was obtained in 2003. An overprovision of tax payable in relation to such deduction amounting to RMB7,944,000 was written back during the year.

8. TAX *(continued)*

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

	2003		2002	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	418,551		206,031	
At PRC statutory tax rate	138,122	33.0	67,990	33.0
Expenses not deductible for tax	4,304	1.03	421	0.20
Income not subject to tax	(130)	(0.03)	(517)	(0.25)
Differential tax rate on the profit of certain subsidiaries	(4,542)	(1.09)	(44)	(0.02)
Overprovision in prior years	(42,077)	(10.05)	—	—
Tax charge at the Group's effective rate	95,677	22.86	67,850	32.93

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and an associate as the Group has no liability to additional tax should such amounts be remitted.

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

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was RMB306,031,000 (2002: RMB137,877,000) (note 32).

Notes to the Financial Accounts

31 December 2003

10. PROPOSED FINAL DIVIDEND

	2003 RMB'000	2002 RMB'000
Proposed final - RMB0.15 (2002: RMB1) per ordinary share	197,120	95,000

Note:

At the shareholder meetings on 18 May 2003 and 1 November 2003, the directors declared an aggregate dividend of RMB95,000,000 (based on total Domestic Shares of 95,000,000 before its subdivision of shares as noted in note 31(a) below) in respect of the year ended 31 December 2002.

The proposed final dividend for the year ended 31 December 2003 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution is based on the lower of the net profit determined under PRC accounting standards and regulations and IFRS.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit attributable to shareholders of RMB313,906,000 (2002: RMB138,283,000) and the weighted average number of 958,197,838 ordinary shares (2002: 950,000,000 ordinary shares) in issue during the year, as if the subdivision of the Company's shares from one Domestic Share of nominal value of RMB1.00 each to 10 Domestic Shares of RMB0.1 each, as described in note 31(a) below, had taken place on 1 January 2002.

Diluted earnings per share amounts for the years ended 31 December 2003 and 2002 have not been disclosed as there were no potential dilutive ordinary shares outstanding during these years.

Notes to the Financial Accounts

31 December 2003

12. FIXED ASSETS

Group

	Buildings	Electricity generation plant	Mining assets	Leasehold improvements	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Note 1)</i>									
Cost:									
At 1 January 2003	39,319	26,929	353,395	8,100	111,637	5,950	7,843	180,848	734,021
Additions	642	1,114	32,032	—	37,380	3,588	7,833	340,024	422,613
Transfer from/(to)	24,240	152	72,611	163	24,738	—	—	(121,904)	—
Reclassifications	11,584	—	(11,584)	—	—	—	—	—	—
Disposals	(230)	(3)	(4,687)	—	(1,501)	(314)	(115)	—	(6,850)
At 31 December 2003	75,555	28,192	441,767	8,263	172,254	9,224	15,561	398,968	1,149,784
Accumulated depreciation and impairment:									
At 1 January 2003	4,335	3,980	135,094	405	39,097	1,583	3,733	—	188,227
Charge for the year	6,445	1,415	61,740	1,653	14,896	1,563	1,601	—	89,313
Reclassifications	4,509	—	(4,509)	—	—	—	—	—	—
Reversal of impairment on disposal during the year recognised in the income statement	—	—	—	—	(149)	—	—	—	(149)
Disposals	(117)	(1)	(2,831)	—	(530)	(275)	(102)	—	(3,856)
At 31 December 2003	15,172	5,394	189,494	2,058	53,314	2,871	5,232	—	273,535
Net book value:									
At 31 December 2003	60,383	22,798	252,273	6,205	118,940	6,353	10,329	398,968	876,249
At 31 December 2002	34,984	22,949	218,301	7,695	72,540	4,367	4,110	180,848	545,794

Notes to the Financial Accounts

31 December 2003

12. FIXED ASSETS (continued)

Company

	Buildings RMB'000	Electricity generation plant RMB'000	Mining assets RMB'000 (Note 2)	Leasehold improvements RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2003	39,319	26,929	351,248	8,100	107,356	5,392	6,013	78,013	622,370
Additions	642	—	24,380	—	23,264	1,677	3,361	74,071	127,395
Transfer from/(to)	748	—	52,713	163	5,189	—	—	(58,813)	—
Reclassifications	11,584	—	(11,584)	—	—	—	—	—	—
Transfer to a subsidiary	—	—	—	—	(3,346)	(6)	—	—	(3,352)
Disposals	(230)	(3)	(4,648)	—	(1,501)	(312)	(100)	—	(6,794)
At 31 December 2003	52,063	26,926	412,109	8,263	130,962	6,751	9,274	93,271	739,619
Accumulated depreciation and impairment:									
At 1 January 2003	4,335	3,980	134,872	405	38,735	1,487	3,403	—	187,217
Charge for the year	6,282	1,403	58,132	1,653	12,494	1,334	1,014	—	82,312
Reclassifications	4,509	—	(4,509)	—	—	—	—	—	—
Transfer to a subsidiary	—	—	—	—	(2,847)	(2)	—	—	(2,849)
Reversal of impairment on disposal during the year recognised in the income statement	—	—	—	—	(149)	—	—	—	(149)
Disposals	(117)	(1)	(2,810)	—	(530)	(275)	(95)	—	(3,828)
At 31 December 2003	15,009	5,382	185,685	2,058	47,703	2,544	4,322	—	262,703
Net book value:									
At 31 December 2003	37,054	21,544	226,424	6,205	83,259	4,207	4,952	93,271	476,916
At 31 December 2002	34,984	22,949	216,376	7,695	68,621	3,905	2,610	78,013	435,153

Note 1: Included in the balances of the Group are building structures located in the gold mines with net book value of RMB26,057,000 (2002: RMB24,938,000) in respect of which the Group has not obtained the relevant land use rights as at 31 December 2003. During the year, the Company obtained certain land use rights in the gold mine on which the building structures are located. Accordingly, building structures located in the gold mines with net book value of RMB7,075,000 (2002: Nil) is reclassified from mining assets to buildings.

Note 2: Included in the balances of the Company are building structures located in the gold mines with net book value of RMB22,056,000 (2002: RMB23,277,000) in respect of which the Company has not obtained the relevant land use rights as at 31 December 2003. During the year, the Company obtained certain land use rights in the gold mine on which the building structures are located. Accordingly, building structures located in the gold mines with net book value of RMB7,075,000 (2002: Nil) is reclassified from mining assets to buildings.

13. LAND USE RIGHTS

	Group <i>RMB'000</i>	Company <i>RMB'000</i>
Cost:		
At beginning of year	15,289	9,986
Additions	3,535	2,337
At 31 December 2003	18,824	12,323
Accumulated amortisation and impairment:		
At beginning of year	3,283	3,283
Provided during the year	305	269
At 31 December 2003	3,588	3,552
Net book value:		
At 31 December 2003	15,236	8,771
At 31 December 2002	12,006	6,703

Notes to the Financial Accounts

31 December 2003

14. LONG TERM DEFERRED ASSETS

Group

	Exploration and development costs <i>RMB'000</i>	Land compensation costs <i>RMB'000</i>	Other assets <i>RMB'000</i> <i>(Note)</i>	Total <i>RMB'000</i>
Cost:				
At beginning of year	8,387	18,898	23,371	50,656
Additions	1,851	4,091	15,558	21,500
At 31 December 2003	10,238	22,989	38,929	72,156
Accumulated amortisation:				
At beginning of year	1,084	4,073	—	5,157
Provided during the year	1,220	2,280	—	3,500
At 31 December 2003	2,304	6,353	—	8,657
Net book value:				
At 31 December 2003	7,934	16,636	38,929	63,499
At 31 December 2002	7,303	14,825	23,371	45,499

14. LONG TERM DEFERRED ASSETS *(continued)*

Company

	Land compensation costs <i>RMB'000</i>	Other assets <i>RMB'000</i> <i>(Note)</i>	Total <i>RMB'000</i>
Cost:			
At beginning of year	18,898	23,371	42,269
Additions	3,245	15,558	18,803
At 31 December 2003	22,143	38,929	61,072
Accumulated amortisation:			
At beginning of year	4,073	—	4,073
Provided during the year	2,217	—	2,217
At 31 December 2003	6,290	—	6,290
Net book value:			
At 31 December 2003	15,853	38,929	54,782
At 31 December 2002	14,825	23,371	38,196

Note: Other assets mainly represented compensation paid to inhabitants to relocate them from the land above the copper mining sites of the Company prior to the commencement of copper mining activities. Pursuant to an agreement entered into between the Company and Fujian Geology & Mineral Exploration & Development Bureau (福建省地質礦產勘查開發局) on 23 October 2001, the Company and Fujian Geology & Mineral Exploration & Development Bureau were to establish a company to engage in copper mining businesses in Zijinshan. The new company had not been established as at 31 December 2003.

