ZiJin

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

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

(Stock Code 股份代號：2899)

年報
ANNUAL REPORT 2005

*For identification purpose only

Contents

Corporate Information

GENERAL

Zijin Mining Group Company Limited (the "Company") (Formerly Fujian Zijin Mining Industry Company Limited) 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, Shanghang County Jinshan Trading Company Limited, Xinhuadu Industrial Company Limited, Fujian Xinhuadu Engineering Company Limited, Xiamen Hengxing Industry Company Limited, Fujian Xinhuadu 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 and was listed on the Stock Exchange of Hong Kong Limited on 23 December 2003. The Company was the first Mainland gold production enterprise listed overseas. In 2004 and 2005, the Company had twice applied reserves to issue new shares to the shareholders on 10:10 basis. As at 31 December 2005, the Company has a total of 5,256,523,640 Shares (Nominal value RMB0.1 each) of which 1,602,176,000 Shares are listed, representing 30.48% of the total issued share capital of the Company.

The Company is a comprehensive mining conglomerate in China 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 produces more than 15 tonnes of gold a year. All economic-efficiency indicators showed that the Company is the most efficient operator in the industry in China.

By the end of 2005, the Group possessed proven reserves of approximately 375 tonnes gold metal, approximately 6,250,000 tonnes of copper metal, approximately 214,800 tonnes of molybdenum, approximately 660,000 tonnes of zinc metal, approximately 100,200 tonnes of tin, approximately 226 million tonnes of iron metal and 400 million tones of coal (based on the interests of non-absolutely controlled companies). During the year, the Group (as hereinafter defined) has also obtained the exploration rights of approximately 5,231.92 sq. km. It is expected that, with further geological exploration, the mineral resources of the Group for gold, copper, and iron can be increased.

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

Fan Cheung Man

AUDIT COMMITTEE

Yang Dali
Yao Lizhong
Ke Xiping

AUTHORISED REPRESENTATIVE

Chen Jinghe
Liu Xiaochu

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shun Tak Centre,
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Hong Kong

LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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LEGAL CONSULTANT OF THE COMPANY

(Hong Kong laws)
Charltons

AUDITORS

International Auditors:
Ernst & Young

PRC Auditors:
Ernst & Young Hua Ming

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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2899

Financial Highlights

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

FINANCIAL INFORMATION AS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended 31 December				
	2005	**2004**	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	
Results					
Revenue	**3,036,215**	1,507,679	1,050,529	592,654	369,757
Cost of sales	**(1,563,439)**	(683,333)	(489,770)	(301,278)	(207,879)
Gross profit	**1,472,776**	824,346	560,759	291,376	161,878
Other income and gains	**27,811**	20,805	3,975	1,994	2,474
Selling and distribution costs	**(66,058)**	(10,319)	(4,926)	(2,163)	(3,526)
Administrative expenses	**(244,885)**	(167,579)	(114,027)	(63,166)	(41,296)
Other operating costs	**(68,488)**	(39,766)	(12,119)	(7,305)	(9,466)
Finance costs	**(18,437)**	(5,836)	(17,129)	(15,805)	(10,346)
Share of profits/(losses) of associates	**31,173**	15,034	1,289	648	(13)
Profit before tax	**1,133,892**	636,685	417,822	205,579	99,705
Income tax expenses	**(263,829)**	(178,816)	(94,948)	(67,398)	(35,209)
Profit for the year	**870,063**	457,869	322,874	138,181	64,496
Attributable to:					
Equity holders of the parent	**703,637**	417,619	313,906	138,283	66,102
Minority interests	**166,426**	40,250	8,968	(102)	(1,606)
	870,063	457,869	322,874	138,181	64,496

	For the year ended 31 December				
	2005	2004	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities					
Total assets	**5,475,378**	3,266,112	2,695,401	1,009,361	557,601
Total liabilities	**2,296,734**	956,698	767,621	607,302	361,335
Minority interests	**807,728**	382,010	221,418	120,707	6,594
Shareholders' interests	**2,370,916**	1,927,404	1,706,362	281,352	189,672

LIQUIDITY

	2005	2004	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**1,029,836**	888,747	1,114,466	153,339	25,746
Current ratio (%)	**112.12**	217.96	304.3	140.8	64.2
Trade receivables turnover (days)	**4.18**	1.24	0.8	1.0	0.1

To all shareholders:

I wish to take this opportunity to express my sincere gratitude towards your trust and support to Zijin Mining Group Company Limited ("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, 2005 as follows:

In 2005, the Group achieved (turnover) sales income of RMB3,036,215,000, an increase of 101.38% over the previous year, and achieved net profit after tax (net profit attributable to shareholders) of RMB703,637,000, an increase of 68.49% over the previous year. Earnings per share (basic) was RMB0.13 (Earning per share is based on the net profit attributable to shareholders in this year RMB703,637,000 (for 2004 was RMB417,619,000) and weighted average issued ordinary shares of this year 5,256,523,640 shares (for 2004 was 5,256,523,640 shares (adjusted)).

■ MARKET OVERVIEW

In 2005, there existed the problem of double deficits arising from the increase in interest rates of the US dollar and US dollar devaluation. The enhancement in inflation driven by the upsurge in international energy prices, the bullish market of international metal commodity markets, the monetary nature of gold and the nature as an investment instrument of gold were leading factors in driving the rise in gold prices. Demands in spot markets under the commodity nature of gold, international geographical politics, upheavals in economic conditions, as well as confidence crisis to the world monetary system continued to push up gold prices. In 2005, the closing price of No. 1 Gold on the Shanghai Gold Exchange was RMB133.55 per gram, up 13.1% from the closing price in 2004. The closing price of international spot gold was US$517.20 per ounce, up 18.08% from the closing price in 2004. Market prices of copper also rose significantly.

The average price of gold which the Company sold during the year was RMB119.25 per gram, up by 9.01% over the corresponding period in the previous year.

■ INDUSTRIAL POSITION

According to the statistics of the China Gold Association, in 2005, gold production in the PRC amounted to 224.05 tonnes, including 178.556 tonnes of mine produced gold. The Group produced 20.961 tonnes of gold, including 15.266 tonnes of mine produced gold, representing approximately 9.36% of the total gold output in the PRC, and 8.55% of mine produced gold. Gold enterprises in the PRC recorded a total profit of RMB4,036.2 million. Profits (net of product profits other than gold) recorded by the Group was RMB903.53 million, representing 22.39% of the total profit recorded by the gold industry in the PRC and 2.6 times of the average profits in the industry.

BUSINESS OVERVIEW

I. MAINTAINING A HIGH SPEED GROWING TREND, WITH AN OVERALL GROWTH IN ALL ECONOMIC INDICES

1. In 2005, the Group produced 20,961 kg (673,917.11 ounces) of gold (15,266 kg mine gold, 5,695 kg refinery plant refined gold), a growth of 60.67% over the previous year, of which, 11,489 kg (369,382.84 ounces) were produced at Zijinshan Gold Mine, 2,509 kg (80,666.86 ounces) were produced at Shuiyindong Gold Mine, 1,024 kg (32,922.62 ounces) were produced at Hunchun Gold and Copper Mine), and 4,897 kg (157,443.45 ounces) were produced at Luoyang Yinhui Refinery Plant.

   Copper output was 19,869 tonnes, representing a growth of 1.47 times over the previous year, of which, 15,115 tonnes were produced at Ashele Copper Mine, 3,588 tonnes were produced at Hunchun Gold and Copper Mine, 1,166 tonnes were produced at Zijinshan Copper Mine.

   Additional iron concentrates amounted to 350,000 tonnes (Xinjiang Mengku Iron Mine), representing a growth of 12.46 times over the previous year.

   Additional zinc metal amounted to 1,418 tonnes (Ashele and Yunnan Huaxi).

2. As at the end of 2005, the Group recorded sales income of RMB3,036,215,000, an increase of 101.38% over the previous year, and total profit of RMB1,133,892,000, an increase of 78.09% over the previous year, with combined after-tax profit of RMB703,637,000, an increase of 68.49% over the previous year.

   The total assets of the Group amounted to RMB5,475,378,000, a growth of 67.6% over the previous year, and net assets amounted to RMB2,370,916,000, a growth of 23.01% over the previous year.

II. RAPID EXPANSION IN THE INVESTMENT SCALE, ACCELERATED PROGRESS IN PROJECT CONSTRUCTION

In 2005, the production scale of Zijinshan Gold and Copper Mine was further expanded and the mine continued to maintain its position as the production and profit centre of the Group. Significant growth has been achieved in both production scale and enhancement though economy of scales for Shuiyindong Gold Mine, Hunchun Gold and Copper Mine, Makeng Iron Mine. The newly constructed (acquired) Ashele Copper Mine, Mengku Iron Mine, Dongliu Hydropower Station, Luoyang Yinhui Gold Refinery Plant commenced operation, and the enterprises have become important production and profit yielding mines (enterprises), making important contributions for the realization of the Group's production and operation targets in 2005.

Reconstruction and expansion of Zijinshan Gold and Copper Mine and construction of Deerni Copper Mine in Qinghai, Bayannaoer Zinc Smelting Factory, Dongkeng Gold Mine in Guangdong, Tongling Jiaochong Rich Metal Mine, Shanghang High Precision Copper Plate and Belt Plant have been accelerated, and the newly added production enterprises such as Dongping Gold Mine in Hebei, Yixingzai Gold Mine in Shanxi and Zinc-lead Mine in Ulatehou will become new growth points for the Group's expansion of production scale and enhancement through economy of scales in 2006.

While continuing to enlarge the development of projects in the PRC, the Group realized a breakthrough from zero in overseas projects as symbolized by its investments in the Pinnacle Mines Limited in Canada（加拿大頂峰礦業） and joint exploration of the Mwetaung Nickel Mine in Myanmar, which was a solid step forward in its control strategy of overseas resources.

III. SUBSTANTIAL INCREMENT IN RESOURCES OCCUPATION, SIGNIFICANT ENHANCEMENT IN DEVELOPMENT STRENGTH

In 2005, the Group has obtained 89 additional mine exploration rights, covering an area of 3,752.49 sq. km, 2 new mining rights, covering an area of 5.4987 sq. km. As at the end of 2005, the Group has a total of 144 mine exploration rights, with mining rights covering an area of 5,231.92 sq. km (of which 39 rights belong to the Group, with an area of 1,853.25 sq. km; 54 rights belong to Huaxi Company, a subsidiary of the Company, with an area of 2,044.96 sq. km; 12 rights belong to Bayannaoer, a subsidiary of the Company, with an area of 666.25 sq. km), and involving 14 mine species, such as gold, copper, lead, zinc, iron, molybdenum, silver, wolfram, manganese, cobalt, nickel, coal, sulfur, bauxite, 17 mining rights covering an area of 32.3355 sq. km. The Group's total mining rights cover an area of 5,264.2555 sq. km, an increase of 3.2 times as compared with that as at the end of 2004.

Efforts in risk exploration and complementary exploration in respect of additional reserves have been significantly enhanced. In 2005, 78 geologic exploration projects have been commenced (including 4 exploration projects, 11 detailed prospecting projects, 26 general prospecting projects, 32 pre-prospecting projects, 5 special prospecting projects), with accumulated exploration fees of over RMB66.48 million.

As at the end of 2005, the Group has a total of approximately 375 tonnes of gold metal (ore) resources, approximately 6.25 million tonnes of copper, approximately 214,800 tonnes of molybdenum, 660,000 tonnes of zinc, approximately 100,200 tonnes of tin, approximately 226 million tonnes of iron ore, and approximately 400 million tonnes of coal (calculated in terms of equity for non-subsidiaries).

IV. OUTSTANDING RESULTS IN SCIENTIFIC RESEARCH

In 2005, the Company concentrated in production application oriented scientific research. Important progress was made in the experiments related to the research of ore processing technology for Xinjiang Ashele Copper and Zinc Mine and Qinghai Deerni Copper Mine. The achievements made have been adopted by production construction entities, and resources recovery rates in Ashele Copper Mine have been further enhanced, with outstanding economic effectiveness.

The "research and industrial application of bio-leaching technology of Zijinshan Copper Mine" project has been accredited with China Non-Ferrous Metal Industrial Scientific Technology 1st Prize.

The "research and industrial application of chemical catalyzing and oxidation pre-treatment under normal pressure of Guizhou Shuiyindong Refractory Gold Mine" project has been accredited with China Non-Ferrous Metal Industrial Scientific Technology 1st Prize.

The "research on the safe and highly effective operation in Zijinshan open pit drifting wells" has been accredited with China Non-Ferrous Metal Industrial Scientific Technology 2nd Prize.

The Group's strength in scientific research has won extensive recognition, and has been recognized as a "National Grade Corporate Research and Development Centre" in 2005.

The Group continued to gather senior technical personnel specialized in the areas of geology, mining, ore processing and wet metallurgy. The capabilities of these personnel were further strengthened and they were capable of conducting complicated research and development and to plan for projects regarding the exploitation of mines with high standards.

V. NEW ACHIEVEMENTS IN SAFE ENVIRONMENTAL PROTECTION EFFORTS

Zijinshan Gold and Copper Mine has passed provincial assessments in safe production, and was accredited as a Class A Mine. Guizhou Zijin and Xinjiang Ashele passed the acceptance inspection of safe production systems and obtained the "Safe Production Permits" respectively. The Ashele Copper Mine environmental protection project has successfully passed the acceptance inspection by the State Environmental Protection Bureau. After being awarded "The National Industrial and Tourism Model Site", the Zijinshan mining area was again listed as the first batch of "National Mine Parks", fully reflecting the role of Zijinshan Gold Mine as a "Sign Pole" and a model for environmental protection.

PROSPECTS

BUSINESS ENVIRONMENT

It is expected that there will be no material change in the overall market conditions in 2006, and prices of basic metals such as gold and copper will remain at a high level.

The Group is currently in a very favorable period for development, with excellent market environment and conditions, with strong demand for products and a solid resources foundation. It has a sound shareholding structure and corporate management system, increasingly mature capital operation capability, excellent management team and staff, strong technical and management innovation system and a distinct corporate culture, indicating that there will be greater development for the Group to realize a leap forward to a higher level in the year to come and in future.

BUSINESS OBJECTIVES

The Group plans to produce approximately 40 tonnes of gold in 2006, of which 20 tonnes are gold produced from mines, and 20 tonnes are refined and processed gold; approximately 32,000 tonnes of copper metal, 500,000 tonnes of iron concentrates. Please be noted that the said plan was made on the basis of the current market and the existing conditions of the Company. The Board may, pursuant to changes in circumstances, vary the production plan.

BUSINESS STRATEGIES

1. To accelerate construction of the Company's key projects and realize high speed development of scale and efficiency

   In 2006, the Group will arrange 5 expansion and technical reform projects (joint exploration of Zijinshan Copper Mine, Guizhou Shuiyindong Gold Mine Phase 3 Project, the expansion of Hebei Dongping Gold Mine, the expansion of Xinjiang Mengku Iron Mine, and the construction of Yunnan Wuding Lead and Zinc Mine), 6 newly developed and accelerated construction projects (Tibet Yulong Copper Mine, Heilongjiang Duobaoshan Copper and Molybdenum Mine, Xinjiang Fuyun Reduction Iron, Guangdong Xinyi Tin Mine, Shanghang Second Gold Refinery Plant, Longyan Makeng Iron Mine Phase II technical reform). Completion and operation of these projects will be important guarantees for the enhancement of the Company's competitiveness and realization of continued high speed development.

