

Summary Review

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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.

Corporate Information

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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Shanghang county
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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	2002	2001	2000
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
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 RMB' 000	2002 RMB' 000	2001 RMB' 000	2000 RMB' 000
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 RMB' 000	2002 RMB' 000	2001 RMB' 000	2000 RMB' 000
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.

¾ 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.

¾ 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 Aluymite 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.

¾ 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.

Chairman's Statement

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.

Chairman's Statement

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