Notes to the Financial Accounts

31 December 2003

15. INTANGIBLE ASSETS

Group

	Mining rights <i>RMB'000</i>	Trading rights in Shanghai Gold Exchange <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At beginning of year	86,077	500	86,577
Additions	41,818	—	41,818
At 31 December 2003	127,895	500	128,395
Accumulated amortisation and impairment:			
At beginning of the year	8,070	—	8,070
Charge for the year	3,062	50	3,112
At 31 December 2003	11,132	50	11,182
Net book value:			
31 December 2003	116,763	450	117,213
31 December 2002	78,007	500	78,507

15. INTANGIBLE ASSETS *(continued)*

Company

	Trading rights in Shanghai Gold		Total RMB'000
	Mining rights RMB'000	Exchange RMB'000	
Cost:			
At beginning of year	17,660	500	18,160
Additions	19,060	—	19,060
At 31 December 2003	36,720	500	37,220
Accumulated amortisation and impairment:			
At beginning of the year	6,720	—	6,720
Provided during the year	1,680	50	1,730
At 31 December 2003	8,400	50	8,450
Net book value:			
31 December 2003	28,320	450	28,770
31 December 2002	10,940	500	11,440

Notes to the Financial Accounts

31 December 2003

16. GOODWILL

Group

	<i>RMB'000</i>
Cost:	
At beginning of year	16,766
Disposal of 2% equity interest in a subsidiary (note 33(b))	(633)
At 31 December 2003	16,133
Accumulated amortisation:	
At beginning of year	—
Amortisation provided during the year	1,613
At 31 December 2003	1,613
Net book value:	
At 31 December 2003	14,520
At 31 December 2002	16,766

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Unlisted shares, at cost	281,291	169,275
Due from subsidiaries	30,937	15,634
Loans to subsidiaries	50,000	—
	362,228	184,909

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The loans to subsidiaries are unsecured, bearing interest at 5.5755% per annum and repayable according to the repayment schedules stipulated in the loan agreements.

17. INTERESTS IN SUBSIDIARIES *(continued)*

As at 31 December 2003, particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation and operations	Legal Status	Nominal value of paid-up capital/ registered capital (RMB'000)	Percentage of equity attributable to the Group		Principal activities
				Direct	Indirect	
Anhui Zijin Mining Company Limited ("Anhui Zijin")	PRC 30 December 2001	Limited liability company	8,000	75%	—	Gold mining and geological studies
Guizhou Zijin Mining Company Limited ("Guizhou Zijin")	PRC 17 December 2001	Joint stock company	30,000	51%	4.3%	Gold mining, and geological studies
Xiamen Zijin Science and Technology Company Limited ("Xiamen Zijin")	PRC 9 March 2001	Joint stock company	15,000	86.5%	—	Geological studies, and provision of mining technique consultancy
Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele")	PRC 13 August 1999	Joint stock company	250,000	51%	—	Copper mining and geological studies
Hunchun Zijin Mining Company Limited ("Hunchun Zijin")	PRC 10 January 2003	Limited liability company	50,000	67%	5.2%	Gold mining and geological studies
Tongling Zijin Mining Company Limited ("Tongling Zijin")	PRC 9 June 2003	Limited liability company	34,280	51%	—	Gold mining and geological studies
Fujian Shanghang Zijin Shuidian Company Limited ("Zijin Shuidian")	PRC 13 June 2003	Limited liability company	20,000	51%	—	Dormant

Notes to the Financial Accounts

31 December 2003

17. INTERESTS IN SUBSIDIARIES *(continued)*

Company name	Place and date of incorporation and operations	Legal Status	Nominal value of paid-up capital/ registered capital (RMB'000)	Percentage of equity attributable to the Group		Principal activities
				Direct	Indirect	
Fujian Shanghang Jinshan Construction Engineering Company Limited ("Jinshan Construction")	PRC 5 March 2003	Limited liability company	9,000	80%	—	Provision of construction works
Tibet Jindi Mining Company Limited ("Tibet Jindi")	PRC 16 July 2003	Limited liability company	30,000	51%	0.9%	Gold mining and geological studies
Sichuan Shimian Zijin Platinum Company Limited ("Shimian Zijin")	PRC 25 July 2003	Limited liability company	10,000	—	44.1%	Platinum mining and geological studies
Sichuan Jiuzhaigou Zijin Mining Company Limited ("Jiuzhaigou Zijin")	PRC 28 July 2003	Limited liability company	40,000	60%	—	Gold mining and geological studies
Zhenfeng Zijin Mining Company Limited ("Zhenfeng Zijin")	PRC 14 August 2003	Limited liability company	1,000	—	46.5%	Dormant

The statutory audited financial statements of the above subsidiaries are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

18. INTEREST IN AN ASSOCIATE

	Group and Company	
	2003 RMB'000	2002 RMB'000
Share of net assets of an associate	11,307	9,820
Negative goodwill arising on acquisition of an associate, less amortisation	(317)	(357)
	10,990	9,463

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

The particulars of the associate are as follows:

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

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

19. INVENTORIES

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Raw materials and consumable supplies	24,824	12,355	13,812	12,176
Work in progress	77,369	80,806	73,522	80,339
Finished goods	19,431	3,081	17,825	3,081
	121,624	96,242	105,159	95,596

The carrying amount of inventories of the Group and the Company carried at net realisable value included in the above balance was approximately RMB1,688,000 (2002: Nil).

Notes to the Financial Accounts

31 December 2003

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

GROUP AND COMPANY

Included in the balance of the Group are prepayment for land use rights of RMB4,276,000 (2002: RMB5,223,000), exploration rights of RMB46,060,000 (2002: RMB1,000,000) and receivable of proceeds from the issue of new H shares upon the exercise of an over-allotment option by the underwriters amounting to RMB247,657,000 (2002: Nil).

Included in the balance of the Company are prepayment for land use rights of RMB2,297,000 (2002:RMB2,684,000), exploration rights of RMB7,850,000 (2002: RMB1,000,000) and receivable of proceeds from the issue of new H shares upon the exercise of an over-allotment option by the underwriters amounting to RMB247,657,000 (2002:Nil).

21. TRADE RECEIVABLES

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

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Within 4 months	2,373	1,644	437	99
Over 4 months but within 12 months	—	2	—	2
Over 1 year but within 2 years	—	12	—	12
Over 2 years	—	1	—	1
	2,373	1,659	437	114

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

Notes to the Financial Accounts

31 December 2003

22. BALANCES WITH RELATED PARTIES *(continued)*

Notes:

- (i) The loan to Zhenfeng Industrial Investment Limited is unsecured, interest-free and has no fixed terms of repayment.
- (ii) The loan to Hunchun Gold and Copper Mining Company Limited is unsecured, interest-free and has no fixed terms of repayment.
- (iii) Except for the loan of RMB600,000 advanced to Xinjiang Non-ferrous Gold Construction Company in the prior year which bears interest at 6.372% per annum and is repayable within one year, the remaining balance represents advance of construction fee which is unsecured, interest-free and repayable by offsetting the future construction fee. The loan of RMB600,000 was fully repaid during the year.
- (iv) The balances represent fund received for capital injection into a subsidiary, Guizhou Zijin. The balances are unsecured, bears interest ranging from 4.425% to 5.58% per annum and are injected into Guizhou Zijin during the year ended 31 December 2003.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Cash and bank balances	1,046,466	28,539	964,275	10,376
Time deposits	82,475	126,800	12,475	—
	1,128,941	155,339	976,750	10,376
Less: Quality guarantee deposit pledged to a bank for gold bullions sold	(2,000)	(2,000)	(2,000)	(2,000)
Time deposit restricted for land restoration and environmental costs upon the closure of the mine (Note)	(12,475)	—	(12,475)	—
	(14,475)	(2,000)	(14,475)	(2,000)
	1,114,466	153,339	962,275	8,376

Note: Pursuant to a directive issued by the Longyan municipal government, the Company is required to pledged certain deposits to a bank which is restricted for land restoration and environmental costs upon the closure of the mine. As at 31 December 2003, the Company has pledged bank deposits of RMB12,475,000 (2002: Nil). The use of these bank deposits is subject to approval by the Longyan municipal government. During the year ended 31 December 2003, the Company made a provision for land restoration and environmental costs amounting to RMB14,414,000 (2002: Nil) (note 29).