2. To increase the efforts in mergers and acquisitions regarding mineral resource type enterprises and further expand the Company's production capacity

   Pursuant to its development strategy, the Company will increase its efforts in mergers and acquisitions regarding gold and non-ferrous metal enterprises so as to realize the rapid expansion of resource control and the rapid increase in production capacity. Besides, it will strengthen the research on important mining areas overseas and enter the overseas mining market mainly through mergers and acquisitions.

3. To further strengthen awareness about resources and realize the sustainable development of the enterprise

   The Group will increase inputs in exploration, strengthen comprehensive research in geologic exploration and prospecting, increase new resources producing sites with mining and development prospects through various effective ways, so as to increase reserves. At the same time, the Group will focus on the acquisition and cooperation of mining rights, and further upgrade the management system of mining rights so as to lay a solid resource foundation for the sustained and fast development of the Company.

4. To place much emphasis on the nurturing and attraction of talents and to further improve the capability for technical innovation

   The Company will hire talents pursuant to its development strategic planning. In particular, the Company will nurture and attract talents with an international vision and operating capabilities so as to meet the Company's needs for talents in its development. Besides, it will increase the investment in science and technology and increase the scientific research capability of the Company's research institute of mining and metallurgy, and restrucuture the design company in which the Company owns a controlling stake to improve the design standard.

5. To capture favorable opportunities, and raise further finance in due course

In order to ensure the realization of the operating strategies and objectives, the Board considers that the Company should seriously research and study the changes and development in the local and overseas capital market and at the appropriate time may propose to raise further funds by making secondary issue of shares (including A or H Shares). This can also satisfy the Company's need for further funding for new development, improve the Company's share capital structure and increase the Company's strengths and competitive edges. It should be noted that the Company has not had any concrete plan for issuing shares, including the issue price, the issue amount and the use of funds. If the Company has any concrete proposal, a separate announcement will be issued pursuant to the Listing Rules thereafter. Investors should note that the further issuance of shares may or may not proceed and they should exercise caution when dealing in shares of the Company.

In the two years since the listing, there have been significant growth in the Company's total assets, sales incomes, profits and gold and other mineral resources controlled by it. Accompanied by favorable market environment, the Company's values received high appreciation and are vastly recognized by the market. On 23 December 2005, the closing price of the Company's shares was 4.09 times of the offer price two years ago, with a total market capitalization of RMB18.4 billion. With the rapid growth of the Company's results and the continued strengthening of development potentials, shareholders obtained substantial returns, and staff values were further enhanced, at the same time, it has brought about the coordinated developments in the economy and social affairs of the regions where the mines are located. The Company's brand awareness and reputation have been growing rapidly domestically and globally. In future operation development, the Group will continue to create better results, and offer satisfactory returns to shareholders.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
29 March 2006

OPERATING RESULTS

In 2005, the management fully and vigorously implemented various resolutions passed at the shareholders' meetings and by the Board, and utilised the favorable opportunity of rising gold prices, carefully organized production, recorded a sales income of RMB3,036.22 million in the year, an increase of RMB1,528.54 million, or 101.38% over the previous year.

The table below sets out the sales by products for the two years ended 31 December 2004 and 2005:

	2005			2004		
Product	Unit price	Volume	Amount/ *RMB'000*	Unit price	Volume	Amount/ *RMB'000*
Gold	119.25/g	20,155 kg	2,403,434	109.39/g	12,762 kg	1,396,048
Gold concentrates	108.37/g	892 kg	96,688	93.54/g	603 kg	56,445
Iron concentrates	332.13/t	335,025 t	111,272	335.75/t	17,951 t	6,027
Copper concentrates	23,476/t	17,067 t	400,667	17,839/t	2,092 t	37,319
Copper cathodes	33,608/t	1,125 t	37,809	23,980/t	850 t	20,392
Zinc concentrates	8,965/t	1,418 t	12,712	—	—	—
Others			6,192			2,417
Less: Sales Tax and levies			(32,559)			(10,969)
Total			3,036,215			1,507,679

Note: The sales of gold include refined and processed gold of 5,679 kg

The Group's turnover in 2005 increased by 101.38% over 2004, which was mainly attributable to a further increase in the production of gold and copper at Zijinshan Gold Mine, the successive commencement of operation of Ashele Copper Mine and Xinjiang Mengku Iron Mine and increased production capacity of Guizhou Shuiyindong Gold Mine, which increased the operating income by RMB570.13 million, representing 37% of the total growth. Operating income of Luoyang Yinhui Gold Processing Enterprise increased by RMB625.70 million, representing 41% of the total growth. Increase in the operating income attributable to the increase in gold prices amounted to RMB202.41 million, representing 13% of the total growth.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group is mainly engaged in mine development. The Group's cost of sales mainly includes mining, processing, and refining costs, ore transportation cost, raw materials consumption, public management expenses, salaries and depreciation of fixed assets employed for production. The table below sets out details of the gross profit margin for the two years ended 31 December, 2004 and 2005.

Product	2005 %	2004 %
Gold (gold produced from mines)	**66.02**	60.73
Gold (processed refined gold)	**0.51**	1.24
Gold concentrates	**51.51**	37.9
Iron concentrates	**59.32**	47.24
Copper concentrates	**62.88**	48
Copper cathodes	**50.63**	44.4
Others	**—**	—
Total	**48.51**	54.68

The Group's overall gross profit margin decreased from 54.68% in 2004 to 48.51% in 2005, which was mainly attributable to the gold refining enterprise which the Company jointly established in Luoyang recording a high operating income with a low gross profit margin. The overall gross profit margin for mine production of the Group's other gold enterprises increased by 5.29%, and the gross profit margin for copper and iron also indicated a trend of substantial growth.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs increased by 540% from RMB10.32 million in 2004 to RMB66.06 million in 2005, which was mainly attributable to the increase in long distance transportation costs in the sales of copper concentrates in Xinjiang Ashele Copper Mine and sales of iron concentrates in Xinjiang Mengku Iron Mine in 2005.

ADMINISTRATION EXPENSES

The Group's administration expenses in 2005 amounted to RMB244.89 million, representing an increase of 46.13% over RMB167.58 million in 2004. The increase was mainly attributable to the increase in administration expenses since the operation of Ashele Copper Mine and Xinjiang Mengku Iron Mine, and the increase in pre-operating expenses upon the establishment of new companies.

FINANCE COSTS

The Group's finance costs in 2005 amounted to RMB18.44 million, an increase of 215.75% over RMB5.84 million in 2004, which was mainly attributable to an increase in external investment and the fact that various subsidiaries were in the peak period of infrastructure construction, which increased interest expenses on bank loans.

WORKING CAPITAL AND CAPITAL RESOURCES

As at 31 December, 2005, the Group's cash and cash equivalents amounted to RMB1,005.81 million, an increase of RMB180.05 million, or 21.8% over the previous year.

During the year, net cash inflow generated from the Group's operating activities amounted to RMB1,114.82 million, an increase of RMB538.05 million or 93.29% over the previous year. The main reasons for the increase in the cash-flow generated from the Group's operating activities were the commissioning of Xinjiang Ashele Copper Mine and Xinjiang Mengku Iron Mine, an increase in the production capacity of Zijinshan Gold and Copper Mine and Guizhou Shuiyindong Gold Mine which increased product sales income, and an increase in gold and copper prices which increased the operating cash inflow.

During the year, net cash outflow generated from the Group's investing activities amounted to RMB1,743.59 million, an increase of RMB817.63 million or 88.3% over the previous year. The main reasons for the increase in the outflow in the investing activities were the Group's acquisition of equity interests at in Yulong Copper Mine in Tibet, Hunan Non-ferrous Metals Corporation Limited, Xinjiang Xinxin Mining Industry Company Limited of RMB343.74 million and investments of RMB1,219.03 million in property, plant, mining and exploration rights and land in respect of construction projects such as the technical reform of Zijinshan Copper Mine, the production capacity expansion and technical reform of Shuiyindong Gold Mine, Hunchun Refinery Plant and Bayannaoer Infrasturcture.

During the year, net cash inflow generated from the Group's financing activities amounted to RMB808.83 million, representing an increase of RMB748.35 million or 1,237% over the previous year, which was mainly due to more bank loans were obtained for external investment and investment in fixed assets.

As at 31 December 2005, the Group's total borrowings amounted to RMB1,285.66 million (2004: RMB311.65 million) among approximately RMB711.63 million will be due within next one to two years, and approximately another RMB569.60 million will be due within the next two to five years, and RMB4.43 million will be due in more than five years time. All the bank borrowings bore interest rates between 2.55% to 6.696% (2004: 5.148% to 6.696%). The borrowings from financial institutions were mainly for the subsidiaries.

The Group's daily capital requirements and capital expenditures were expected to be financed from its internal cashflow. The Group also possessed substantial amount of uncommitted 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 2005 were approximately RMB703.64 million, representing an increase of 68.49% over approximately RMB417.62 million in 2004.

For the year ended 31 December 2005, the Group's earnings per Share (basic) was RMB0.13, representing an increase of 68.49% over the previous year. (The calculation of earnings per Share was based on the Group's profit attributable to shareholders of RMB703.64 million (2004: RMB417.62 million) and the weighted average number of 5,256,523,640 Ordinary Shares (2004: 5,256,523,640 Shares (Restated)) in issue during the year.)

TAXATION

Income taxes of the Group for 2005 and 2004 were set out in the table below:

The Group	2005 *RMB'000*	2004 *RMB'000* (Restated)
PRC Corporate Income Tax	**277,867**	191,460
Over-provision in previous year	**(14,038)**	(12,644)
	263,829	178,816

No provision for Hong Kong profit tax was made, as the Group did not derive any taxable profits in Hong Kong for the year. The Group's PRC Corporate Income Tax was provided at a rate of 33% on taxable profit, except for some of the Group's subsidiaries which were subject to preferential tax rates in accordance with the local tax policies in their places of domicile.

BRIEF BIOGRAPHY OF THE DIRECTORS, SUPERVISORS, AND SENIOR OFFICERS

Executive Directors

Mr. Chen Jinghe, aged 49, chairman of the Company. He graduated from Fuzhou University with a bachelor's degree in engineering 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. He was a team head of Minxi Geology Division from January 1986 to December 1992. He was the chairman and general manager of the Company from August 1993 to August 2000. In August 2000, he was appointed as chairman of the Company.

Mr. Liu Xiaochu, aged 59, 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 Xinhuadu Industrial Company Limited from December 1999 to March 2002. Mr. Liu was appointed as the vice-chairman of the Company in August 2000.

Mr. Luo Yingnan, aged 49, director and general manager of the Company. He graduated from Fuzhou University with a bachelor's degree in engineering 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 42, director and deputy general manager (General Affairs) of the Company. He graduated from Fuzhou University with a bachelor's degree in engineering 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 58, director and deputy general manager of the Company. He graduated from Fuzhou University with a bachelor's degree in engineering in 1982. Prior to joining the Company in 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 46. 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 of the Company and chairman of Xiamen Hengxing Industrial Company Limited. Mr. Ke was appointed as a non-executive director of the Company in August 2000.

Independent Non-executive Directors

Mr. Yang Dali, aged 68. He graduated from Zhongnan Industrial University with a bachelor's degree in engineering 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, and 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 March 2001.

Mr. Yao Lizhong, aged 66, graduated from Xiamen University with a bachelor's degree 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 42, 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.

Supervisory Committee and Supervisors

Mr. Zeng Qingxiang, aged 58, 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 as the chairman of the supervisory committee of the Company since August 2000.

Mr. Xu Qiang, aged 55, is a supervisor of the Company. He is a chief accountant of Fujian Huaqiang Accountants Firm, certified public accountant and registered valuer. Mr. Xu was graduated from the Party School of the Party Committee of Fujian 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 41, 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 44, deputy general manager of the Company. He graduated from Science and Technology University of China in 1985, and obtained his doctor degree in 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 Futures 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 December 1999, he participated in the establishment of the Shanghai Silver Exchange. Mr. Li was appointed as a deputy general manager of the Company in 2001.

Mr. Zeng Xianhui , aged 50, deputy general manager of the Company. He graduated from Fuzhou University with a bachelor degree in engineering in 1982. 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 42, deputy general manager of the Company. He graduated from Zhongnan Industrial University with a bachelor degree in engineering 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.

Mr. Zou Laichang, aged 38, chief engineer of the Company. He graduated from Forest University of Fujian with a bachelor degree in engineering 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 58, 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. Huang Xiaodong, aged 51, the chief economist of the Company. He graduated from the Industrial University of Hefei in 1980, and graduated from Xiamen University with EMBA degree in 2004. From 1992 to 2001, he has been the general manager and assistant to general manager of the corporate department of Huamin (Group) Company Limited, and from 2002 to 2004, he has been the deputy general manager of Chinalco (Fujian) Ruimin Company Limited. Mr. Huang was appointed as the Company's chief economist in February 2005.

Mr. Zheng Yuqiang, aged 52, secretary to the Board of Directors. He graduated from Fujian Television Broadcasting University in 1986. Mr. Zheng 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.

Mr. Fan Cheung Man, aged 45, Company Secretary (HK) of the Company. Mr. Fan graduated from University of New England, Australia in 1993 and holds a Master Degree of Business Administration. He is an associate member of The Hong Kong Institute of Certified Public Accountants, and a fellow member of The Association of Chartered Certified Accountants, UK. He was a deputy general manager of Hungtai Electronic Factory from 1993 to 1994 and a financial controller of Vigers HK Ltd. from 1994 to 2002. Mr. Fan was appointed as the Company Secretary and Qualified Accountant of the Company in December 2004.

Mr. Xie Chengfu, aged 40, managing director of Jilin Hunchun Zijin Mining Company Limited, general manager of Zijin Mining Group Company Limited North-east Mine Exploration Branch. He graduated from Changchun Geology College with a bachelor's degree in engineering in 1990. He is a senior geology engineer. Mr. Xie worked with Minxi Geology Division No. 8 Team, and Fujian Geology Division Team No.2. In July 1994, he joined Zijin as plant manager of gold refinery, mine chief of Zijinshan Mine, Zijin Mining Group Company Limited's deputy general manager. In March 2004, he was appointed as managing director of Jilin Hunchun Zijin Mining Company Limited, and also appointed as general manager of Zijin Mining Group Company Limited North-east Mine Exploration Branch in January 2005.

Mr. Chen Jiahong, aged 36, director of Xinjiang Ashele Copper Mine Company Limited, and managing director of Xinjiang Zijin Mining Company Limited. He graduated from China Geology University (Wuhan) by distant learning with a bachelor degree. He is an engineer. Mr. Chen worked with Fujian No. 8 Geology Division. In July 1994, he joined Zijin as deputy mine chief of Zijinshan Mine, then held positions of mine chief of Zijinshan Mine and deputy manager of Minxi Zijin Mining Company Limited. In April 2002, he was appointed as managing director of Xinjiang Ashele Copper Mine Company Limited. In August 2004, he was appointed as managing director of Xinjiang Zijin Mining Company Limited.

The Directors of the Company ("Directors") hereby submit the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

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 81.47% of total revenue.

Details regarding the key business of the Company's subsidiaries and associates are set out in notes 19 and 20 to the financial statements, respectively.

OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2005 are set out in the financial statements on page 55 to 130.

INVESTMENT IN SUBSIDIARIES

1. In January 2005, Zijin (International) Mining Company Limited ("Zijin International") was formed in Beijing and its registered capital is RMB50 million. The Company invested RMB47.5 million and holds 95% shareholding of Zijin International. Xiamen Zijin Science and Technology Company Limited ("Xiamen Zijin") invested 2.5 million and holds 5% shareholding of Zijin International. Zijin International mainly participates in domestic and international investments and risk explorations.

2. In August 2005, the restructured Guangdong Xinyi Dongkeng Gold Mine Company Limited's registered capital is RMB20 million. The Company further invested RMB5.2 million and the accumulated investment is RMB16 million representing 80% shareholding of Guangdong Xinyi Dongkeng Gold Mine Company Limited. In November 2005, the restructured Xinyi Baoyuan Mining's registered capital is RMB80 million. The Company further invested RMB20 million and the accumulated investment is RMB64 million representing 80% shareholding of Xinyi Baoyuan Mining. The Company plans to combine these two enterprises to form Guangdong Xinyi Zijin Mining Company Limited which will benefit the unified the Company's investment and construction in Guangdong Xinyi area.

3. In February 2005, the Company formed Liaoning Zijin Mining Company Limited ("Liaoning Zijin") in Shenyang and its registered capital is RMB100 million. The Company invested RMB75 million and holds 75% shareholding of Liaoning Zijin. Liaoning Central City Economy and Technology Development Company Limited invested RMB20 million and holds 20% shareholding of Liaoning Zijin. Shenyang Biyuetan Hotel Company Limited invested RMB5 million and holds 5% shareholding of Liaoning Zijin. The shareholders totally paid RMB20 million in first stage injection, in which the Company paid RMB15 million according to the shareholding. Liaoning Zijin mainly carries out mining investments and risk explorations in North-East Area in the PRC.

4. In February 2005, Songpan Zijin Industrial and Trading Company Limited was formed and its registered capital was RMB10 million. The Company invested RMB5.1 million and holds 51% shareholding. Sichuan XiBei Geology Team holds 49% shareholding. The company mainly carries out mining business in Songpan Gold Mine in Sichuan.

5. On 20 June 2005, Fujian Zijin Investment Company Limited and Gold Fields Fujian BVI Ltd. invested a company namely Fujian Jintian Zijin Mining Company Limited. Its capital is US$833,000. Fujian Zijin Investment Company Limited invested US$333,000 and holds 40% shareholding of Fujian Jintian Zijin Mining Company Limited and Gold Fields Fujian BVI Ltd. invested US$500,000 and holds 60% shareholding of Fujian Jintian Zijin Mining Company Limited. Fujian Jintian Zijin Mining Company Limited mainly carries out mines exploration and mining business in Fujian province.

6. In July and August of 2005, the Company used RMB66.25 million to acquire 53% shareholding of Yunnan Huaxi Mining Company Ltd. from Jiujiang South Asia Investment Management Company Limited, Jiujiang Huiming Enterprise Development Company Limited, Beijing Fengde Investment Consultant Ltd., and Xiamen Qiaoxing Investment Management Ltd.

7. On 17 June 2005, the Group announced and proposed to establish Henan Jinda Mining Company Limited with an independent third party, and the company has been formed on 20 July 2005. Its registered capital is RMB229.87 million. The Group invested RMB129.88 million and holds 56.5% shareholding of Henan Jinda. The Third Geology Survey Team of Henan Bureau of Exploration & Development of Geology & Mineral Resource injected RMB99.99 million by an evaluated mining right and holds 43.5% shareholding of Henan Jinda. The company mainly carries out exploration and development of molybdenum in Tangjiaping, Shangcheng, Henan.

8. On 31 October 2005, the Company injected RMB70 million into Luoyang Yinhui Gold Refinery Company Limited ("Luoyang Yinhui") for 70% shareholding. The other shareholder, Mr. Ma Yinshuan, contributed RMB30 million into Luoyang Yinhui for 30% shareholding. The registered capital of Luoyang Yinhui is RMB100 million as at 31 December 2005. The company is mainly engaged in gold refining and processing, with an annual capacity of 30 tonnes of gold.

INVESTMENT IN ASSOCIATE COMPANIES

1. On 6 April 2005, the Company invested 243.75 million to form Tibet Yulong Copper Joint Stock Company Limited ("Tibet Yulong") and holds 39% shareholding of the company. The registered Capital of the company is RMB625 million. The Western Mining Company Limited invested RMB256.25 million and holds 41% shareholding of Tibet Yulong. Tibet Autonomous Region Bureau of Exploration & Development of Geology & Mineral Resource No. 6 Geology Team injected RMB62.5 million by evaluated assets and holds 10% shareholding of Tibet Yulong. Stated-owned Properties Management Company of Changdu District, Tibet Autonomous Region injected RMB50 million by evaluated assets and holds 8% shareholding of Tibet Yulong. Tibet Autonomous Region Mining Development Company Limited injected RMB12.5 million by audited assets and holds 2% shareholding of Tibet Yulong. Tibet Yulong mainly carries out mining business in Yulong Copper Mine which has 6.5 million tonnes estimated reserve of copper.

2. On 24 May 2005, Fujian Zijin Investment Company Limited invested RMB22.8 million to acquire 38% shareholding of Wuping Zijin Hydro-electricity Company Limited ("Wuping Zijin") and its registered capital is RMB60 million. Shanghang County Ting River Hydro Power Company Limited invested RMB25.2 million and holds 42% shareholding of Wuping Zijin. Shanghang County Daguangming Power Group Company Limited invested RMB12 million and holds 20% shareholding of Wuping Zijin. The company invested in Wuping Zijin which mainly carries out power generation business (50,000kv capacity).

3. On 8 September, 2005, Gold Mountains (HK) International Mining Company Limited, a wholly-owned subsidiary of the Company, made a cash contribution of HK$5,000 to participate in Kingbao Mining Limited, representing 50% shareholding in the company. The registered capital of the company was HK$10,000. The other shareholder is Wanbao Mining Company Limited, which contributed HK$5,000, representing 50% shareholding. Since its establishment, the company has been engaged in the risk prospecting of a nickel mine in Myanmar.

4. On 27 November, 2005, Fujian Zijin Investment Company Limited ("Zijin Investment"), a subsidiary of the Company, contributed RMB16 million in cash in Fujian Jinyi Copper Company Limited, which has a registered capital of RMB40 million. Other shareholders included: Master Achieve Enterprise Ltd. contributed RMB18 million, representing 45% shareholding in the company. Minxi Xinghang State-owned Assets Investment Operation Company Limited contributed RMB6 million in cash, representing 15% shareholding. Since its establishment, the company mainly invested RMB80 million in the construction of a high functional copper pipe and pipe material production line of annual capacity of 10,000 tonnes.

DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES AND DISPOSAL OF ASSETS

1. On 22 September, 2005, Xiamen Zijin entered into a shareholding transfer contract with Mr. Li Bin, pursuant to which Xiamen Zijin transferred its 51% shareholding in Sichuan Shimian Zijin Platinum Industry Company Limited ("Zijin Platinum") to Li Bin at a consideration of RMB1.1 million. Upon the completion of the transfer, Xiamen Zijin no longer have any shareholding in Zijin Platinum. Loss incurred under the above shareholder transfer was approximately RMB4.14 million.

2. On 26 November 2005, Zijin Investment entered into a share transfer contract to sell 60% shareholding of Huangping Xinda Mining Industry Company Limited to Mr. Zhu Minghai for a consideration of RMB3.006 million and it incurred a loss about RMB0.438 million.

3. Liaoning Zijin was formed in Shenyang in February 2005. Due to the loss of the target project, the company was deregistrated in September 2005. The Company collected RMB14.7 million contributed capital from this investment.

FINAL DIVIDEND

As audited by Ernst & Young, the Group's net profit for the year ended 31 December 2005 prepared under International Financial Reporting Standards ("IFRSs") and PRC GAAP was RMB703,637,000 and RMB701,468,000, respectively. The Board of Directors has proposed (subject to the approval of the Shareholders in the forthcoming annual general meeting) to pay dividends of RMB0.08 per Share in cash on the basis of 5,256,523,640 Shares in issue of the Company as at the end of 2005. The pay-out ratio is 59.76% calculated based on the net profit under IFRSs.

CAPITAL CONVERSION

Apart from the above proposal for the declaration of a final dividend, on 29 March, 2005, the Board of Directors also proposed to convert a sum of RMB525,652,364 in the Company's surplus reserve fund into 5,256,523,640 shares of a nominal value of RMB0.1 each. On the basis of the issued share capital of 5,256,523,640 shares as at the end of 2005, shareholders will be offered additional 10 ordinary shares for each 10 ordinary shares they hold.

The H share register of the Company will be closed from 18 April 2006 to 17 May 2006 (both days inclusive). Shareholders whose names appear on the H Share register of members of the Company at the close of business on Tuesday, 18 April 2006 (being the record date) will be entitled to attend the Annual General Meeting to be held by the Company on Thursday, 18 May, 2006 at Shanghang, and to receive the final dividends and the additional new Ordinary Shares to be issued pursuant to the capital conversion plan.

For the distribution of dividends, dividends for holders of 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 into HK$ shall be calculated on the average price of the medium prices of the conversion of RMB into HK$ announced by Bank of China one calendar week preceding 18 May 2006).

The proposed distribution of final dividends and capital conversion are subject to approval by shareholders at the Annual General Meeting to be held on 18 May 2006 (Thursday).

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2005 are set out in note 37 to 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 general accepted 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 2005, the Company's reserves available for distribution (before proposed final dividend of RMB420,522,000) were approximately RMB526,427,000 (2004: RMB365,415,000 (restated)).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended 31 December 2005 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 36 to the financial statements.

DONATIONS

During the year 2005, donations made by the Group and the Company was RMB30.97 million and RMB7.08 million, respectively.

BANK LOANS

Details of the Group's bank loans are set out in note 31 to the financial statements.

TAXATION

The corporate income tax rate of the Company is 33%, details of which are set out in note 9 to 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 limited pre-emptive rights requiring the Company to offer new shares to its existing shareholders 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 June 2005, the Company issued 2,628,261,820 new shares by transferring the surplus reserve fund. Of these new shares, 801,088,000 H Shares commenced its listing on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 27 June 2005. Details regarding the issue of new Shares are set out in note 36 to the financial statements.

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities as of 31 December 2005.

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 RMB99.38 million and RMB34.31 million respectively, representing 50.68%, 17.5% of the total purchases, respectively. All transactions between the Company and the related suppliers 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 2005.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company respectively. All these contracts will be ended on 28 June, 2006.

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.

TERMS OF 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
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 17 to 21 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 2005, 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 2005:

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	456,000,000 *(note 1)*	Company	Long	12.48%	8.67%
Chen Jinghe	20,000,000 *(note 2)*	Personal	Long	0.55%	0.38%

(b) Shareholding of Directors, chief executive or supervisors in the Company's subsidiaries as at 31 December 2005:

Directors	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 3)*	50,000 *(note 4)*	Personal	Long	0.13%
Liu Xiaochu	Jiuzhaigou Zijin	50,000 *(note 4)*	Personal	Long	0.13%
Luo Yingnan	Jiuzhaigou Zijin	50,000 *(note 4)*	Personal	Long	0.13%
Lan Fusheng	Jiuzhaigou Zijin	50,000 *(note 4)*	Personal	Long	0.13%
Rao Yimin	Jiuzhaigou Zijin	50,000 *(note 4)*	Personal	Long	0.13%
Zeng Qingxiang	Jiuzhaigou Zijin	50,000 *(note 4)*	Personal	Long	0.13%
Lan Liying	Jiuzhaigou Zijin	25,000 *(note 5)*	Personal	Long	0.06%

Notes:

(1) Xiamen Hengxing Industrial Company Limited holds 190,000,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhuadu Engineering Company Limited (which is holding 266,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 456,000,000 Domestic Shares in the Company. Mr. Ke Xiping owns 73.21% interest in Xiamen Hengxing Industrial Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such Shares.

(2) On 12 July 2004, Fujian Xinhuadu Department Store Company Limited and Shanghang County Jinshan Trading Company Limited, the shareholders of the Company, agreed to transfer 4,000,000 domestic shares and 6,000,000 domestic shares they held, to Mr. Chen Jinghe (a Director) respectively. (In June 2005, the Company issued bonus shares at a proportion of 10:10. Upon the share increment, Mr. Chen Jinghe is holding 20,000,000 Shares in the Company). The above share transfer has already been registered with the Domestic Share Trust, and report of interest has been reported to the Stock Exchange.

(3) Sichuan Jiuzhaigou Zijin Mining Company Limited ("Jiuzhaigou Zijin") is a subsidiary in which the Company beneficially owns 60%.

(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 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.

(5) 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.

SHAREHOLDING STRUCTURE

1. Change of issued shares

On 31 May 2005, the proposal of "Conversion of Reserve Funds into Capital" was passed in the AGM of 2004. Based on 2,628,261,820 Shares in issue by the end of 2004, the Company issued new shares to the shareholders on 10 to 10 basis at nominal value of RMB0.1 each.

The distribution of new shares was completed on 23 June 2005 and the new H Shares were started to trade on 27 June 2005 on the Stock Exchange.

As at 31 December 2005, the Company issued 5,256,523,640 ordinary shares at nominal value of RMB0.1 each.

Unit: share

	31 December 2005	31 December 2004
Domestic Shares	**3,654,347,640**	1,827,173,820
H Shares	**1,602,176,000**	801,088,000
Total Shares	**5,256,523,640**	2,628,261,820

2. The Status of Major Shareholders

As at 31 December, 2005, the Company has a total of 993 shareholders, of which 984 are holders of H Shares and 9 are holders of Domestic Shares.

The shareholdings of the Company's top ten shareholders as at 31 December, 2004 are as follows:

	Shareholders' Names	Class of Shares	Number of Shares held	Proximate percentage of shareholding in the registered capital
1.	Minxi Xinghang State-owned Assets Investment Company Limited	Domestic Shares	1,684,360,848	32.04%
2.	HKSCC Nominees Limited *(Note 1)*	H Shares	1,590,253,600	30.25%
3.	Xinhuadu Industrial Company Limited *(Note 2)*	Domestic Shares	691,600,000	13.16%
4.	Shanghang County Jinshan Trading Company Limited	Domestic Shares	672,380,000	12.79%
5.	Fujian Xinhuadu Engineering Company Limited *(Note 2)*	Domestic Shares	266,000,000	5.06%
6.	Xiamen Hengxing Industrial Company Limited *(Note 3)*	Domestic Shares	190,000,000	3.61%
7.	Fujian Gold Group Company Limited	Domestic Shares	60,286,084	1.15%
8.	Fujian Xinhuadu Department Store Company Limited *(Note 2)*	Domestic Shares	57,474,000	1.09%
9.	Chen Jinghe	Domestic Shares	20,000,000	0.38%
10.	Fujian Minxi Geologist	Domestic Shares	12,246,708	0.23%

Notes:

(1) HKSCC Nominees Limited is holding 1,590,253,600 H Shares in the Company as a nominee, representing 30.25% 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) Xinhuadu Industrial Company Limited, Fujian Xinhuadu Engineering Company Limited and Fujian Xinhuadu Department Store Company Limited are connected with each other. Xinhuadu Industrial Company Limited holds 51% in Fujian Xinhuadu Engineering Company Limited and holds 64.54% in Fujian Xinhuadu Department Store Company Limited.