24. ACCRUED LIABILITIES AND OTHER PAYABLES**Group and Company**

Included in the balance of the Group and the Company is an amount payable to the Social Security Fund of RMB120,575,000 (note 31(b)) (2002: Nil) and accrued share issue expenses of RMB61,574,000 (2002: Nil).

25. TRADE PAYABLES

An aged analysis of trade payables, based on invoice date, is as follows:

	Group		Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Within one year	102,890	76,327	93,929	74,215
Over 1 year but within 2 years	66	104	66	104
Over 2 years but within 3 years	40	20	40	20
Over 3 years	226	229	226	229
	103,222	76,680	94,261	74,568

Trade payables of the Group include trading balances due to shareholders of RMB32,225,000 as at 31 December 2003 (2002: RMB24,077,000). Trade payables also include trading balances due to minority shareholders of RMB29,647,000 as at 31 December 2003 (2002: RMB21,151,000). The balances due to shareholders and minority shareholders are unsecured, interest-free and repayable in accordance with normal commercial terms.

Trade payables of the Company include trading balances due to shareholders of RMB31,673,000 as at 31 December 2003 (2002: RMB24,077,000). Trade payables also include trading balance due to a minority shareholder of RMB27,563,000 as at 31 December 2003 (2002: RMB21,151,000). The balances due to shareholders and a minority shareholder are unsecured, interest-free and repayable in accordance with normal commercial terms.

Notes to the Financial Accounts

31 December 2003

26. INTEREST-BEARING BANK LOANS

	Group		Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Total bank loans	199,400	363,050	149,400	353,050
Less: Amounts due within one year included under current liabilities	—	(12,000)	—	(12,000)
Amounts due after one year	199,400	351,050	149,400	341,050
Bank loans:				
Unsecured	149,400	203,800	149,400	203,800
Secured	50,000	159,250	—	149,250
	199,400	363,050	149,400	353,050
Bank loans repayable:				
Within one year	—	12,000	—	12,000
Between one and two years	55,000	191,250	40,000	191,250
Between two and five years	119,600	159,800	84,600	149,800
More than five years	24,800	—	24,800	—
	199,400	363,050	149,400	353,050

The bank loans carry interest at rates ranging from 2.88% to 6.70% per annum (2002: 2.88% to 8.07% per annum).

The bank loans are secured by guarantees from third parties, certain shareholders and a minority shareholder of a subsidiary (note 34). Bank loans of certain subsidiaries are also secured by guarantees from the Company.

27. SHORT TERM BANK LOANS

	Group		Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Unsecured	44,500	36,000	44,000	36,000
Secured	12,000	2,200	—	2,200
	56,500	38,200	44,000	38,200

The short term bank loans are secured by guarantees from third parties and certain shareholders of the Company (note 34).

28. OTHER LONG TERM LOANS

	Notes	Group and Company	
		2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Office of Longyan City Party Committee Intellectual Working Leadership Team (龍岩市委知識分子工作領導小組辦公室)	(i)	200	200
Shanghang County Technology Bureau (上杭縣科技局)	(ii)	30	30
Shanghang County Social Labour Insurance Company (上杭縣社會勞動保險公司)	(iii)	1,000	—
		1,230	230
Portion classified under current liabilities		(230)	(30)
		1,000	200
Other long term loans are repayable as follows:			
Within one year		230	30
Between one and two years		1,000	200
		1,230	230

Notes:

- (i) The balance is unsecured, bears interest at 20% per annum and is repaid in February 2004.
- (ii) The balance is unsecured, interest-free and repayable on demand.
- (iii) The balance is secured by a retirement fund of the Company managed by the Shanghang municipal government which bears interest at 5.49% per annum and is repayable by 28 February 2005.

Notes to the Financial Accounts

31 December 2003

29. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

	Group <i>RMB'000</i>	Company <i>RMB'000</i>
At beginning of year	—	—
Additional provision for the year	14,414	13,377
	14,414	13,377

The provision for land restoration and environmental costs is determined by the directors based on their best estimates.

30. LONG TERM OTHER PAYABLES

	Group	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Xinjiang Geological, Mining and Prospecting Development Bureau (新疆地質礦產勘察開發局)	32,420	32,420
Xinjiang Non-ferrous Metal Industry Company (新疆有色金屬工業公司)	9,721	9,721
	42,141	42,141

Note: The balances represent amounts payable to the promoters of Xinjiang Ashele upon injection of assets on establishment of Xinjiang Ashele on 13 August 1999.

An aged analysis of long term other payables is as follows:

	Group	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Between two and five years	21,031	16,809
More than five years	21,110	25,332
	42,141	42,141

Notes to the Financial Accounts

31 December 2003

31. SHARE CAPITAL

	2003 Number of shares '000	2003 Nominal value RMB'000	2002 Number of shares '000	2002 Nominal value RMB'000
Registered	1,314,131	131,413	95,000	95,000
Issued and fully paid:				
- Domestic Shares of RMB0.10 each (2002: RMB1.00 each)	913,587	91,359	95,000	95,000
- H shares of RMB0.10 each	400,544	40,054	—	—
	1,314,131	131,413	95,000	95,000

A summary of the movements in the Company's issued share capital during the year were as follows:

	2003 Number of shares '000	2003 Nominal value RMB'000	2002 Number of shares '000	2002 Nominal value RMB'000
At beginning of the year	95,000	95,000	95,000	95,000
Share subdivision (note (a)) Domestic Shares converted into Sale H Shares (note (b))	950,000 (36,413)	95,000 (3,641)	— —	— —
Share placement and public offer (note (c))	400,544	40,054	—	—
At end of year	1,314,131	131,413	95,000	95,000

Notes to the Financial Accounts

31 December 2003

31. SHARE CAPITAL *(continued)*

Notes:

- (a) Pursuant to a resolution adopted at an extraordinary general meeting of the Company held on 28 June 2003 and an approval issued by the China Securities Regulatory Commission on 18 November 2003, each Domestic Share of the Company with nominal value of RMB1.00 each was sub-divided into 10 Domestic Shares of nominal value of RMB0.10 each.
- (b) Pursuant to the “Provisional Administrative Measures for the Reduction of State-owned Shares and the Raising of the Social Security Fund” (減持國有股籌集社會保障資金暫行辦法), an aggregate of 36,413,090 Domestic Shares were converted into 36,413,090 Sale H Shares. The proceeds from the sale of the 36,413,090 Sale H Shares of RMB128,034,000, after netting off the portion of share issue expenses of RMB7,459,000 which should be borne by the Social Security Fund in connection with these Sale H Shares, should be remitted to the Social Security Fund (note 24).
- (c) On 23 December 2003, 348,300,000 ordinary H Shares of RMB0.10 each, which represented 316,636,364 New H Shares and 31,663,636 Sale H Shares, were issued to foreign investors at a price of HK\$3.30 (equivalent to approximately RMB3.516). On 29 December 2003, 52,244,000 additional ordinary H Shares of RMB0.10 each, which represented 47,494,546 New H Shares and 4,749,454 Sale H Shares, were issued to foreign investors at a price of HK\$3.30 (equivalent to approximately RMB3.516) upon the exercise of an over-allotment option. After deducting net proceeds of approximately RMB120,575,000 from the sale of an aggregate 36,413,090 Sale H Shares which should be remitted to the Social Security Fund as explained in note (b) above and share issue expenses of approximately RMB82,050,000 (before deducting issue expenses of RMB7,459,000 borne by the Social Security Fund as referred to in note (b) above), the Company raised net proceeds of RMB1,205,748,000, of which paid-up share capital amounted to RMB36,413,000 and share premium amounted to RMB1,169,335,000.

The ordinary H shares rank *pari passu*, in all material respects, with the Domestic Shares of the Company.

32. RESERVES**Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 44 of the financial statements.

Company

	Notes	Share premium account RMB'000	Surplus reserve RMB'000 Note (a)	Statutory welfare fund RMB'000 Note (b)	Public Capital reserve RMB'000	Retained profits/ losses (accumulated) RMB'000 Note (c)	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2002		45,043	8,511	4,256	—	(9,986)	47,500	95,324
Dividend paid		—	—	—	—	—	(47,500)	(47,500)
Net profit for the year		—	—	—	—	137,877	—	137,877
Transfer to reserves		—	13,746	6,873	—	(20,619)	—	—
Share of capital reserve of an associate		—	—	—	897	—	—	897
Proposed final dividend	10	—	—	—	—	(95,000)	95,000	—
As at 31 December 2002 and 1 January 2003		45,043	22,257	11,129	897	12,272	95,000	186,598
Dividend paid		—	—	—	—	—	(95,000)	(95,000)
Net profit for the year		—	—	—	—	306,031	—	306,031
Transfer to reserves		—	31,666	15,833	—	(47,499)	—	—
Share of capital reserve of an associate		—	—	—	356	—	—	356
New shares issued	31(c)	1,243,926	—	—	—	—	—	1,243,926
Share issue expenses	31(c)	(74,591)	—	—	—	—	—	(74,591)
Proposed final dividend	10	—	—	—	—	(197,120)	197,120	—
At 31 December 2003		1,214,378	53,923	26,962	1,253	73,684	197,120	1,567,320

Notes to the Financial Accounts

31 December 2003

32. RESERVES *(continued)*

Notes:

(a) Statutory surplus reserve ("SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the Company and the subsidiaries, the Company and the subsidiaries are required to allocate 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of the registered capital of the Company and the subsidiaries. Subject to certain restrictions set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered share capital.

(b) Public welfare fund ("PWF")

In accordance with the Company Law of the PRC and the respective articles of association of the Company and the subsidiaries, the Company and the subsidiaries are required to transfer 5% to 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations, to the PWF which is a non-distributable reserve other than in the event of the liquidation of the Company and the subsidiaries. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain the properties of the Company and the subsidiaries.

(c) Distributable reserves

According to the articles of association of the Company, the reserves available for distribution are based on the lower of the Company's profits determined under PRC accounting standards and regulations and IFRS.

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the SSR and PWF as set out above.

As at 31 December 2003, the Company's reserves available for distribution (before proposed final dividend of RMB197,120,000) were approximately RMB270,804,000 (2002: RMB107,272,000).

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Acquisition of a subsidiary**

On 20 December 2002, the Company entered into agreements with Zhongbao Technology Investment Company Limited (中寶科控投資股份有限公司) and Zhongguo Geology & Mining Company (中國地質礦業總公司), respectively, independent third parties, to acquire 53% equity interests in Xinjiang Ashele. The aggregate acquisition consideration was RMB144,800,000.

The fair value of the identifiable assets and liabilities of Xinjiang Ashele assumed by the Group were as follows:

	<i>RMB'000</i>
Fixed assets	81,486
Intangible assets	60,000
Cash and bank balances	133,146
Prepayments and other receivables	19,567
Due from related parties	892
	<hr/> 295,091
Accrued liabilities and other payables	(11,376)
Tax payable	(1)
Long term other payables	(42,141)
Minority interests	(113,539)
	<hr/> (167,057)
Fair value of net assets	128,034
Goodwill arising on acquisition	16,766
	<hr/> 144,800
Consideration:	
Cash paid	144,800
	<hr/> <i>RMB'000</i>
Cash outflow on acquisition is as follows:	
Amount of cash paid	(144,800)
Net cash acquired	133,146
	<hr/>
Net cash outflow	(11,654)

Since its acquisition, Xinjiang Ashele had no significant impact on the turnover or the consolidated profit after tax and before minority interests for that year.

Notes to the Financial Accounts

31 December 2003

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Disposal of 2% equity interest in a subsidiary

On 11 January 2003, the Company entered into an agreement with Xinjiang Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau (新疆維吾爾自治區地質礦產勘查開發局), a shareholder of Xinjiang Ashele, to dispose of 2% equity interest in Xinjiang Ashele at a consideration of RMB5,000,000. On 13 January 2003, the Company received RMB300,000 from Zhongbao Technology Investment Company Limited to compensate the losses suffered by the Company for the disposal of a 2% equity interest to Xinjiang Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau. The disposal resulted in a loss on disposal of RMB164,000 and a release of unamortised goodwill of RMB633,000 for the year ended 31 December 2003 (notes 4 and 16, respectively).

(c) Major non-cash transactions

On 9 January 2003, 20 May 2003 and 9 December 2003, a minority shareholder of Hunchun Zijin injected fixed assets and intangible assets with carrying value of RMB6,000,000 and RMB4,000,000, respectively, as capital injection for 20% equity interest in Hunchun Zijin.

During the year, the Group capitalised interest expenses of RMB5,548,000 (2002: RMB5,595,000) in fixed assets (note 5).

34. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions and balances detailed elsewhere in the these financial statements, the Group had the following material transactions with the following related parties during the year:

Name of related parties	Relationship with the Company	Nature of transactions	Notes	2003 RMB'000	2002 RMB'000
Shanghang County Jinshan Trading Company Limited ("Jinshan Trading") (上杭縣金山貿易有限公司)	A shareholder	Purchase of construction materials	(a)	915	3,737
Fujian Xinhua Engineering Company Limited ("Xinhua Engineering") (福建省新華都工程有限責任公司)	A shareholder	Construction service fees	(a)	97,093	102,276

34. RELATED PARTY TRANSACTIONS (continued)

(i) (continued)

Name of related parties	Relationship with the Company	Nature of transactions	Notes	2003 RMB'000	2002 RMB'000
Fujian Minxi Geologist Team (福建省閩西地質大隊)	A shareholder	Payment for the purchase of exploration and mining rights	(b)	10,736	—
Minxi Xinghang State-owned Assets Investment Company Limited ("Minxi Xinghang") (閩西興杭國有資產投資經營有限公司)	A shareholder	Guarantee handling fee	(c)	—	210
Fujian Shanghang Hongyang Mine Engineering Company Limited (福建省上杭鴻陽礦山工程有限公司)	A shareholder of Hunchun Zijin and Guizhou Zijin	Construction service fees	(a)	72,290	—
		Interest expenses	(d)	11	—
Xiamen Hengxing Construction & Decoration Materials Company Limited ("Xiamen Hengxing") (廈門恒興建築裝飾材料有限公司)	A shareholder	Rental expenses	(e)	7	7
		Rental income	(e)	20	—
Fujian Longyan Makeng Mining Company Limited (福建龍岩馬坑礦業有限公司)	An associate	Purchase of iron ores	(a)	—	108
Guizhou Bureau of Geology & Mineral Resources 105 (貴州省地質礦產勘查開發局 105 地質大隊)	A shareholder of Guizhou Zijin	Fund received for additional capital injection in a subsidiary	(d)	—	1,700
		Gold mine exploration fees	(f)	80	—
		Interest expenses	(d)	39	9

Notes to the Financial Accounts

31 December 2003

34. RELATED PARTY TRANSACTIONS (continued)

(i) (continued)

Name of related parties	Relationship with the Company	Nature of transactions	Notes	2003 RMB'000	2002 RMB'000
Xiamen Hengxing Mining Company Limited (廈門恒興礦業有限公司)	A shareholder of Guizhou Zijin	Fund received for additional capital injection in a subsidiary	(d)	—	1,000
		Interest expenses	(d)	27	5
Zhenfeng Industrial Investment Limited (貞豐縣工業投資有限公司)	A shareholder of Guizhou Zijin	Fund received for additional capital injection in a subsidiary	(d)	—	3,000
		Interest expenses	(d)	62	—
		Loan	(i)	800	—
Guizhou Land & Mineral Resources Development Company (貴州省地質礦產資源開發局)	A shareholder of Guizhou Zijin	Fund received for additional capital injection in a subsidiary	(d)	—	3,400
		Interest expenses	(d)	80	19
Anhui Geological and Mining Bureau, Geological Team 321 (安徽省地質礦產局321地質隊)	A shareholder of Tongling Zijin	Construction service fees	(g)	368	—
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司)	A shareholder of Hunchun Zijin	Construction service fees	(a)	3,222	—
		Loan	(i)	2,905	—
		Sales of construction materials	(j)	275	—
Anhui Tongling Jin Chan Mining Company Limited (銅陵金蟾礦業有限責任公司)	A shareholder of Tongling Zijin	Purchase of exploration and mining rights of Jiaochong Gold-Base-Metals Mine, Hamaling Gold Mine and Qingyang County Yinjiazha Gold Mine	(b)	16,800	—