(3) Xiamen Hengxing Industrial Company Limited holds 49% in Fujian Xinhuadu Engineering Company Limited.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2005, 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 into 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	Class of shares	Number of Shares/equity interest held	Proximate percentage of shareholding in the registered of capital	Proximate percentage of shareholding in Domestic Shares	Proximate percentage of shareholding in H Shares	Long/Short Position
Minxi Xinghang State-owned Assets Investment Company Limited	Domestic Share	1,684,360,848	32.04%	46.09%	—	Long
Xinhuadu Industrial Company Limited	Domestic Shares	1,015,074,000 *(Note 1)*	19.31%	27.78%	—	Long
Chen Fashu	Domestic Shares	1,015,074,000 *(Note 2)*	19.31%	27.78%	—	Long
Shanghang County Jinshan Trading Company Limited	Domestic Shares	672,380,000	12.79%	18.40%	—	Long
Xiamen Hengxing Industrial Company Limited	Domestic Shares	456,000,000 *(Note 3)*	8.67%	12.48%	—	Long
Ke Xiping	Domestic Shares	456,000,000 *(Note 4)*	8.67%	12.48%	—	Long
Fujian Xinhuadu Engineering Company Limited	Domestic Shares	266,000,000	5.06%	7.28%	—	Long
Merrill Lynch & Company Inc	H Shares	452,147,076	8.60%	—	28.22%	Long
Baring Asset Management	H Shares	80,256,000 *(Note 6)*	1.53%	—	5.01%	Long

Notes:

(1) Xinhuadu Industrial Company Limited holds 691,600,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhuadu Engineering Company Limited (which holds 266,000,000 Domestic Shares in the Company), and holds 64.54% in Fujian Xinhuadu Department Store Company Limited (which holds 57,474,000 Domestic Shares in the Company). Therefore, under Section 316 of the SFO, Xinhuadu Industrial Company Limited is interested in 1,015,074,000 Domestic Shares in the Company.

(2) Mr. Chen Fashu holds 73.56% interests in the issued share capaital of Xinhuadu Industrial Company Limited, therefore, under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 1,015,074,000 Domestic Shares in the Company.

(3) Xiamen Hengxing Industrial Company Limited holds 190,000,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhuadu Engineering Company Limited (which holds 266,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 456,000,000 Domestic Shares in the Company.

(4) Mr. Ke Xiping holds 73.21% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is deemed to be interested in 456,000,000 Domestic Shares in the Company.

(5) The 452,147,076 H Shares (long positions), representing 28.22% of the Company's total issued H Shares, are being held by Merrill Lynch Company Inc., of which 450,865,080 H Shares are held by the subsidiaries of Merrill Lynch Company Inc., including Merrill Lynch Group, Inc., ML Invest. Inc., ML Invest Holding Ltd., and Merrill Lynch Investment Managers Group Ltd., while 1,281,996 H Shares are being held by the subsidiaries of Merrill Lynch Company Inc., including Merrill Lynch Investment Managers Ltd., Merrill Lynch Int'l Incorporated, Merrill Lynch Int'l Holdings, Merrill Lynch Europe Plc., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings and Merrill Lynch International.

(6) The 80,256,000 H Shares (long positions), representing 5.01% of the Company's total issued H Shares, are being held by Baring Asset Management, which are being held by the subsidiaries of Baring Asset Management, including Baring International Investment Management Limited, Baring Asset Management UK Holdings Limited, Baring Asset Management (Asia) Holdings Limited and Baring Asset Management (Asia) Limited.

Save as disclosed above, as far as the Directors, Supervisors and chief executive are aware, as at 31 December 2005, there are no interest or short position of other parties (other than Directors, Supervisors, the chief executive of the Company or senior management) in the shares or related securities of the Company which will fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or are the substantial shareholders (as defined in the Listing Rules) of the Company.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2005 are set out in note 39 to 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 transactions/ongoing connected transactions are summarised as follows:

Contracted Parties	Relationship with the Company	Contract Date	Nature of Transaction	Combined Consideration (RMB'000) 2005	2004	Under the applicable Listing Rules at the time
1. Services provided by Connected Parties						
Fujian Xinhuadu Engineering Company Limited	A shareholder of the Company	November 2002	Stripping works	**87,434**	86,226	Rule 14A.35 *(note 1 and 1A)*
Fujian Shanghang Hongyang Mine Engineering Company Limited	A shareholder of two subsidiaries	April 2002 April 2003	Stripping works	**75,820**	67,526	Rule 14A.35 *(note 1 and 1B)*
Tibet Autonomous Region Geologic Minerals Exploration & Development Bureau Dire Geothermal Geologic Team	Tibet Jindi shareholder	December 2003	Geologic exploration services	**0**	2,500	Rule 14A.32 *(note 2)*
Fuyun Jinbao Transportation Company	Company controlled by a shareholder of Xinjiang Jinbao	September 2005	Transportation services	**16,121**	3,661	Rule 14A.32 *(note 3)*
2. Financial assistance provided to Connected Parties						
Hunchun Gold and Copper Mining Company Limited	A shareholder of Hunchun Zijin	December 2002	Loan	**0**	2,512	Rule 14A.66(2) *(note 4)*
3. Transfer of equity interests and assets to Connected Parties						
Fuyun Jinbao Transportation Company	Company controlled by a shareholder of Xinjiang Jinbao	July 2004	Transfer of facilities	**0**	5,000	Rule 14A.32 *(note 2)*
4. Acquisition of shareholding in the Group's subsidiary held by a connected party						
Hunchun Gold and Copper Mining Company Limited	A shareholder of Hunchun Zijin	June 2005	Acquisition of shareholding in Hunchun Zijin	**13,688**	0	14A.32 *(note 2)*

Save as disclosed above, the disclosed related party transactions in the auditor report were not the discloseable connected transactions defined by Chapter 14A in the Listing Rules.

Note 1: Non-exempt connected transaction which has applied for a waiver. The Directors confirmed that: 1. such connected transactions has been or will continue to be conducted under normal and general business operations of the Group; 2. under normal commercial terms which are fair and reasonable and in the overall interests of shareholders; 3. Pursuant to rule 14A.35 of the Listing Rules, it will be subject to reporting, announcement and independent shareholders' approval requirements.

1A: For the three financial years ending 31 December 2005, the annual cap being the total value of transaction shall not exceed the higher of 20.9% of the total costs 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.

1B: For the three financial years ending 31 December 2005, the annual cap being the total value of transaction shall not exceed the higher of 15.6% of the total costs of sales of the Group or RMB80,000,000. 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.

Note 2: Pursuant to Rule 14A.32 of the Listing Rules, such connected transactions have been conducted on normal commercial terms where each of the percentage ratios based on scale testing was less than 2.5%. It will be subject to reporting and announcement requirements, but can be exempted from obtaining independent shareholders' approval.

Note 3: Pursuant to Rule 14A.34 of the Listing Rules, such connected transactions have been conducted on normal commercial terms where each of the percentage ratios based on scale testing was less than 2.5%. It will be subject to reporting and announcement requirements, but can be exempted from obtaining independent shareholders' approval.

Note 4: Non-exempt connected transaction which has applied for a waiver from independent shareholders' approval requirement. It will be subject to reporting and announcement requirements but can be exempted from obtaining independent shareholders' approval. For the three financial years ending 31 December 2005, 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 has been determined with reference to the relevant agreements.

In respect of the connected transactions mentioned in note 1 and note 4, the Company has obtained the transaction waivers for the three financial years ended 31 December 2005. The details of the transactions mentioned above shall be disclosed in the annual reports and accounts of the Company in compliance with the relevant requirements of the Listing Rules.

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 that the relevant transactions comply with the Listing Rules and the restrictions under the waiver conditions, it shall immediately notify the Stock Exchange. The Company may have to comply with the disclosure and independent shareholders' approval obligation, or make correction based on the instructions of the Listing Division of the Stock Exchange.

(c) Independent directors of the Group has confirmed that all the connected transactions of the Group or its subsidiaries involved in the year 2005 were:

    1. entered into in the ordinary and usual course of business of the Group or its subsidiaries;

    2. entered into on normal commercial terms; or where no comparisons are available, then under terms which are fair and reasonable to the shareholders of the Company;

    3. entered into under the terms of the agreement governing such transactions; or 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 39 to the financial statements), and confirmed to the Board that:

    1. The transactions have been approved by the Board;

    2. Terms of the agreement of the relevant transactions are attached to the connected transactions;

    3. The aggregated amounts of the transactions have not exceeded the respective annual caps as set out in Note 1 and Note 4 above.

Except for Mr. Liu Xiaochu and Mr. Ke Xiping who have interests in the connected transaction between the Company and Fujian Xinhuadu Engineering Company Limited, the other directors do not have any interests in the major transactions.

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 2005.

MAJOR LITIGATION, ARBITRATION

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

ACQUISITIONS, DISPOSALS AND MERGERS

The Company has no acquisitions, sale or merger of assets during the reporting period.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the 2004 annual general meeting of the Company held on 31 May 2005, resolutions on amendments of the Articles of Association of the Company were passed. Details of the amendments are set out in the Notice of Annual General Meeting sent to the shareholders on 7 April 2005 and the relevant announcement published on the Standard on the same date.

Relevant approval for the above amendments to the Articles of Association has obtained from the relevant authority on 21 June 2005.

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 2006 respectively.

FUTURE TRANSACTIONS

As at 31 December 2005, the Group and the Company have entered future contracts to sell about 4,400 tonnes copper cathodes and the average price is RMB37,088 per tonne and the settlement dates range from May 2006 to November 2006. The Group and the Company have unrealised loss RMB10.287 million (2004: nil) by reference to the closing market price and the contract price as at 31 December 2005.

The Board of Directors (the "Board") noticed the consequence of the recent copper price trend to the hedging transaction, the Board will limit the hedging transaction volume at 30% of our mineral production and review the risk prudently and take necessary measures to minimise the risk.

POST BALANCE SHEET EVENTS

On 4 January 2006, Shanghang Jinshan Trading Company Limited, a shareholder of the Company, entered into an agreement for the transfer of 10,000,000 Domestic Shares it held to Mr. Chen Jinghe, the Chairman. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.

Director	Number of Domestic Shares/Amount of equity interests held	Nature of interest	Long/short positions	Proximate percentage held in similar class of securities	Proximate percentage of shareholding in the registered capital
Chen Jinghe	10,000,000	Company	Long	0.27%	0.19%

On 15 March, 2006, Xiamen Hengxing Mining Company Limited, a shareholder of Guizhou Zijin Mining Company Limited (being a subsidiary of the Company) transferred 1,404,000 Shares it held in Guizhou Zijin to Xiamen Jinhuang Technology Consultant Company Limited Xiamen Jinhuang Technology Consultant Company Limited is held as to 34% by Mr. Chen Jinghe, a Director, and as to 32.7% by his wife Mrs. Lai Jinlian. Mr. Chen Jinghe is accordingly deemed as being interested in such shares under Rule 316 of the SFO. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.

Director	Name of subsidiary	Amount of equity interests held	Nature of interest	Long/short positions	Proximate percentage of shareholding in the registered capital
Chen Jinghe	Guizhou Zijin	1,404,000	Company	Long	2.34%

As at 31 March 2006, the Group and the Company have entered future contracts to sell about 9,575 tonnes copper cathodes and the average price is RMB40,996 per tonne and the settlement dates range from June 2006 to March 2007. As at 31 March 2006, the Group and the Company recorded a loss of RMB14,099,950 on the settlement of future contracts.

The details of the Group's other events after the balance sheet date are set out in note 44 to the financial statements.

On Behalf of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
29 March 2006

MEETINGS OF THE SUPERVISORY COMMITTEE IN THE REPORTING PERIOD

In 2005, the Supervisory Committee held two Supervisory Committee Meetings.

The Fifth Meeting of the Second Supervisory Committee was held at the Company's conference room on 28 March 2005. In the meeting, deployments have been made to strengthen supervisory administration works on external investment projects during the reporting period, and set down 2005 working plan for the Supervisory Committee. The Sixth Meeting of the Second Supervisory Committee was held at the Company's conference room on 3 May 2005. The Company's final financial statements of 2004 year and the audit report issued by Ernst & Young were reviewed. Conclusions were drawn on the annual performance of the Supervisory Committee, where the "2004 Working Report of the Supervisory Committee" was considered and approved in the meeting for submission to the general meeting.

INDEPENDENT WORKING REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisors attended all the Board meetings. The chairman of the Supervisory Committee also participated in the general manager management meeting, attended to the working reports of the management, and participated in the discussions and issued opinions on the resolutions on major decisions, significant change in appointments, and guarantee for funding of the Company.

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

   In 2005, the Board has implemented all the resolutions passed in the 2004 Annual General Meeting, the 2004 profit distribution plan, the capitalization of the Company's reserves and the plan for the changes to the Company's registered capital, amendments to the Articles of Association, payment plan of the 2004 remunerations of the Directors and Supervisors, the resolution regarding the re-appointment of Ernst & Young, handling of charity donations within 2% of the taxable profits in 2005, compliance with the Company Law and the Articles of Association in the decision procedures of external investment projects by the Board.

   The management has implemented the various resolutions of the Board, implemented various management systems passed by the Board, including administration on project investments, rules for connected transactions, administration on external guarantees, material purchases system, administration of engineering project tendering, implementation of payments to investment projects in accordance Board resolutions, implementation of personnel assignments in accordance with Board resolutions, guarantees to subsidiaries, assessments of the operation team, integration of subsidiaries.

   No violation of the laws, regulations, the Articles of Association or actions harming the Company's interests have been discovered during the discharge of duties by the Company's Directors and senior management.

2. Audits for the year

The Group's financial statements for the year was audited by Ernst & Young, which has issued an audited report with an unqualified opinion.

During the year, the Group realised sales income of RMB3,036 million and net profits of RMB704 million, an increase of 68.49% over the previous year, and has completed the working plans for the year satisfactorily.

3. Use of proceeds

In 2003, the Company issued 400,544,000 H Shares, and the net proceeds from the listing was RMB1,205,748,000. As at 30 June 2005, all the proceeds have been fully applied. The application of the proceeds have not changed the use of proceeds as set out in the prospectus.