34. RELATED PARTY TRANSACTIONS (continued)

(i) (continued)

Name of related parties	Relationship with the Company	Nature of transactions	Notes	2003 RMB'000	2002 RMB'000
Fujian Shanghang Jinma Economic Development Company Limited (福建省上杭縣金馬經濟開發有限公司)	A shareholder of Jinshan Construction	Loan	(h)	500	—
Shanghang Mining Construction Limited (上杭縣礦業建築有限公司)	A shareholder of a minority shareholder of Jinshan Construction	Loan	(h)	1,100	—
Shanghang Da Guang Ming Electricity Group Limited (上杭大光明電力集團有限公司)	A shareholder of Zijin Shuidian	Loan	(h)	6,860	—
Xinjiang Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau (新疆維吾爾自治區地質礦產勘查開發局)	A shareholder of Xinjiang Ashele	Disposal of 2% equity interest in Xinjiang Ashele	(k)	5,000	—
Xinjiang Baodi Mining Company Limited (新疆寶地礦業有限責任公司)	A shareholder of Xinjiang Ashele	Advance of construction fees	(l)	264	—
Xinjiang Land & Mineral Bureau Geologic Team No. 4 (新疆地礦局第四地質大隊)	A company controlled by Xinjiang Ashele's shareholder	Infrastructure construction fees	(m)	1,300	—
Xinjiang Land & Mineral Bureau Geologic Team No. 4 (新疆地礦局第四地質大隊)	A company controlled by Xinjiang Ashele's shareholder	Infrastructure construction fees	(n)	355	—
Xinjiang Non-ferrous Metals Industry Engineering Quality Control Team (新疆有色金屬工業工程質量監督站)	A company controlled by Xinjiang Ashele's shareholder	Infrastructure construction fees	(o)	114	—

Notes to the Financial Accounts

31 December 2003

34. RELATED PARTY TRANSACTIONS (continued)

(i) (continued)

Name of related parties	Relationship with the Company	Nature of transactions	Notes	2003 RMB'000	2002 RMB'000
Xinjiang Non-ferrous Gold Construction Company (新疆有色黃金建設公司)	A company controlled by Xinjiang Ashele's shareholder	Loan	(p)	240	600
		Advance of construction fees	(l)	1,282	292
		Infrastructure construction fees	(q)	3,768	—
Xinjiang Aletai Zhenan Blast Limited (新疆阿勒泰震安爆破有限責任公司)	A company controlled by Xinjiang Ashele's shareholder	Infrastructure construction fees	(r)	845	—
Aletai Kaiyuan Mining Limited (阿勒泰開源礦業有限公司)	A company controlled by Xinjiang Ashele's shareholder	Infrastructure construction fees	(s)	6	—
Tibet Geologic Exploration & Development Bureau Geothermal Geologic Team (西藏自治區地質礦產勘查開發局地熱地質大隊)	A shareholder of Tibet Jindi	Prepayment for the purchase of exploration and mining rights	(t)	13,200	—

Notes:

- (a) These transactions were made according to the published prices and conditions similar to those offered to independent third parties.

Fujian Shanghang Hongyang Mine Engineering Company Limited ("Shanghang Hongyang") provided construction service fees during the year. As Shanghang Hongyang became a related party of the Group after becoming the minority shareholder of Hunchun Zijin and Guizhou Zijin on 10 January 2003 and 24 March 2003, respectively, the construction service fees paid to Shanghang Hongyang were disclosed as related party transactions for the year ended 31 December 2003.

34. RELATED PARTY TRANSACTIONS *(continued)*

(i) *(continued)*

Notes: (continued)

(b) In accordance with an agreement entered into between the Company and Fujian Minxi Geologist Team on 28 June, 2003, the Company purchased exploration and mining rights of gold and copper mine at the southern end of Shanghang Zijinshan Gold and Copper Mine (上杭縣紫金山銅金礦東南礦段金銅礦) from Fujian Minxi Geologist Team at a consideration of RMB10,736,000.

In accordance with an agreement entered into between Tongling Zijin and Anhui Tongling Jin Chan Mining Company Limited on 1 June, 2003, Tongling Zijin purchased exploration and mining rights of Jiaochong Gold-Base-Metals Mine (焦沖金礦), Hamaling Gold Mine (蛤蟆嶺金礦) and Qingyang County Yinjiazha Gold Mine (青陽縣尹家榨金礦) from Anhui Tongling Jin Chan Mining Company Limited at a consideration of RMB16,800,000.

(c) The guarantee handling fee was paid to Minxi Xinghang for the provision of guarantee on bank loans borrowed by the Company. The guarantee handling fee was calculated on terms mutually agreed between the parties. On 10 August, 2002, Minxi Xinghang entered into an agreement with the Company which confirmed that the Company was not required to pay any further guarantee handling fee to Minxi Xinghang since the date of the agreement.

(d) Interest expenses were paid to the shareholders of Guizhou Zijin for the advance of funds to Guizhou Zijin for the increase in share capital from RMB10,000,000 to RMB30,000,000. Interest expenses were charged for the period when the funds were received from shareholders until the completion of additional capital injection. The interest expenses were charged at short term bank loan rates ranging from 4.425% to 5.580% per annum.

(e) On 1 October, 2002, Xiamen Zijin entered into a tenancy agreement with Xiamen Hengxing as the landlord at a monthly rental rate of RMB1,200. The rental expense was made at prices and terms mutually agreed between the parties. The lease was terminated in June 2003.

On 1 December 2003, Xiamen Zijin entered into a tenancy agreement with Xiamen Hengxing as the tenant at a monthly rental of RMB19,960. The rental income charged by Xiamen Zijin was made at prices and terms mutually agreed between the parties.

(f) The payment was made for gold mine exploration services provided by a minority shareholder of a subsidiary. This transaction was conducted on prices by reference to the standard fee scale issued by the PRC government.

(g) In accordance with an agreement entered into between Anhui Zijin and Anhui Geological and Mining Bureau, Geological Team 321 on 13 December 2002, Anhui Geological and Mining Bureau, Geological Team 321 performed drilling work in the gold mine of Anhui Zijin. The drilling work was charged to Anhui Zijin according to prices by reference to the standard fee scale issued by the PRC government.

(h) The loans were unsecured, interest-free and fully repaid on 19 August 2003.

(i) The loans were unsecured, interest-free and had no fixed terms of repayment.

(j) These transactions were conducted on terms mutually agreed between the parties.

Notes to the Financial Accounts

31 December 2003

34. RELATED PARTY TRANSACTIONS *(continued)*

(i) *(continued)*

Notes: (continued)

- (k) In accordance with an agreement entered into between the Company and Xinjiang Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau on 11 January 2003, the Company disposed of 5,000,000 shares of Xinjiang Ashele to Xinjian Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau at a consideration of RMB5,000,000.
- (l) The balances represented loans to Xinjiang Ashele's shareholders and its controlled company during the year which were engaged in the infrastructure construction works of Xinjiang Ashele. The loans were unsecured, interest-free and were repayable by offsetting future construction fees.
- (m) In accordance with agreements entered into between Xinjiang Ashele and Xinjiang Baodi Mining Company Limited ("Xinjiang Baodi") on 10 October 2002, Xinjiang Baodi was engaged in the water pipe construction works of Xinjiang Ashele. The contract sum for the water pipe construction works were charged to Xinjiang Ashele according to prices by reference to the standard fee scale issued by the PRC government. The construction works were completed in October 2003.
- (n) In accordance with agreements entered into between Xinjiang Ashele and Xinjiang Land & Mineral Bureau Geologic Team No. 4 on 29 April 2002 and 26 March 2003, Xinjiang Land & Mineral Bureau Geologic Team No. 4 performed geological studies on the construction site of Xinjiang Ashele at a contract sum of RMB340,000. In accordance with another agreement dated 22 August 2001, Xinjiang Land & Mineral Bureau Geologic Team No. 4 performed site reclamation works for temporary electricity supply facility for Xinjiang Ashele at a contract sum of RMB15,000. These transactions were conducted on price by reference to the standard fee scale issued by the PRC government.
- (o) In accordance with an agreement entered into between Xinjiang Ashele and Xinjiang Non-ferrous Metals Industry Engineering Quality Control Team on 27 October 2002, Xinjiang Non-ferrous Metals Industry Engineering Quality Control Team monitored the quality of initial construction works of Xinjiang Ashele at a contract sum of RMB250,000. This transaction was conducted on price by reference to the standard fee scale issued by the PRC government.
- (p) The loan was unsecured, bore interest at 6.372% per annum and was repaid in October 2003. The interest rate was mutually agreed between the parties.
- (q) In accordance with agreements entered into between Xinjiang Ashele and Xinjiang Non-ferrous Gold Construction Limited on 3 May 2002 and 1 July 2002, Xinjiang Non-ferrous Gold Construction Limited was engaged in mining tunnel and water pipe construction works of Xinjiang Ashele. The contract sum for mining tunnel construction works was RMB7,433,000 and the water pipe construction works were charged to Xinjiang Ashele according to prices by reference to the standard fee scale issued by the PRC government. The water pipe construction works was completed in September 2003 while the mining tunnel construction works are still under construction as at 31 December 2003.