4. Connected transactions

Upon review and examination, none of the Company's connected transactions has been discovered to be harmful to the Company's interests, and full disclosures have been made in accordance with Article 14A.45 of the Listing Rules, of which, the major services provided by the connected parties being: "Sub-contracting contracts of Zijinshan Gold Mine open pit project". In 2005, the transaction conducted between the Company and Xinhuadu Engineering was RMB87,430,000 in terms of monetary amount, representing 37.83% of similar transactions (cap of waiver was RMB105,000,000). The transaction actually conducted by the Company with Hongyang Mine Engineering Company Limited was RMB75,820,000 in terms of monetary amount, representing 32.8% of similar transactions (cap of waiver was RMB80,000,000). These transactions were non-exempted connected transactions for which waivers have been applied, and the total value of the transactions in the year have not exceeded the caps as required.

5. Guarantees to external parties

Total utilised guarantees to external parties as at the end of 2005 amounted to RMB210,822,000, of which, RMB11,250,000 was provided to Longyan Makeng, RMB173,400,000 was provided to Xinjiang Ashele Copper Mine, RMB20,000,000 was provided to Guizhou Zijin, RMB4,172,000 was provided to Zijin Copper Mine, and RMB2,000,000 was provided to Zijin Investment. Save as disclosed above, the Supervisory Committee was not aware of any other guarantee items.

6. Donations during the year

The Company's total donations in 2005 amounted to RMB7,080,000, which has not exceeded the scope as authorized by the general meeting of within 2% of the taxable incomes during the year.

7. Other issues

(1) A review has seriously been made on the total investments in the construction of copper mines, and the "Report regarding investigation on the investments for the construction of copper mines" have been submitted to the Board, with final decision of total investment at RMB248 million, which has not exceeded the scope for controlling the total amount within RMB270 million as required by the Board;

(2) Special audits have been made on the administration of wages and salaries of the Company's senior management in 2004, for submission to the Board;

(3) Made specific examination on the administration of wages, external sponsorships, donations, operating expenses, appropriation of funds of the parent by subsidiaries, and calculation of the interests accrued, and issued related opinions on the review. In 2005, the Company's total wages paid in 2005 were strictly in accordance with the Board resolutions, which were less than the administration requirement of the total controlled amount, and total operating expenses during the year were RMB2,647,000;

(4) Reviewed the Company's transactions in copper future transactions, funds, profits and loss in 2005;

(5) Reviewed the Company's 2006 profit forecasts, and considered that the various economic indicators to be advanced and reasonable.

2006 WORKING PLAN

In the process of rapid development and expansion of the enterprise, it required to further strengthen the studies in investment projects and the supervision in subsidiaries to prevent risk in investment operations and management. The Supervisory Committee should carry out planned studies on the investment projects and supervision in subsidiaries, supervise the enhancement of performance assessment to staff on assignment, and regularize decisions on material investment projects and administration of subsidiaries:

1. Stress should be made on the Company's decisions, implementation and management of material investment projects, material issues such as connected transactions, external guarantees, review of financial information;

2. To continue clearing and inspecting the establishment and implementation of the relevant internal control system of the Company and its subsidiaries, with focus on the supervision of the project set-up, contract, inspection acceptance, settlement management, financial approval power limit management, logistics management, and propose amendments and upgrading to the existing system in accordance with the needs in the Company's production operations;

3. Make use of the supervisory functions of supervision and audits, and reflect problems existing in the decision process and other operating management of the Company and its subsidiaries through supervision to the operating activities, and propose feasible solutions, so as to promote the enhancement of operating management and regularised operation of the Company;

4. Be concerned on the Company's major economic operations, whether they are in compliance with the relevant requirements: donations, guarantees, future contracts for the same of copper, procedures for the decision of project investments;

5. Be concerned whether the connected transactions of the Company are fair and are not harmful to the Company's interests and the compliance of Listing Rules;

6. Promote overall amendment, upgrading of the Company's systems and effective supervisory works within the Group;

7. Enhancement in the management of appointment and removal, working inspection on the Company's supervisors on assignment.

By Order of the Supervisory Committee
Zeng Qingxiang
Chairman of the Supervisory Committee

Shanghang, Fujian, the PRC
29 March 2006

The Code on Corporate Governance Practice ("Practice Code") effective for accounting periods commencing on 1 January 2005 or after has superseded the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Group has applied the principles as set out in the Code on Corporate Governance Practice and has complied with the relevant code provisions and most recommended best practice.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules as the mode code for the trading of securities by directors of the Group. The effective date was 23 December 2003. Following enquiries about all directors by the Company, the Group confirms that all directors have complied with the provisions of the Model Code for the year ended 31 December 2005.

BOARD COMPOSITION AND PRACTICE

The Board of the Group is jointly responsible to all shareholders for leading and overseeing the operations of the Group so as to ensure the achievement of the objective of value adding to shareholders.

The Board comprises nine directors, including five executive directors, one non-executive director and three independent non-executive directors. There is no existence of related connections in respect of finance, business or family relations between the members of the Board.

Pursuant to the Listing Rules, a listed issuer must have at least three independent non-executive directors, of them at least one shall possess appropriate professional qualifications or appropriate expertise in accounting or financial management. The professional composition of independent non-executive directors of the Group is: one independent non-executive director is an experienced registered accountant with expertise in accounting and financial management, one independent non-executive director is an experienced lawyer with expertise in Hong Kong, English and the PRC laws, one independent non-executive director is an experienced specialist with expertise in gold and mining operations.

All independent non-executive directors have submitted annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Group considers that all independent non-executive directors have complied with the Independence Guideline of Rule 3.13 of the Listing Rules and are independent directors pursuant to the provisions of the guideline.

Pursuant to the Company Law of the PRC and the articles of association of the Company, each director (including non-executive directors and independent non-executive directors) is appointed for a term of three years and can be re-elected. The board was elected at the 2003 extraordinary general meeting in June, 2003 (other than experienced lawyer, Loong Ping Kwan, who was appointed in August, 2003). All directors (including lawyer Loong Ping Kwan) will have their terms of office expiring on 28 June, 2006 on which they will be re-elected. The Board has noted the requirement of the Practice Code that "each director (including directors with a specific term) is subject to retirement by rotation at least once every three years". The Board considers that the requirement that "the Board is subject to re-election every three years" stipulated in the articles of association of the Group does not have conflicts with the Practice Code.

The functions of the chairman of the Board (chairman) and the managing director are undertaken by different person so that the operation of the Board is effectively divided from the daily operations management of the Group.

Led by the chairman of the Board (chairman), the Board is responsible for approving and monitoring the overall development strategy of the Group, approving annual budgets and business plans, approving major investment projects related to the business development of the Group, assessing the performance of the Group, supervising the work of the management and ensuring the Board acts in the best interests of the Group. The chairman should ensure the Board operates effectively and performs its proper duties and holds discussions on various important and proper businesses of the Company in a timely manner. All directors are entitled to include any matter that needs to be submitted to the Board for discussion in the agenda of the board meeting. The chairman has delegated the secretary of the Board to draft the agenda of each board meeting. With the assistance of executive directors and the company secretary, the chairman will ensure that all directors will be provided with sufficient and reliable information in a timely manner to enable them to make judgments according to their business expertise.

The managing director leads the management to oversee the daily management of the operations of the Group, including implementing the resolutions of the Board and is responsible to the Board for the overall operations of the Group.

The Board has convened four plenary board meetings for the year ended 31 December, 2005. The attendance of directors at the meetings was 100% with details as follows:

	Attendance
Chairman of the Board (chairman)	
Chen Jinghe	4/4
Executive directors	
Liu Xiaochu *(vice-chairman)*	4/4
Luo Yingnan *(managing director)*	4/4
Lan Fusheng	4/4
Rao Yimin	4/4
Non-executive directors	
Ke Xiping	4/4
Independent non-executive directors	
Yao Lizhong	4/4
Loong Ping Kwan	4/4
Yang Dali	4/4

Pursuant to the articles of association of the Group, meeting notices shall be issued 10 days before a board meeting. The "Practice Code" stipulates that "a notice of at least 14 days shall be given before a regular board meeting to enable all directors to reserve time for attending the meeting. For other board meetings, a reasonable notice shall be given." The Company has adopted the provisions of the "Practice Code" and issues meeting notices 14 days before convening a board meeting so that all directors can have sufficient time and opportunities to attend the meeting. All meeting papers will be sent to all directors no less than three days before a meeting is convened. Both the company secretary and qualified accountant will attend all board meetings. Matters discussed and resolved at board meetings will be recorded by the company secretary in detail and a summary of minutes will be made or resolutions will be filed.

REMUNERATION OF DIRECTORS

The Group established the remuneration committee of the Board in March, 2001 and re-elected the remuneration committee of the Board in December, 2005 pursuant to the "Practice Code". The remuneration committee of the Board comprises independent non-executive directors, Mr. Yang Dali and Mr. Yao Lizhong, non-executive director, Mr. Ke Xiping, and chairman of the Board, Mr. Chen Jinghe. The remuneration committee also comprises various working group members. Detailed regulations for the remuneration committee are amended pursuant to the "Practice Code" and are published on the web site of the Company.

The remuneration committee convened two meetings during the reporting period, with 100% attendance.

At the meeting held in April 2005, the committee made an evaluation on the remuneration of its executive directors and senior management for 2004 and proposed amendments to the 2005 remuneration plan for consideration at the annual general meeting.

At the meeting held in December 2005, the committee made an arrangement as regard how to assess executive directors and senior management.

The major responsibilities of the remuneration committee are:

To formulate the remuneration plan and reward and penalty plan for executive directors and senior management.

To formulate the standard procedure and the evaluation system for appraising the performance of executive directors and senior management.

To appraise and evaluate the performance of duties by executive directors and senior management.

To ensure that no director or his associate can determine his own remuneration.

PROCEDURE AND BASIS FOR DETERMINATION OF REMUNERATION

Pursuant to the Articles of Association, the remuneration plan and awarding plan for directors, supervisors shall be proposed by the remuneration committee, to be considered for approval at the general meeting. Remuneration of senior management shall be considered and approved by the Board. Confirmation of the remuneration of the Directors, Supervisors and senior management shall be based on the resolution of the general meeting/Board meeting, and on the directors' service contracts, and the growth of the Company's operation results in the year.

ANNUAL REMUNERATION

Details are as set out in note 7 to the financial statements.

DIRECTOR NOMINATION

The Group has not established a specialized nomination committee. Directors are selected pursuant to the Company Law of the People's Republic of China and the articles of association of the Group for appointment. All directors, including non-executive directors, are appointed for a term of three years. Upon expiry of the term, the Board will be re-elected and all directors will retire. The new Board will be re-elected at the general meeting. Former directors nominated can be re-elected. Director candidates are recommended by shareholders after discussion and are subject to election at the general meeting. As at 31 December, 2005, no directors of the Board of the Group resigned and were removed within the term of office.

AUDITOR'S REMUNERATION

For the year ended 31 December, 2005, the audit fees charged by the auditors of the Company was approximately RMB2.1 million, and the auditor did not charge any fees other than the audit fees.

AUDIT COMMITTEE

The Group established the audit committee in July, 2001 with a number of working group members. The Board amended and issued the "Implementation Articles for the Audit Committee" on 26 January, 2003. The articles have been published on the web site of the Company.

The audit committee comprises of independent non-executive directors, Mr. Yang Dali and Mr. Yao LiZhong, and non-executive director, Mr. Ke Xiping. The Board considers that members of the audit committee have sufficient professional knowledge and experience in accounting and financial management to enable them to perform their duties.

The major responsibilities of the audit committee are:

To propose hiring or changing the external audit institution;

To oversee the Company's internal audit system and its implementation;

To audit the Company's financial information and its disclosure (including the annual report, the interim report and any feasible financial review);

To audit the Company's financial reporting and internal control system, and to audit major connected transactions.

The audit committee has held meetings on a regular basis since its establishment and convened two meeting during the reporting period with 100% attendance.

At the meeting held in March 2005, the committee received the working report by the compliance and audit office and reviewed the audited report and connected transactions of the Group for 2004, and submitted its concluding opinions on relevant connected transactions and audit to the Board.

At the meeting held in August 2005, the committee reviewed the interim report and connected transactions of the Group for 2005, and submitted its concluding opinions on audit to the Board.

The annual report for the year ended 31 December 2005 of the Group has been reviewed by the audit committee.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL REPORTS

All directors of the Group have acknowledged their responsibility for preparing financial reports of the Group. Directors ensure that the preparation of financial reports of the Group is in compliance with relevant regulations and applicable accounting standards and that financial reports of the Group are issued in a timely manner.

The responsibility statement made by the auditor of the Company in respect of financial reports of the Group is set out in the auditor's report on page 54.

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

The shareholding interests of senior management of the Group are detailed in "Interests and short Positions of Directors, Supervisors and Chief Executive in the issued shares of the Company" on pages 30 to 32.

SHAREHOLDERS' RIGHTS

The articles of association of the Group have stipulated the rights and obligations of all directors.

Shareholders holding more than 10% (including 10%) of the outstanding shares with voting right of the Company can demand in writing to convene an extraordinary general meeting.

The Company shall issue a written notice 45 days before the holding of a general meeting and inform all registered shareholders about the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall return the written reply for attending the meeting to the Company 20 days before the meeting.

At the annual general meeting convened by the Company, shareholders holding more than 5% of the shares with voting right of the Company are entitled to make new proposals in writing. The Company shall include the matters in the proposals which are within the scope of the terms of reference of the general meeting in the agenda of the meeting.

The Board shall give explanations and reasons at the general meeting if it decides not to include the general meeting proposals in the agenda of the meeting. It shall also publish the content of the proposals and the Board's explanations together with resolutions of the general meeting following the conclusion of the general meeting.

Voting at the general meeting is by poll.

The Group communicates with shareholders through the issuance of annual reports, interim reports and press announcements. All communications with shareholders are also published on the web site of the Group, www.zjky.cn.

INVESTOR RELATIONS

The Board fully recognizes that effective communication with investors is the key in building investor confidence and attracting new investors.

The Group holds press conferences and briefings to investment analysts immediately following the announcement of its annual and interim results. Senior management such as the chairman of the Board and the financial controller of the Group will be present to analyze the performance of the Group during the period, expound the business development of the Group and answer queries raised by investors.

Results announcements of the Group will also be published timely on the web site of the Group.

The Group will also arrange for professional investors to visit enterprises so that they can understand the Group's existing production status, investment status and business development, thereby enhancing confidence over the enterprises.

During the year, part of the articles of association of the Group was amended at the 2004 annual general meeting held on 31 May, 2005.

1. Article 10 of the articles of association: The Company's operating scope has been changed from "exploration, exploitation (exploiting, selecting, smelting) of solid mineral resources (for gold only)" to "exploration, exploitation (exploiting, selecting, smelting) of solid mineral resources (for the types of minerals with the mining right already secured only)", which broadens the types of minerals that can be operated by the Company.

2. In view of the fact that the Company has implemented the distribution plan for reserve fund capital conversion (ten additional shares for each ten existing shares), Article 16: The Company's total shares have been increased from 2,628,261,820 shares to 5,256,523,640 shares and the corresponding shareholdings by shareholders have been amended.