34. RELATED PARTY TRANSACTIONS *(continued)*

(i) *(continued)*

Notes: (continued)

- (r) In accordance with an agreement entered into between Xinjiang Ashele and Xinjiang Aletai Zhenan Blast Limited on 1 July 2002, Xinjiang Aletai Zhenan Blast Limited was engaged in the water pipe construction works of Xinjiang Ashele. The water pipe construction works were charged to Xinjiang Ashele according to prices by reference to the standard fee scale issued by the PRC government.
- (s) In accordance with an agreement entered into between Xinjiang Ashele and Aletai Kaiyuan Mining Limited, Aletai Kaiyuan Mining Limited was engaged in land survey works of copper mine of Xinjiang Ashele at a contract sum of RMB6,000. This transaction was conducted on prices by reference to the standard fee scale issued by the PRC government.
- (t) In accordance with an agreement entered into between the Company on behalf of its subsidiary, Tibet Zijin, and Tibet Geological Exploration Development Bureau, Geothermal Geological Team (西藏自治區地質礦業勘查開發局地熱地質大隊) on 16 July 2003, Tibet Jindi agreed to purchase exploration and mining rights of Muyan Gold Mine of Mayou (馬攸木岩金礦) from Tibet Geological Exploration Development Bureau, Geothermal Geological Team (西藏自治區地質礦業勘查開發局地熱地質大隊) at a consideration of RMB13,200,000. Prepayment of RMB13,200,000 has been paid as at 31 December 2003.

In addition to the above, in accordance with an agreement entered into between Xinjiang Ashele, Urumqi Non-ferrous Metal Refining Research Institute (烏魯木齊有色冶金設計研究院), a company controlled by one of Xinjiang Ashele's shareholders, and Beijing Non-ferrous Metal Refining Research Institute (北京有色冶金設計研究總院), an independent third party, on 2 March 2001, Urumqi Non-ferrous Metal Refining Research Institute and Beijing Non-ferrous Metal Refining Research Institute (collectively known as the "Research Institutes") were jointly engaged in the overall design for the initial construction works of copper mine of Xinjiang Ashele with a contract sum of RMB6,500,000. On 20 May 2002, Xinjiang Ashele and the Research Institutes entered into a supplemental agreement to confirm that the value of the contract was increased by an additional RMB650,000 and the Research Institutes provided a revised feasibility report to Xinjiang Ashele for an additional consideration of RMB100,000. During the year, an aggregate design fee of RMB2,050,000 was paid to Research Institutes.

Notes to the Financial Accounts

31 December 2003

34. RELATED PARTY TRANSACTIONS (continued)

- (ii) (a) Guarantees in respect of bank loans provided by the shareholders to the Company

Name of shareholder	Nature of guarantee	2003 RMB'000 Note	2002 RMB'000
Minxi Xinghang	Corporate guarantee	—	60,200
Xinhuadu Engineering	Corporate guarantee	—	20,000
Jinshan Trading	Corporate guarantee	—	32,000

Note: The guarantees in respect of bank loans provided by Minxi Xinghang and Xinhuadu Engineering have been released as the bank loans were fully repaid on 20 February 2003, 4 March 2003, 21 October 2003 and 23 October 2003, respectively. The guarantee in respect of a bank loan provided by Jishan Trading has been released as the bank loan has been changed to an unsecured loan on 10 November 2003.

- (b) Guarantees in respect of bank loans provided by a minority shareholder to a subsidiary

On 8 May 2003, a shareholder of Xinjiang Ashele, Xinjiang Non-ferrous Metal Industry (Group) Limited (新疆有色金屬工業(集團)有限責任公司), entered into a guarantee agreement with a PRC bank. Pursuant to the agreement, Xinjiang Non-ferrous Metal Industry (Group) Limited would provide a maximum corporate guarantee amounting to RMB116,000,000 in respect of a long term bank loan granted to Xinjiang Ashele. As at 31 December 2003, a long term bank loan of Xinjiang Ashele amounting to RMB10,000,000 was secured by guarantees provided by the Company and Xinjiang Non-ferrous Metal Industry (Group) Limited.

- (c) Guarantees in respect of bank loans granted by the Company to an associate

Name of an associate	Nature of guarantee	2003 RMB'000	2002 RMB'000
Fujian Longyan Makeng Mining Company Limited	Corporate guarantee		
Maximum guarantees		15,000	18,500
Guarantees utilised		15,000	5,000

34. RELATED PARTY TRANSACTIONS *(continued)*(ii) *(continued)*

(d) Guarantees in respect of bank loans granted by the Company to a minority shareholder

Name of a minority shareholder	Nature of guarantee	2003 RMB'000	2002 RMB'000
Fujian Shanghang Hongyang Mine Engineering Company Limited	Corporate guarantee		
Maximum guarantees		—	500
Guarantees utilised		—	500

(e) Guarantees in respect of bank loans granted by the Company to its subsidiaries

Name of subsidiary	Nature of guarantee	2003 RMB'000	2002 RMB'000
Xiamen Zijin Maximum guarantees	Corporate guarantee	25,000	10,000
Guarantees utilised		25,000	10,000
Guizhou Zijin Maximum guarantees	Corporate guarantee	27,000	—
Guarantees utilised		27,000	—
Xinjiang Ashele Maximum guarantees	Corporate guarantee	173,400	180,200
Guarantees utilised		10,000	—

As at 31 December 2003, a long term bank loan of Xinjiang Ashele amounting to RMB10,000,000 was secured by guarantees provided by the Company and Xinjiang Non-ferrous Metal Industry (Group) Limited (note 34(ii)(b) above).

Notes to the Financial Accounts

31 December 2003

35. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Corporate guarantees in respect of bank loans granted to:				
A minority shareholder	—	500	—	500
Third parties	7,600	11,400	7,600	11,400
Subsidiaries	—	—	227,400	190,200
An associate	15,000	18,500	15,000	18,500
Bill discounted with recourse	8,300	—	—	—
	30,900	30,400	250,000	220,600

As at 31 December 2003, the banking facilities granted to the subsidiaries and an associate subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB62,000,000 (2002: RMB10,000,000) and RMB15,000,000 (2002: RMB5,000,000), respectively.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its office properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from two to five years.

At 31 December 2003, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Within one year	510	62	273	62
In the second to fifth years, inclusive	1,064	7	135	7
	1,574	69	408	69

36. OPERATING LEASE ARRANGEMENTS *(continued)***(b) As lessee**

The Group leases certain of its office properties and land under operating lease arrangements. Leases for office properties are negotiated for terms of one year, and those for land for terms ranging between two to seven years.

At 31 December 2003, the Group and Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Within one year	1,163	266	1,146	263
In the second to fifth years, inclusive	4,540	921	4,540	921
After five years	2,270	6,842	2,270	6,842
	7,973	8,029	7,956	8,026

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Contracted, but not provided:				
- acquisition of plants, machinery and mining assets	136,166	67,267	20,335	48,837
- acquisition of exploration and mining rights	51,850	—	51,850	—
- additional capital injection in subsidiaries	—	—	82,867	—
	188,016	67,267	155,052	48,837
Authorised, but not contracted for:				
- overall utilisation of solid waste & environmental engineering (固體廢物綜合利用及環境治理工程)	81,549	112,510	81,549	112,510
	269,565	179,777	236,601	161,347

Notes to the Financial Accounts

31 December 2003

38. FINANCIAL INSTRUMENTS

(i) Fair values

As at 31 December 2003, the carrying amounts of the Group's cash and bank balances, trade receivables, other receivables, trade payables, other payables and short term borrowings approximate their fair values because of the short maturity of these instruments. The Group did not enter into any foreign exchange forward contracts to hedge against fluctuations.