3. Article 19: The Company's registered capital has been changed from RMB262,826,182 to RMB525,652,364.

The total share capital of the Group is 5,256,523,640 shares of which 3,654,347,640 shares are domestic shares, representing 69.52% of the total issued share capital of the Company, and 1,602,176,000 shares are foreign shares listed overseas, representing 30.48% of the total issued share capital of the Company.

The Group's 2004 annual general meeting was held on 31 May, 2005 at its headquarter in Shanghang County, Fujian Province and considered: 1. the directors' report for 2004, 2. the supervisors' report for 2004, 3. the audited financial and international auditor reports as at 31 December, 2004, 4. the profit distribution plan for 2004, 5. approving the remuneration of directors and supervisors of the Company as at 31 December, 2004, 6. approving the proposed annual remuneration plan of directors and supervisors of the Company as at 31 December, 2005, 7. approving the appointment of Ernst & Young Hua Ming and of Ernest & Young as the domestic and international auditor of the Group for year ended 31 December, 2005; and authorizing the board to determine the relevant remuneration, 8. approving changing the Company to a foreign-invested joint stock company, 9. approving the plan for capital conversion from the reserve fund of the Company, 10. approving the granting of a mandate to the Board of issuing not more than 20% of the total nominal value of domestic shares or H shares in issue, 11. approving the proposal for amending the articles of association of the Company. All the above matters have been approved by voting at the general meeting.

As at 31 December, 2005, the total market capitalization of the Group was approximately HK$18 billion. The negotiable market capitalization of H shares was approximately HK$5.487 billion.

INTERNAL CONTROL

The Board is solely responsible for the internal control system of the Group, including defining the management structure and relevant terms of reference, determining the adoption of appropriate accounting policy, providing reliable financial information for internal use and public announcement, and ensuring compliance with relevant laws and regulations. The above internal control system aims to reasonably (but not absolutely) ensure that there are no significant misrepresentations or losses and manage (but not completely eliminate) the risks of faults in the operating system and the Group's failure in reaching standards.

The executive directors and senior management of the Group are given corresponding authority to manage and monitor all operating systems of enterprises and deal with relevant affairs.

The Group has established an internal accounting system. The prepared budget has to be approved by the Board before implementation. There are relevant procedures in the Group's budget management system and investment management system for assessing and reviewing major operating expenditure and capital expenditure. Operating results will be reported to executive directors through regular financial analyses.

The Group has established a dedicated internal audit institution and appropriate internal control procedures to ensure that accounting and management information are recorded in a comprehensive, accurate and timely manner. Besides, regular reviews are conducted to ensure that the preparation of financial statements is in compliance with the accounting standards, accounting policy and applicable laws and regulations, which is extended to all subsidiaries controlled by the Group. The annual working plan of the audit department is subject to approval by the supervisory committee of the Group and the audit committee of the Board.

The Group has established an information disclosure management system which stipulates the relevant procedures for processing price-sensitive information. The Board conducts at least two reviews each year on internal control through the annual report and the interim report so as to assess the effectiveness of the internal control system.

The Board considers that the existing internal control system of the enterprise basically covers the current operating conditions of the enterprise. However, with the sustained development of the enterprise and a continued increase in the management standard of the Group, the internal control system of the enterprise shall also be subject to continued revision and improvement.

ERNST & YOUNG
安永會計師事務所

To the members
Zijin Mining Group 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 55 to 130 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public 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 judgements 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 2005 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
29 March 2006

Consolidated Income Statement

Year ended 31 December 2005

	Notes	2005 *RMB'000*	2004 *RMB'000* (Restated)
REVENUE	4	**3,036,215**	1,507,679
Cost of sales		**(1,563,439)**	(683,333)
Gross profit		**1,472,776**	824,346
Other income and gains	4	**27,811**	20,805
Selling and distribution costs		**(66,058)**	(10,319)
Administrative expenses		**(244,885)**	(167,579)
Other operating costs		**(68,488)**	(39,766)
Finance costs	5	**(18,437)**	(5,836)
Share of profits of associates		**31,173**	15,034
PROFIT BEFORE TAX	6	**1,133,892**	636,685
Income tax expenses	9	**(263,829)**	(178,816)
PROFIT FOR THE YEAR		**870,063**	457,869
Attributable to:			
Equity holders of the parent		**703,637**	417,619
Minority interests		**166,426**	40,250
		870,063	457,869
PROPOSED FINAL DIVIDEND	11	**420,522**	262,826
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	**RMB0.13**	RMB0.08

Consolidated Balance Sheet

31 December 2005

	Notes	2005 *RMB'000*	2004 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,394,982**	1,371,398
Land use rights	14	**54,583**	15,503
Long term deferred assets	15	**211,765**	108,792
Prepayments	16	**85,059**	70,820
Intangible assets	17	**530,163**	419,266
Goodwill	18	**65,665**	15,767
Interests in associates	20	**361,754**	50,313
Interests in jointly-controlled entities	21	**5,295**	7,040
Available-for-sale investments	22	**90,928**	19,990
Total non-current assets		**3,800,194**	2,078,889
CURRENT ASSETS			
Inventories	23	**302,584**	194,558
Prepayments, deposits and other receivables	24	**243,615**	56,223
Trade receivables	25	**61,668**	7,834
Bills receivable		**7,693**	700
Due from related parties	26	**—**	2,707
Financial assets at fair value through profit or loss	27	**6,100**	12,766
Pledged deposits	28	**23,688**	23,688
Cash and cash equivalents	28	**1,029,836**	888,747
Total current assets		**1,675,184**	1,187,223
CURRENT LIABILITIES			
Accrued liabilities and other payables	29	**413,596**	253,391
Trade payables	30	**213,165**	139,418
Interest-bearing bank loans	31	**630,627**	45,000
Government grants		**10,693**	1,693
Other long term loan	32	**—**	1,000
Tax payable		**215,718**	104,203
Derivative financial instruments	33	**10,287**	—
Total current liabilities		**1,494,086**	544,705
NET CURRENT ASSETS		**181,098**	642,518
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,981,292**	2,721,407

Consolidated Balance Sheet

31 December 2005

	Notes	2005 *RMB'000*	2004 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,981,292**	2,721,407
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	31	**655,030**	266,647
Provision for land restoration and environmental costs	34	**37,628**	26,170
Long term other payables	35	**109,990**	119,176
Total non-current liabilities		**802,648**	411,993
Net assets		**3,178,644**	2,309,414
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	36	**525,652**	262,826
Reserves	37	**1,845,264**	1,664,578
		2,370,916	1,927,404
Minority interests		**807,728**	382,010
Total equity		**3,178,644**	2,309,414

Chen Jinghe
Director

Liu Xiaochu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

		Attributable to equity holders of the parent									
	Notes	Issued share capital *RMB'000*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* Note37(a)	Public welfare fund *RMB'000* Note37(b)	Capital reserve *RMB'000*	Retained profits *RMB'000* Note37(c)	Proposed final dividend *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2004		131,413	1,214,378	55,513	27,757	1,253	78,928	197,120	1,706,362	221,418	1,927,780
Dividends paid		—	—	—	—	—	—	(197,120)	(197,120)	—	(197,120)
Share of capital reserve of an associate		—	—	—	—	543	—	—	543	—	543
Share premium converted into issued share capital	36	131,413	(131,413)	—	—	—	—	—	—	—	—
Net profit for the year		—	—	—	—	—	417,619	—	417,619	40,250	457,869
Transfer to reserves		—	—	49,386	24,742	—	(74,128)	—	—	—	—
Acquisition of subsidiaries	38(a)	—	—	—	—	—	—	—	—	69,755	69,755
Investments in subsidiaries		—	—	—	—	—	—	—	—	55,207	55,207
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	(4,620)	(4,620)
Proposed final dividend	11	—	—	—	—	—	(262,826)	262,826	—	—	—
At 31 December 2004		262,826	1,082,965	104,899	52,499	1,796	159,593	262,826	1,927,404	382,010	2,309,414
Reserves retained by:											
Company and subsidiaries		262,826	1,082,965	104,899	52,499	—	142,603	262,826	1,908,618	382,010	2,290,628
Associates		—	—	—	—	1,796	16,990	—	18,786	—	18,786
At 31 December 2004		262,826	1,082,965	104,899	52,499	1,796	159,593	262,826	1,927,404	382,010	2,309,414
At 1 January 2005		262,826	1,082,965	104,899	52,499	1,796	159,593	262,826	1,927,404	382,010	2,309,414
Dividends paid		—	—	—	—	—	—	(262,826)	(262,826)	—	(262,826)
Share of capital reserve of an associate		—	—	—	—	2,701	—	—	2,701	—	2,701
Share premium converted into issued share capital	36	262,826	(262,826)	—	—	—	—	—	—	—	—
Net profit for the year		—	—	—	—	—	703,637	—	703,637	166,426	870,063
Transfer to reserves		—	—	94,539	47,269	—	(141,808)	—	—	—	—
Acquisition of subsidiaries	38(a)	—	—	—	—	—	—	—	—	125,198	125,198
Investments in subsidiaries		—	—	—	—	—	—	—	—	148,364	148,364
Disposal of subsidiaries	38(b)	—	—	—	—	—	—	—	—	(7,196)	(7,196)
Acquisition of equity interest in a subsidiary from a minority share holder		—	—	—	—	—	—	—	—	(5,895)	(5,895)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	(1,179)	(1,179)
Proposed final dividend	11	—	—	—	—	—	(420,522)	420,522	—	—	—
At 31 December 2005		525,652	820,139	199,438	99,768	4,497	300,900	420,522	2,370,916	807,728	3,178,644
Reserves retained by:											
Company and subsidiaries		525,652	820,139	199,438	99,768	—	252,737	420,522	2,318,256	807,728	3,125,984
Associates		—	—	—	—	4,497	48,163	—	52,660	—	52,660
At 31 December 2005		525,652	820,139	199,438	99,768	4,497	300,900	420,522	2,370,916	807,728	3,178,644

	Notes	2005 RMB'000	2004 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	**1,133,892**	636,685
Adjustments for:			
Finance costs	5	**18,437**	5,836
Share of profits of associates		**(31,173)**	(15,034)
Interest income	4	**(10,659)**	(11,761)
Dividend income	4	**—**	(6)
Gain on disposal of financial assets at fair value through profit or loss	4	**(1,520)**	(2,243)
Gain on deemed disposal of equity interests in subsidiaries, net	4,6	**—**	(130)
Loss on disposal of subsidiaries	6	**4,879**	—
Gain on disposal of 16% equity interest in a subsidiary	4	**—**	(9)
Excess over the cost of a business combination recognized in the income statement	4	**—**	(44)
Fair value loss on derivative financial instruments	6	**10,287**	—
Depreciation	6	**139,918**	101,099
Amortisation of land use rights	6	**580**	543
Amortisation of long term deferred assets	6	**9,071**	6,465
Amortisation of intangible assets	6	**17,952**	13,297
Amortisation of goodwill	6	**—**	1,845
Provision for inventory obsolescence	6	**471**	493
Provision for bad and doubtful receivables	6	**1,296**	8,122
Impairment provision for intangible assets	6	**6,857**	—
Loss on disposal of property, plant and equipment	6	**3,836**	20,473
Write-back of impairment provision on property, plant and equipment	6	**—**	(94)
Operating profit before working capital changes		**1,304,124**	765,537
Increase in inventories		**(74,172)**	(68,727)
Increase in prepayments, deposits and other receivables		**(33,831)**	(27,256)
Increase in trade receivables		**(56,413)**	(5,056)
Increase in bills receivable		**(6,993)**	(700)
Increase / (decrease) in accrued liabilities and other payables		**82,469**	(35,482)
Increase in trade payables		**49,675**	24,807
Movements in balances with related parties		**—**	641
Increase / (decrease) in long term other payables		**(9,186)**	23,104
Increase in provision for land restoration and environmental costs		**11,458**	12,793
Utilisation of land restoration and environmental costs		**—**	(1,037)
Increase in pledged cash		**—**	(9,213)
Cash generated from operations		**1,267,131**	679,411
Income tax paid		**(152,314)**	(102,644)
Net cash inflow from operating activities		**1,114,817**	576,767

Consolidated Cash Flow Statement

Year ended 31 December 2005

	Notes	2005 RMB'000	2004 RMB'000 (Restated)
Net cash inflow from operating activities		**1,114,817**	576,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**10,659**	11,761
Dividends received from available-for-sale investments		—	6
Dividends received from an associate		**7,987**	794
Purchase of available-for-sale investments		**(69,438)**	(19,850)
Purchase of financial assets at fair value through profit or loss		**(6,100)**	(51,766)
Proceeds from disposal of financial assets at fair value through profit or loss		**14,286**	41,243
Purchases of property, plant and equipment	13,38(c)	**(1,067,330)**	(557,226)
Proceeds from disposal of property, plant and equipment		**7,553**	7,404
Additions to land use rights	14	**(39,660)**	(810)
Additions to long term deferred assets	15	**(112,044)**	(48,360)
Additions to intangible assets	17,38(a)&(b)	**(113,288)**	(244,532)
Proceeds from disposal of intangible assets		**9,775**	—
Acquisition of associates		**(271,005)**	(24,500)
Investment in jointly-controlled entities		**(3,295)**	(7,040)
Acquisition of subsidiaries	38(a)	**(142,462)**	26,860
Proceeds from disposal of equity interests in subsidiaries	38(b)	**3,523**	—
Proceeds from disposal of a 16% equity interest in a subsidiary		—	2,261
Acquisition of equity interest in a subsidiary from a minority share holder		**(14,423)**	—
Loans advanced to related parties		—	(4,012)
Repayment of loans advanced to related parties		**2,707**	4,805
Increase/(decrease) in bank deposits with original maturity over three months when acquired		**38,965**	(63,000)
Net cash outflow from investing activities		**(1,743,590)**	(925,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		—	247,657
Share issue expenses		—	(61,574)
New bank loans		**1,030,257**	134,000
Repayment of bank loans		**(72,247)**	(86,589)
Repayment of other long term loans		**(1,000)**	(14,730)
Interest paid		**(41,542)**	(12,673)
Dividends paid		**(262,826)**	(197,120)
Dividends paid to minority shareholders		**(1,179)**	(4,620)
Cash received from government grants		**9,000**	1,520
Utilisation of government grants		—	(380)
Cash received from minority shareholders upon investments in subsidiaries		**148,364**	54,985
Net cash inflow from financing activities		**808,827**	60,476
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**180,054**	(286,719)
Cash and cash equivalents at beginning of year		**825,747**	1,114,466
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,005,801**	825,747
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,005,801**	825,747

31 December 2005

	Notes	2005 RMB'000	2004 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**672,577**	550,451
Land use rights	14	**30,513**	8,462
Long term deferred assets	15	**103,431**	70,663
Prepayments	16	**9,470**	12,849
Intangible assets	17	**152,993**	160,633
Interests in subsidiaries	19	**1,335,979**	738,451
Interests in associates	20	**275,610**	8,299
Available-for-sale investments	22	**49,850**	19,890
Total non-current assets		**2,630,423**	1,569,698
CURRENT ASSETS			
Inventories	23	**188,678**	134,316
Prepayments, deposits and other receivables	24	**160,016**	19,763
Trade receivables	25	**20,135**	4,113
Bills receivable		**—**	700
Due from related parties	26	**—**	400
Financial assets at fair value through profit or loss	27	**—**	12,635
Pledged deposits	28	**23,688**	23,688
Cash and cash equivalents	28	**273,186**	682,627
Total current assets		**665,703**	878,242
CURRENT LIABILITIES			
Accrued liabilities and other payables	29	**246,926**	197,879
Trade payables	30	**74,560**	66,241
Interest-bearing bank loans	31	**409,800**	40,000
Government grants		**1,043**	1,043
Other long term loan	32	**—**	1,000
Tax payable		**157,220**	73,719
Derivative financial instruments	33	**10,287**	—
Total current liabilities		**899,836**	379,882
NET CURRENT ASSETS/(LIABILITIES)		**(234,133)**	498,360
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,396,290**	2,068,058
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	31	**159,600**	109,400
Provision for land restoration and environmental costs	34	**37,628**	26,170
Long term other payables	35	**76,278**	77,035
Total non-current liabilities		**273,506**	212,605
Net Assets		**2,122,784**	1,855,453
EQUITY			
Issued capital	36	**525,652**	262,826
Reserves	37	**1,597,132**	1,592,627
Total equity		**2,122,784**	1,855,453

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 and copper mining business and geological studies.