As at 31 December 2003, the carrying amounts of the Group's long term borrowings approximate their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities.

(ii) Credit risks

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented are net of allowances for doubtful receivables, estimated by the Group's management based on past experience and the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the ability to apply for bank loan facilities if necessary.

39. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 3 April 2004, the Board of Directors proposed a final dividend of RMB0.15 per ordinary share, totaling approximately RMB197,120,000. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.
- (b) On 3 April 2004, the Board of Directors proposed to convert an amount of RMB131,413,091 in the Company's share premium into 1,314,130,910 shares of RMB0.1 each, and the Company will issue additional new shares on the basis of 10 new ordinary shares for every 10 existing ordinary shares to shareholders.
- (c) On 3 April, 2004, the Board of Directors have proposed to change the name of the Company to Zijin Mining Group Co., Ltd. (紫金礦業集團股份有限公司), subject to the approval of the shareholders at the forthcoming annual general meeting.
- (d) On 18 February 2004, the Company and Sichuan Geological and Mining Exploration Bureau Exploration Team (四川省地質礦產勘查開發局物探隊) established a new Company, Sichuan Ganzizhou Zijin Mining Company Limited ("Ganzizhou Zijin") (四川省甘孜州紫金礦業有限公司) which is engaged in gold and copper mining and geological studies. The registered share capital of Ganzizhou Zijin is RMB12,000,000. The Company contributed RMB7,200,000 as paid-up capital in Ganzizhou Zijin, representing 60% equity interests in Ganzizhou Zijin.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 3 April 2004.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting (“**AGM**”) of Fujian Zijin Mining Industry Co., Ltd. (the “**Company**”) for the year ended 31 December, 2003 will be held at 9:00 a.m. on 28 May, 2004 at the conference room on the 1st floor of the Company’s office building at Shanghang County, Fujian Province, the People’s Republic of China to consider, approve and authorise the following businesses:

ORDINARY RESOLUTIONS

1. to consider and approve:
 - 1.1 Report of the Board of Directors of the Company for 2003
 - 1.2 Report of Supervisory Committee of the Company for 2003
 - 1.3 audited financial statements and Report of the international auditors for the year ended 31 December, 2003;
2. to consider and approve the profit distribution proposal of the Company and the relevant declaration and payment of a final dividend for the year ended 31 December, 2003;
3. to approve the remuneration of the Directors and Supervisors of the Company for the year ending 31 December, 2003;
4. to consider and approve the annual remuneration proposal of the Directors and Supervisors of the Company for the year ended 31 December, 2004;
5. to consider and approve, the reappointment of Ernst & Young Hua Ming and Ernst & Young as the Company’s domestic and international auditors respectively for the year ending 31 December, 2004, and to authorise the Board of Directors to determine their remuneration;

SPECIAL RESOLUTIONS

To consider and if thought fit, to pass the following, as special resolutions:

6. to consider and approve:

There be granted to the Board of Directors of the Company, an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares. Such unconditional general mandate can be exercised once or more than once during the Relevant Period, subject to the following conditions:

- (a) such mandate shall not extend beyond the Relevant Period save that the Board of Directors of the Company may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;

Notice of Annual General Meeting

- (b) the aggregate nominal amount of shares, whether Domestic Shares or H Shares, allotted issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Board of Directors of the Company pursuant to such mandate, shall not exceed:
 - (i) 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue; and
 - (ii) 20 per cent of the aggregate nominal amount of H Shares of the Company in issue, in each case as of the date of passing this Resolution; and
- (c) the Board of Directors of the Company shall only exercise its power under such mandate in accordance with the Company Law of the People's Republic of China ("PRC") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;

For the purposes of this Resolution:

"Domestic Shares" means domestic invested shares in the share capital of the Company, of par value RMB 0.10 each, which are available for subscription in Renminbi by PRC investors and are fully-paid;

"H Shares" means the overseas listed foreign invested shares in the share capital of the Company with a par value RMB 0.10 each, and which are subscribed for and traded in Hong Kong Dollars;

"Relevant Period" means the period from the passing of this Resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this Resolution; or
- (b) the expiration of the 12-month period following the passing of this Resolution; or
- (c) the date on which the authority set out in this Resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting.

Notice of Annual General Meeting

7. to consider and approve the proposal for change of Company's names:

The name of the Company be changed and registered as:

The registered Chinese name of the Company: 紫金礦業集團股份有限公司

The registered English name of the Company : Zijin Mining Group Co., Ltd.

8. to consider and approve the proposal regarding issue of new shares by conversion of the surplus reserve fund:

An amount of RMB131,413,091 in the Company's surplus reserve fund will be converted into 1,314,130,910 shares of RMB0.1 each and on the basis of 1,314,130,910 shares in issue at the end of 2003, and the Company will issue additional new shares on the basis of 10 new shares for every 10 existing shares to shareholders.

9. to consider and approve each of the proposed amendments to certain provisions of the Articles of Association of the Company, which is independent and shall not affect the validity of others:

9.1. subject to the passing of resolution no. 7 above and the completion of necessary filing procedures with the relevant authority, Article 2 shall be amended as follows:

9.1.1 Article 2 of the Articles of Association be amended as:

"The registered Chinese name of the Company:

紫金礦業集團股份有限公司

The registered English name of the Company:

Zijin Mining Group Co., Ltd."

9.2 subject to the passing of resolution no. 8 above, the registered share capital and the share capital structure of the Company shall be changed and Articles 16 and 19 shall be amended as follows:

9.2.1 Article 16 of the Articles of Association be amended as:

"The current structure of the Company's share capital is as follows: the total number of issued ordinary shares of the Company is 2,628,261,820 shares of par value of RMB0.10 each, of which:

- 842,180,424 shares are held by Minxi Xinghang State-owned Assets Investment Company Limited, representing 32.04% of the total issued ordinary shares of the Company;

Notice of Annual General Meeting

- 345,800,000 shares are held by Xinhua Industrial Company Limited, representing 13.16% of the total issued ordinary shares of the Company;
- 342,190,000 shares are held by Shanghang County Jinshan Trading Company Limited, representing 13.02% of the total issued ordinary shares of the Company;
- 133,000,000 shares are held by Fujian Xinhua Engineering Company Limited, representing 5.06% of the total issued ordinary shares of the Company;
- 95,000,000 shares are held by Xiamen Hengxing Construction & Decoration Materials Company Limited, representing 3.61% of the total issued ordinary shares of the Company;
- 32,737,000 shares are held by Fujian Xinhua Department Store Company Limited, representing 1.25% of the total issued ordinary shares of the Company;
- 30,143,042 shares are held by Fujian Gold Group Company Limited, representing 1.15% of the total issued ordinary shares of the Company;
- 6,123,354 shares are held by Fujian Minxi Geologist, representing 0.23% of the total issued ordinary shares of the Company; and
- 801,088,000 shares are held by holders of Overseas Listed Foreign Shares, representing 30.48% of the total issued ordinary shares of the Company.®

9.2.2 Article 19 of the Articles of Association be amended as:

“The registered capital of the Company is RMB262,826,182.”

9.3 in order to facilitate the Company's flexibility in seeking investment opportunities, the Board of Directors proposed to amend the investment authorisation of the Directors under Article 94 as follows:

9.3.1 Paragraph 4 of Article 94 of the Articles of Association, “The authorisation to the board of directors for the application of the Company's assets in risk management and investment will be limited to not more than RMB 10 million” be deleted.

9.3.2 Paragraph 5 of Article 94 of the Articles of Association be amended as:

“The authorisation to the board of directors for the application of the Company's assets for investment will be subject to the provisions of the Listing Rules as amended from time to time and the applicable laws, rules and regulations.”

Notice of Annual General Meeting

9.4 in order to comply with certain amendments made to the Listing Rules relating corporate governance issues effective on 31 March, 2004, the Board of Directors proposed to amend the relevant provisions of Articles of Association as follows:

9.4a The revised Listing Rules provide that any vote of shareholders at a general meeting to approve certain transactions must be taken on a poll. In order to reflect this requirement, Articles 63, 71 and 74 be amended as follows:

9.4a.1 Article 63 of the Articles of Association be amended as:

“Any member of the Company entitled to attend and vote in the general meeting, shall be entitled to appoint one or more persons as his proxy(ies) to attend and vote instead of him. A proxy need not be a member of the Company. Under the appointment by the shareholder, the proxy may exercise the following rights:

- (1) the right to speak at the general meeting;
- (2) the right to vote by poll.”

9.4a.2 Article 71 of the Articles of Association be amended as:

“Voting at shareholders’ general meeting shall be taken on a poll.”

9.4a.3 Article 74 of the Articles of Association be amended as:

“In the case of an equality of votes, the chairman of the meeting shall have a casting vote.”

9.4b Pursuant to the revised Listing Rules, the articles of association of a listed company shall specify that if a shareholder is restricted from voting under the Listing Rules, any votes casted by or on behalf of such shareholder in contravention of such restriction or requirement shall not be counted. As such, Article 70 be amended as follows:

9.4b.1 Article 70 of the Articles of Association be amended as:

“A Shareholder (including proxy) when voting at a shareholder’s general meeting may exercise his voting rights in accordance with the number of shares carrying the voting right and each share shall have one vote. Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), if any shareholder (including proxy) is required to abstain from voting on any particular resolution, or restricted from voting only for or only against any particular resolution, any vote casted by such shareholder or his proxy in contravention of such requirement or restriction shall not be counted.”

Notice of Annual General Meeting

9.4c Pursuant to the revised Listing Rules, a notice relating to nomination of directors by shareholders shall be lodged not earlier than the date after the despatch of the notice of the meeting and no later than 7 days prior to the date the meeting is held. As such, paragraph 1 of Article 92 shall be amended as follows:

9.4c.1 Paragraph 1 of Article 92 of the Articles of Association be amended as:

“The directors shall be elected at a general meeting of shareholders for a term of 3 years, and may be re-elected upon the expiry of such term. Nomination of candidates for directors shall be delivered in writing to the Company not earlier than the date the notice convening the meeting is issued and not later than 7 days prior to the date the meeting is held. Candidates shall serve notices to the Company expressing their intention to participate in the election.”

9.4d In order to strengthen the corporate governance of the Company, Articles 76, 122 and 125 shall be amended as follows:

9.4d.1 Article 76 of the Articles of Association be amended as:

“The following matters shall be resolved by a special resolution at a shareholders’ general meeting:

- (i) the increase or decrease of share capital and the issue of shares of any class, warrants and other similar securities;
- (ii) the repurchase of shares of the Company;
- (iii) the issuance of debentures of the Company;
- (iv) the division, merger, dissolution and liquidation and material acquisitions or disposal;
- (v) amendments to these Articles of Association;
- (vi) any matter considered at the shareholders’ general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company, shall be adopted by a special resolution; and
- (vii) other matters as required by the “Listing Rules”.

9.4d.2 Insert the following paragraph as paragraph 6 after the paragraph 5 of Article 122 of the Articles of Association:

“(vi) Any person who will be deemed as Associates to such directors, supervisors, managers or other senior management officers pursuant to the “Listing Rules”.

Notice of Annual General Meeting

9.4d.3 Article 125 of the Articles of Association be amended as:

“Where a director, supervisor, manager or other senior management officer of the Company has, directly or indirectly, a material interest in a contract, transaction or arrangement entered into or proposed to be entered into by the Company (other than the contract of employment of a director, supervisor, manager or other senior management officer), he shall declare the nature and extent of his interest to the board of directors as soon as practicable, whether or not the matters in question are otherwise subject to the approval of the board of directors under normal circumstances.

A director shall abstain from voting in relation to contracts, transactions or arrangements in which he or his Associates (as defined in the “Listing Rule”) have a material interest and shall not be counted in the quorum.

Unless a director, supervisor, manager or other senior management officer with an interest makes a disclosure to the board of directors in the manner as described in the preceding paragraph in this Article and the matter is approved by the Board at a meeting at which he was not counted in the quorum and did not vote, the Company may rescind that contract, transaction or arrangement except as against a bona fide party acting in good faith and without knowledge of the breach of obligation by such director, supervisor, manager or other senior management officer.

When the related parties and Associates of a director, supervisor, manager or other senior management officer of the Company have an interest in a contract, transaction or arrangement, such director, supervisor, manager or other senior management officer is also deemed to be interested.”

9.5 As a result of the aforesaid amendments to the Articles of Association, Articles 6 and 179 shall be amended as follows:

9.5.1 Article 6 of the Articles of Association be amended as:

“In accordance with the provisions of the Company Law, the Special Regulations and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (the “**Mandatory Provisions**”) and other PRC laws and administrative regulations and the shareholders’ resolutions of the Company, these Articles of Association were adopted by the Company (the “**Articles of Association**’ or “**these Articles of Association**”).

The Articles of Association has been passed in the annual general meeting held on 28 May, 2004 and was effective from the date as approved by the relevant authority.

Since the date of the Articles of Association coming into effect, the Articles of Association becomes a legally binding document which standardises the organisational structure and behavior of the Company, obligations and rights between the Company and the shareholders and between shareholders.”

Notice of Annual General Meeting

9.5.2 Article 179 of the Articles of Association be amended as:

“The right to interpret these Articles of Association belongs to the board of directors of the Company. Matters not stipulated in these Articles of Association shall be proposed and passed at the general meeting by the board of directors.”

10. with reference to the resolutions no. 6 to 9 above, the Board of Directors be authorised:
- (a) to approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection therewith;
 - (b) to make such amendments to the Articles of Association of the Company as it thinks fit; and
 - (c) to make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities.
11. to consider and approve proposals (if any) put forward at the meeting by any shareholder(s) holding 5 per cent or more of the shares carrying the right to vote at such meeting.

By order of the Board of Directors
Wang Yuanheng
Company Secretary

Fujian, the PRC, 6 April, 2004

Notes:

- (A) The Company's register of H Shares members will be closed from Wednesday, 28 April, 2004 to Thursday, 27 May, 2004 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares whose names appear on the register of members at the close of business on Tuesday, 27 April, 2004, upon the completion of the registration procedures, will be entitled to attend the AGM and to vote in the meeting. To be entitled to attend the AGM and to vote in the meeting, their instruments of transfer must be delivered to the Registrar of H Shares of the Company no later than 4:00 p.m. on Tuesday, 27 April, 2004.

The address of the Registrar of H Shares of the Company is:

Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

Notice of Annual General Meeting

- (B) Holders of H Shares and Domestic Shares who intend to attend the AGM, must complete and return the return slip in writing to the Board secretariat of the Company twenty days before the convening of the AGM, that is Saturday, 8 May, 2004.

Details of the Office for the Secretary to the Board of the Company is as follows:

277 Beihuan Road
Shanghang County
Fujian Province
The PRC
Tel: (86) 597 384 1468
Fax: (86) 597 384 1468

- (C) Holders of H Shares who has the right to attend and vote at the AGM are entitled to appoint one or more proxies (whether or not a member) to attend and vote on his behalf. Shareholders who appoint over one proxies, such proxies can only exercise their voting rights by way of polls. Shareholders who intend to appoint one or more proxies should first read the Company's 2003 annual report.
- (D) The instrument appointing a proxy must be writing under the hand of the appointor or his attorney duly authorised in writing. In the event that such instrument is signed by an attorney of the appointor, an authorisation that authorised such signatory shall be notarized.
- (E) To be valid, a form of proxy (or if it is signed by his attorney duly authorised in writing, then together with such power of attorney or other authority) must be deposited at the Company's Registrar of H Shares of the Company - Computershare Hong Kong Investor Services Limited no later than 24 hours before the specified time for the holding of the AGM. The address is: Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (F) Holders of H Shares who has the right to attend and vote at the AGM are entitled to appoint one or more proxies (whether or not a member) to attend and vote on his behalf. Notes (C) and (D) are also applicable for holders of Domestic Shares, but to be valid, the relevant proxy forms or other authorisation documents must be delivered to the Board secretariat of the Company 24 hours before the specified time for the holding of the AGM, its address is set out in Note (B) above.
- (G) If a proxy is appointed to attend the AGM on behalf of a shareholder, the proxy must indicate its identification and the authorisation instrument with the date of issue and duly signed by the proxy and its legal representative, and in the case of legal representative of legal person shareholders, such legal representative must indicate its own identification and effective document to identify its identity as legal representative. If a legal person shareholder appoints a company other than its legal representative to attend the AGM, such representative must indicate its own identification and the authorisation instrument bearing the company chop of the legal person shareholder and duly authorised by its legal representative.
- (H) The AGM is expected to be for half a day, and shareholders attending the AGM will be responsible for their own travelling and accommodation expenses.