The registered office and principal place of business of the Company is located at 1 Zijin Road, Shanghang County, Fujian Province, the PRC.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtained control and continue to be consolidated until the date that such control ceases.

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

2.2 IMPACT OF NEW AND REVISED IFRSs

The following new and revised IFRSs affect the Group and are adopted for the first time for the current year's financial statements:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of IASs 2, 8, 10, 16, 17, 19, 21, 24, 27, 28, 31, 32, 33, 38, 39 and IFRS2 and 5 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

IAS 1 'Presentation of Financial Statements'

IAS 1 (revised) has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates and jointly-controlled entities was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of IAS 1 (revised), the Group's share of the post-acquisition results of associates and jointly-controlled entities is presented net of the Group's share of tax attributable to associates and jointly-controlled entities.

IFRS 3 'Business Combinations' and IAS 36 'Impairment of Assets'

The adoption of IFRS 3 and IAS 36 (revised) has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005.

The transitional provisions of IFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amount of the accumulated amortisation by RMB3,454,000 with a corresponding entry to goodwill.

2.2 IMPACT OF NEW AND REVISED IFRSs *(continued)*

IAS 27 'Consolidated and Separate Financial Statements'

In prior years, the interests in associates in the Company's financial statements were accounted by the equity method. Upon the adoption of IAS 27 (revised), investments in associates that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 should be accounted for either at cost or in accordance with IAS 39. The effects of the above changes have resulted in a decrease in net profit of the Company by RMB14,131,000 for the year ended 31 December 2004 and a reduction in retained profits as at 31 December 2003 and 2004 by RMB1,479,000 and RMB15,610,000, respectively. It also results in a reduction in interests in associates and reserves of the Company by RMB17,406,000 as at 31 December 2004.

The Group has not applied the following IFRS and IFRIC Interpretation that have been issued but are not yet effective. Unless otherwise stated, these IFRS and IFRIC are effective for annual periods beginning on or after 1 January 2006:

IAS 1 (Amendment)	Capital Disclosures
IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 (Amendment)	Net Investment in a Foreign Operation
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 & IFRS 4 (Amendments)	Financial Guarantee Contracts
IFRSs 1 & 6 (Amendment)	First-time Adoption of IFRSs and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC - Int 4	Determining whether an Arrangement contains a Lease
IFRIC - Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC - Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC - Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC - Int 8	Scope of IFRS 2

The Group has commenced its assessment of the impact of these standards and interpretation but it is not yet in a position to state whether these standards and interpretation would have a material impact on its results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of it's board of directors;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities are included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, 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 reporting dates of the associates and the Group are identical and adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition for which the agreement date is on or after 31 March 2004 is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of IFRSs have required the Group to eliminate at 31 March 2004 the carrying amount of accumulated amortisation with a corresponding adjustment to the cost of goodwill.

Excess over the cost of business combinations *(applicable to business combinations for which the agreement date is on or after 31 March 2004)*

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. 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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

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 the 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 property, plant and equipment when completed and ready for use.

Long term deferred assets

Long term deferred assets are stated 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 their estimated useful lives of 10 years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 their estimated useful lives of 5 to 20 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. 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 unexpired period of the rights.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (applicable to the year ended 31 December 2005) *(continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments (applicable to the year ended 31 December 2005)

The Group enters into derivative financial instruments such as future commodity contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, goodwill and non-current assets/disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

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 materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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.

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 time deposits, which are not restricted as to use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest-bearing loans and borrowing

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future 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 discounted using a current pre-tax rate that reflects, 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 a borrowing cost.

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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) rental income, on a time proportion basis over the lease terms; and

(e) dividend income, when the shareholders' right to receive payment has been established.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 receivable 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.

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. The 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 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.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred 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 tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from goodwill 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 investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

(i) where the deferred tax asset relating to the deductible temporary differences 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 investments in subsidiaries, associates and interests in joint ventures, 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 differences 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 tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred 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 (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable rights exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Retirement benefits

The companies comprising the Group that were established in the PRC participate in a defined retirement contribution 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 the 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

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant 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 instalments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, 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 currencies

These financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment loss for property, plant and equipment is recognized for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best information available to reflect the amount that obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(b) Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Income tax

The Group is subject to income taxes in various regions within the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters are different from the amounts originally recorded, the differences will impact the income tax and tax provisions in the period in which the differences realise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(d) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable mine reserve quantity and capitalised costs of mining assets. The capitalised cost of mining rights are depreciated over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines on the units of production method.

(e) Provision for obsolete inventories

The management reviews the condition of inventories of the Group and provides provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at each balance sheet date and makes provision for obsolete items. Management reassesses the estimation on each of the balance sheet date.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2005 *RMB'000*	2004 *RMB'000*
Revenue		
Sale of gold bullions	**2,403,434**	1,396,048
Sale of gold concentrates	**96,688**	56,445
Sale of copper concentrates	**400,667**	37,319
Sale of copper cathodes	**37,809**	20,392
Sale of iron concentrates	**111,272**	6,027
Others	**18,904**	2,417
Less: Sales taxes and levies (note)	**(32,559)**	(10,969)
	3,036,215	1,507,679
Other income		
Bank interest income	**10,659**	11,761
Rental income	**2,955**	807
Processing income	**503**	371
Dividend income	**—**	6
Others	**10,612**	4,998
	24,729	17,943
Gains		
Exchange gains	**1,562**	423
Gain on disposal of 16% equity interests in a subsidiary	**—**	9
Gain on deemed disposal of equity interests in subsidiaries	**—**	143
Gain on disposal of financial assets at fair value through profit or loss	**1,520**	2,243
Excess over the cost of a business combination recognised in the income statement	**—**	44
	3,082	2,862
	27,811	20,805

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

5. FINANCE COSTS

	Group	
	2005	2004
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**41,542**	12,673
Less: Interest capitalised as construction in progress	**(23,105)**	(6,837)
	18,437	5,836

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 5.022% to 6.684% (2004: 5.184% to 6.696%) per annum.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2005 RMB'000	2004 RMB'000
Cost of inventories sold		1,524,378	650,235
Amortisation of land use rights	14	580	543
Amortisation of long term deferred assets	15	9,071	6,465
Amortisation of intangible assets	17	17,952	13,297
Provision for land restoration and rehabilitation costs	34	11,458	12,793
		1,563,439	683,333
Depreciation (note (i))	13	139,918	101,099
Research and development expenditures		21,347	21,032
Minimum lease payments under operating leases on land and buildings		658	1,146
Auditors' remuneration		2,100	1,900
Staff costs (including directors' remuneration (note 7)):			
Salaries and other staff costs (note (ii))		158,958	115,496
Retirement benefits – defined contribution fund (note (iii))		10,252	3,629
		169,210	119,125
Provision for inventory obsolescence		471	493
Provision for bad and doubtful receivables *		1,296	8,122
Loss on disposal of property, plant and equipment *		3,836	20,473
Donations *		30,966	8,269
Amortisation of goodwill *	18	—	1,845
Loss on disposal of subsidiaries *	38(b)	4,879	—
Loss on deemed disposal of equity interests in subsidiaries *		—	13
Fair value loss on derivative financial instruments *	33	10,287	—
Impairment provision for intangible assets *	17	6,857	—
Write-back of impairment provision on property, plant and equipment*	13	—	(94)

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

6. PROFIT BEFORE TAX *(continued)*

Notes:

(i) Depreciation of approximately RMB118,039,000 was included in the cost of sales for the year ended 31 December 2005 (2004: RMB85,394,000).

(ii) Staff costs of approximately RMB57,601,000 were included in the cost of sales for the year ended 31 December 2005 (2004: RMB45,200,000).

(iii) According to the 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 11% to 25% (2004: 16% to 24%) of the prior 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.

7. DIRECTORS' REMUNERATION

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

	Group	
	2005	2004
	RMB'000	*RMB'000*
Fees	**310**	306
Other emoluments:		
Salaries, allowances and benefits in kind	**6,240**	2,261
Discretionary bonuses	**4,704**	3,630
Pension scheme contributions	**9**	17
	11,263	6,214

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: 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 (2004: Nil).

7. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees payable to the independent non-executive directors during the year is as follow:

	2005 *RMB'000*	2004 *RMB'000*
Mr. Yao Lizhong	100	107
Mr. Yang Dali	106	114
Mr. Loong Ping Kwan	104	85
	310	306

(b) Executive directors and a non-executive director

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2005					
Executive directors:					
Mr. Chen Jinghe	—	2,281	1,653	—	3,934
Mr. Liu Xiaochu	—	589	757	—	1,346
Mr. Lan Fusheng	—	741	445	9	1,195
Mr. Rao Yimin	—	719	421	—	1,140
Mr. Luo Yingnan	—	1,810	1,428	—	3,238
Non-executive director:					
Mr. Ke Xiping	—	100	—	—	100
	—	6,240	4,704	9	10,953
2004					
Executive directors:					
Mr. Chen Jinghe	—	517	1,029	—	1,546
Mr. Liu Xiaochu	—	278	679	—	957
Mr. Lan Fusheng	—	447	399	9	855
Mr. Rao Yimin	—	429	393	—	822
Mr. Luo Yingnan	—	460	1,130	8	1,598
Non-executive director:					
Mr. Ke Xiping	—	130	—	—	130
	—	2,261	3,630	17	5,908

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included four (2004: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining one (2004: one) non-director, highest paid employee for the year are as follows:

	Group	
	2005	2004
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**583**	276
Discretionary bonuses	**1,937**	395
Pension scheme contributions	**7**	4
	2,527	675

The remuneration of the non-director, highest paid employee during the year ended 31 December 2005 fell within the band of HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB2,080,000 to RMB2,600,000). There was no arrangement under which the non-director, highest paid employee waived or agreed to waive any remuneration during the year (2004: Nil).

There was no emolument paid by the Group to the non-director, highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

9. INCOME TAX EXPENSES

	2005	2004
	RMB'000	*RMB'000*
Group:		
Current – Hong Kong	**—**	—
– Mainland China	**277,867**	191,460
Overprovision in prior years (note (ii))	**(14,038)**	(12,644)
	263,829	178,816

9. INCOME TAX EXPENSES *(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 the 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 [2002] No. 47" issued by the State Council of the PRC, and "Qian Di Shui Han [2003] No.317" issued by the local tax bureau of Guizhou Province, Guizhou Zijin located in the western region of Mainland China was granted a tax concession to pay PRC income tax at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations in specified regions with retroactive effect from 1 January 2001 for a 10-year period to 31 December 2010 as long as the subsidiary continues to engage in qualified operations in its respective region.

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

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

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

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

(ii) Pursuant to "Ji Guo Shui Fa [2005] No. 43" issued by the state tax bureau of Jilin Province on 8 May 2005, Hunchun Zijin was exempted from corporate income tax for the year ended 31 December 2004. The tax expenses of RMB10,577,000 for the year ended 31 December 2004 was offset against the tax liabilities of Hunchun Zijin for the year ended 31 December 2005.

Pursuant to the approval dated 22 December 2005 by the state tax bureau of Longyan City in Fujian Province, Fujian Shanghang Jinshan Construction Engineering Company Limited ("Jinshan Construction") was granted a tax concession of 70% reduction for the year ended 2004 and 2005. Tax expenses of RMB3,461,000 were refunded to Jinshan Construction during the year.

Pursuant to "Ji Guo Shui Fa [2004] No. 290" issued by the Provincial Tax Bureau of Jilin Province, Hunchun Zijin was exempted from corporate income tax for the year 31 December 2003. The tax expenses of RMB1,145,000 for the year ended 31 December 2003 were offset against the tax liabilities of the Group for the year ended 31 December 2004.

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 or before 2003 and an approval from the local tax bureau to reduce income tax liabilities was obtained in 2004. An overprovision of tax payable in relation to such deduction for the previous year amounting to RMB11,499,000 was written back during that year.

9. INCOME TAX EXPENSES *(continued)*

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

	2005 *RMB'000*	%	2004 *RMB'000* (Restated)	%
Profit before tax	1,133,892		636,685	
At the PRC statutory tax rate	374,184	33.0	210,106	33.0
Expenses not deductible for tax	16,085	1.42	9,403	1.48
Income not subject to tax	(286)	(0.02)	(60)	(0.01)
Profits attributable to associates	(10,287)	(0.91)	(4,961)	(0.78)
Differential tax rate on the profit of certain subsidiaries	(83,187)	(7.34)	(18,157)	(2.85)
Reduction of income tax in respect of the tax benefit on locally purchased machinery	(18,642)	(1.64)	(4,871)	(0.76)
Overprovision in prior years	(14,038)	(1.24)	(12,644)	(1.99)
Tax charge at the Group's effective rate	263,829	23.27	178,816	28.09

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group had no liability to additional tax should such amounts be remitted.

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

The share of tax attributable to associates amounting to RMB13,074,000 (2004: RMB7,621,000), is included in ''Share of profits of associates'' on the face of the consolidated income statement.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company was RMB530,157,000 (2004: RMB356,572,000 (restated)) (note 37).

11. PROPOSED FINAL DIVIDEND

	2005 *RMB'000*	2004 *RMB'000*
Proposed final dividend – RMB0.08 (2004: RMB0.10) per ordinary share	**420,522**	262,826

At the shareholders' meeting on 31 May 2005, the directors declared a final dividend of RMB262,826,000 in respect of the year ended 31 December 2004.

The proposed final dividend of RMB420,521,891 for the year ended 31 December 2005 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 that under IFRSs.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

On 31 May 2005, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting (note 36). When calculating the earnings per share amount for the year ended 31 December 2004, the number of ordinary shares outstanding was adjusted as if the conversion of the Company's share premium to new shares had taken place on 1 January 2004.

The calculation of earnings per share amounts is based on the Group's net profit attributable to ordinary equity holders of the parent of RMB703,637,000 (2004: RMB417,619,000) and the weighted average number of 5,256,523,640 ordinary shares (2004: 5,256,523,640 ordinary shares) in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2005 and 2004 have not been disclosed as there were no potential dilutive ordinary shares outstanding during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Electricity generation plant RMB'000	Mining assets RMB'000 (Note 1)	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 2005	84,208	31,221	674,080	8,263	323,821	16,803	25,743	563,991	1,728,130
Additions	2,676	2,892	40,772	—	60,115	8,852	17,984	957,144	1,090,435
Additions through business combination (note 38(a))	21,486	—	10,073	—	11,908	1,281	3,551	40,636	88,935
Transfer from/(to)	26,800	474	427,278	—	96,705	(1,129)	—	(550,128)	—
Disposals	(627)	—	(14,863)	(979)	(10,654)	(354)	(1,468)	—	(28,945)
Disposal of subsidiaries (note 38(b))	—	—	(3,942)	—	(38)	(15)	—	(141)	(4,136)
At 31 December 2005	134,543	34,587	1,133,398	7,284	481,857	25,438	45,810	1,011,502	2,874,419
Accumulated depreciation and impairment:									
At 1 January 2005	19,100	6,905	237,240	3,737	77,360	4,922	7,468	—	356,732
Charge for the year	4,204	1,767	81,842	1,881	41,648	3,644	4,932	—	139,918
Additions through business combination (note 38(a))	—	—	399	—	38	68	236	—	741
Disposals	(216)	—	(10,660)	(417)	(5,521)	(192)	(560)	—	(17,566)
Disposal of subsidiaries (note 38(b))	—	—	(386)	—	(1)	(1)	—	—	(388)
At 31 December 2005	23,088	8,672	308,435	5,201	113,524	8,441	12,076	—	479,437
Net book value:									
At 31 December 2005	111,455	25,915	824,963	2,083	368,333	16,997	33,734	1,011,502	2,394,982

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

	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* *(Note 1)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2004	75,555	28,192	441,767	8,263	172,254	9,224	15,561	398,968	1,149,784
Additions	1,445	1,266	12,135	—	46,847	5,789	10,463	486,118	564,063
Additions through business combination (note 38(a))	1,154	—	3,091	—	2,751	235	10,353	44,647	62,231
Transfer from/(to)	6,087	1,781	250,106	—	106,229	1,539	—	(365,742)	—
Reclassifications	—	—	203	—	1,283	222	(1,708)	—	—
Disposals	(33)	(18)	(33,222)	—	(5,543)	(206)	(8,926)	—	(47,948)
At 31 December 2004	84,208	31,221	674,080	8,263	323,821	16,803	25,743	563,991	1,728,130
Accumulated depreciation and impairment:									
At 1 January 2004	15,172	5,394	189,494	2,058	53,314	2,871	5,232	—	273,535
Charge for the year	3,865	1,522	63,393	1,679	25,384	2,081	3,175	—	101,099
Impairment	—	—	—	6	—	—	—	—	6
Additions through business combination (note 38(a))	72	—	160	—	604	86	1,341	—	2,263
Reclassifications	—	—	61	—	117	43	(221)	—	—
Reversal of impairment upon disposal during the year recognised in the income statement	—	—	—	—	(94)	—	—	—	(94)
Disposals	(9)	(11)	(15,868)	—	(1,965)	(159)	(2,059)	—	(20,071)
At 31 December 2004	19,100	6,905	237,240	3,737	77,360	4,922	7,468	—	356,732
Net book value:									
At 31 December 2004	65,108	24,316	436,840	4,526	246,461	11,881	18,275	563,991	1,371,398

13. PROPERTY, PLANT AND EQUIPMENT *(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 2005	56,092	26,908	476,756	8,263	151,524	9,926	13,067	132,858	875,394
Additions	72	3	415	—	15,831	4,321	4,966	181,210	206,818
Transfer from/(to)	586	158	126,593	—	59,369	—	—	(186,706)	—
Transfer to a subsidiary	—	—	—	—	(31)	(4)	—	—	(35)
Disposals	(627)	—	(12,435)	(979)	(6,521)	(115)	(470)	—	(21,147)
At 31 December 2005	56,123	27,069	591,329	7,284	220,172	14,128	17,563	127,362	1,061,030
Accumulated depreciation and impairment:									
At 1 January 2005	17,974	6,779	226,602	3,737	61,024	3,840	4,987	—	324,943
Charge for the year	1,727	1,349	55,570	1,881	15,369	2,058	2,164	—	80,118
Transfer to a subsidiary	—	—	—	—	(30)	(3)	—	—	(33)
Disposals	(216)	—	(10,228)	(417)	(5,191)	(121)	(402)	—	(16,575)
At 31 December 2005	19,485	8,128	271,944	5,201	71,172	5,774	6,749	—	388,453
Net book value:									
At 31 December 2005	36,638	18,941	319,385	2,083	149,000	8,354	10,814	127,362	672,577

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company *(continued)*

	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* (Note 2)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2004	52,063	26,926	412,109	8,263	130,962	6,751	9,274	93,271	739,619
Additions	812	—	32	—	17,806	3,322	4,231	148,643	174,846
Transfer from/(to)	3,250	—	97,837	—	7,969	—	—	(109,056)	—
Reclassifications	—	—	—	—	(100)	21	79	—	—
Transfer to a subsidiary	(26)	—	—	—	(85)	—	—	—	(111)
Disposals	(7)	(18)	(33,222)	—	(5,028)	(168)	(517)	—	(38,960)
At 31 December 2004	56,092	26,908	476,756	8,263	151,524	9,926	13,067	132,858	875,394
Accumulated depreciation and impairment:									
At 1 January 2004	15,009	5,382	185,685	2,058	47,703	2,544	4,322	—	262,703
Charge for the year	2,974	1,408	56,785	1,679	15,290	1,424	1,137	—	80,697
Reclassifications	—	—	—	—	(29)	23	6	—	—
Transfer to a subsidiary	(8)	—	—	—	(81)	—	—	—	(89)
Reversal of impairment upon disposal during the year recognised in the income statement	—	—	—	—	(94)	—	—	—	(94)
Disposals	(1)	(11)	(15,868)	—	(1,765)	(151)	(478)	—	(18,274)
At 31 December 2004	17,974	6,779	226,602	3,737	61,024	3,840	4,987	—	324,943
Net book value:									
At 31 December 2004	38,118	20,129	250,154	4,526	90,500	6,086	8,080	132,858	550,451

As at 31 December 2005, equipment with a net book value of RMB238,000 (2004: RMB346,000) was pledged to a bank for a bank loan granted to a subsidiary (note 31).

Note 1: Included in the balance of the Group are building structures located in the gold mines with a net book value of RMB159,500,000 (2004: RMB23,715,000) in respect of which the Group did not obtain the relevant land use rights as at 31 December 2005.

Note 2: Included in the balance of the Company are building structures located in the gold mines with a net book value of RMB77,391,000 (2004: RMB20,651,000) in respect of which the Company did not obtain the relevant land use rights as at 31 December 2005.

14. LAND USE RIGHTS

	Group	Company
	RMB'000	*RMB'000*
Cost:		
At 1 January 2005	19,634	12,323
Additions	39,660	22,322
At 31 December 2005	**59,294**	**34,645**
Accumulated amortisation and impairment:		
At 1 January 2005	4,131	3,861
Additions	580	271
At 31 December 2005	**4,711**	**4,132**
Net book value:		
At 31 December 2005	**54,583**	**30,513**
Cost:		
At 1 January 2004	18,824	12,323
Additions	810	—
At 31 December 2004	19,634	12,323
Accumulated amortisation and impairment:		
At beginning of year	3,588	3,552
Provided during the year	543	309
At 31 December 2004	4,131	3,861
Net book value:		
At 31 December 2004	15,503	8,462

The land use rights are situated in the PRC and are held under long term leases.

15. LONG TERM DEFERRED ASSETS

Group

	Exploration and development costs *RMB'000*	Land compensation costs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2005	25,992	94,332	3,590	123,914
Additions	66,475	40,317	5,252	112,044
At 31 December 2005	**92,467**	**134,649**	**8,842**	**235,958**
Accumulated amortisation and impairment:				
At 1 January 2005	3,911	9,601	1,610	15,122
Provided during the year	1,152	7,414	505	9,071
At 31 December 2005	**5,063**	**17,015**	**2,115**	**24,193**
Net book value:				
At 31 December 2005	**87,404**	**117,634**	**6,727**	**211,765**
Cost:				
At 1 January 2004	10,238	61,918	—	72,156
Additions	15,754	32,414	3,590	51,758
At 31 December 2004	25,992	94,332	3,590	123,914
Accumulated amortisation and impairment:				
At 1 January 2004	2,304	6,353	—	8,657
Provided during the year	1,607	3,248	1,610	6,465
At 31 December 2004	3,911	9,601	1,610	15,122
Net book value:				
At 31 December 2004	22,081	84,731	1,980	108,792

15. LONG TERM DEFERRED ASSETS *(continued)*

Company

	Land compensation costs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2005	79,856	—	79,856
Additions	37,160	2,200	39,360
At 31 December 2005	**117,016**	**2,200**	**119,216**
Accumulated amortisation and impairment:			
At 1 January 2005	9,193	—	9,193
Provided during the year	6,555	37	6,592
At 31 December 2005	**15,748**	**37**	**15,785**
Net book value:			
At 31 December 2005	**101,268**	**2,163**	**103,431**
Cost:			
At 1 January 2004	61,072	—	61,072
Additions	18,784	—	18,784
At 31 December 2004	79,856	—	79,856
Accumulated amortisation and impairment:			
At 1 January 2004	6,290	—	6,290
Provided during the year	2,903	—	2,903
At 31 December 2004	9,193	—	9,193
Net book value:			
At 31 December 2004	70,663	—	70,663

16. PREPAYMENTS

Included in the balance of the Group are mainly prepayments for purchases of mining and exploration rights of RMB53,061,000 (2004: RMB45,440,000), and land use rights of RMB31,715,000 (2004: RMB22,665,000). The certificates of mining and exploration rights and land use rights were not obtained as at 31 December 2005.

Included in the balance of the Company are prepayments for purchases of mining and exploration rights of RMB1,981,000 (2004: RMB3,360,000), and land use rights of RMB7,489,000 (2004: RMB9,489,000). The certificates of mining and exploration rights and land use rights were not obtained as at 31 December 2005.

17. INTANGIBLE ASSETS

Group

	Mining rights RMB'000	Trading rights in Shanghai Gold Exchange RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2005	442,497	500	748	443,745
Additions	140,161	1,500	3,820	145,481
Disposals	(13,360)	—	—	(13,360)
At 31 December 2005	**569,298**	**2,000**	**4,568**	**575,866**
Accumulated amortisation and impairment:				
At 1 January 2005	23,899	100	480	24,479
Provided for the year	17,809	67	76	17,952
Disposals	(3,585)	—	—	(3,585)
Impairment	6,857	—	—	6,857
At 31 December 2005	**44,980**	**167**	**556**	**45,703**
Net book value:				
31 December 2005	**524,318**	**1,833**	**4,012**	**530,163**
Cost:				
At 1 January 2004	127,895	500	—	128,395
Additions	314,602	—	748	315,350
At 31 December 2004	442,497	500	748	443,745
Accumulated amortisation and impairment:				
At 1 January 2004	11,132	50	—	11,182
Provided for the year	12,767	50	480	13,297
At 31 December 2004	23,899	100	480	24,479
Net book value:				
31 December 2004	418,598	400	268	419,266

17. INTANGIBLE ASSETS *(continued)*

Company

	Mining rights *RMB'000*	Trading right in Shanghai Gold Exchange *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2005	173,828	500	—	174,328
Additions	—	—	652	652
At 31 December 2005	**173,828**	**500**	**652**	**174,980**
Accumulated amortisation and impairment:				
At 1 January 2005	13,595	100	—	13,695
Provided for the year	8,242	50	—	8,292
At 31 December 2005	**21,837**	**150**	**—**	**21,987**
Net book value:				
31 December 2005	**151,991**	**350**	**652**	**152,993**
Cost:				
At 1 January 2004	36,720	500	—	37,220
Additions	137,108	—	—	137,108
At 31 December 2004	173,828	500	—	174,328
Accumulated amortisation and impairment:				
At 1 January 2004	8,400	50	—	8,450
Provided for the year	5,195	50	—	5,245
At 31 December 2004	13,595	100	—	13,695
Net book value:				
31 December 2004	160,233	400	—	160,633

18. GOODWILL

Group

	RMB'000
31 December 2005	
At 1 January 2005:	
Cost (gross carrying amount) as previously stated	19,221
Elimination of accumulated amortisation on adoption of IFRS 3	(3,454)
	15,767
At 1 January 2005:	
Accumulated amortisation as previously stated	3,454
Elimination of accumulated amortisation on adoption of IFRS 3	(3,454)
	—
Cost at 1 January 2005	15,767
Acquisition of subsidiaries (note 38(a))	41,370
Acquisition of further interests in a subsidiary from a minority shareholder	8,528
Cost and carrying amount at 31 December 2005	**65,665**
31 December 2004	
At 1 January 2004:	
Cost	16,133
Accumulated amortisation	(1,613)
Net carrying amount	14,520
At 31 December 2004:	
Cost (gross carrying amount)	19,221
Accumulated amortisation	(3,454)
Net carrying amount	15,767
Cost at 1 January 2004, net of accumulated amortisation	14,520
Acquisition of subsidiaries (note 38(a))	3,088
Amortisation provided during the year	(1,841)
At 31 December 2004	15,767

18. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units of the respective subsidiaries.

The recoverable amounts of these subsidiaries have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by senior management. The discount rate applied to cash flow projections is 5.58% (2004: 5.5%). No growth rate has been projected beyond the three-year period.

Key assumptions were used in the value in use calculation of the subsidiaries for 31 December 2005 and 31 December 2004. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and expected market development.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year. The values assigned to key assumptions are consistent with external information sources.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	RMB'000	*RMB'000*
Unlisted shares, at cost	**1,282,545**	585,156
Due from/(to) subsidiaries	**2,723**	(3,705)
Loans to subsidiaries	**66,711**	157,000
	1,351,979	738,451
Impairment	**(16,000)**	—
	1,335,979	738,451

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

The loans to subsidiaries are unsecured and bear interest at rates ranging from nil to 5.58% (2004: 5.58% to 6.336%) per annum and repayable according to the repayment schedules stipulated in the loan agreements.

19. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
		RMB'000	*Direct*	*Indirect*	
Guizhou Zijin Mining Company Limited ("Guizhou Zijin")	PRC	60,000	51%	4.8%	Gold mining and geological studies
Xiamen Zijin Science and Technology Company Limited ("Xiamen Zijin")	PRC	80,000	96.3%	—	Geological studies and provision of mining technique consultancy services
Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele")	PRC	250,000	51%	—	Copper mining and geological studies
Hunchun Zijin Mining Company Limited ("Hunchun Zijin")	PRC	50,000	75.4%	6.5%	Gold mining and geological studies
Tongling Zijin Mining Company Limited ("Tongling Zijin")	PRC	34,280	51%	—	Gold mining and geological studies
Fujian Zijin Copper Company Limited ("Zijin Copper")	PRC	129,000	—	51%	Manufacture and sale of copper alloy
Fujian Shanghang Jinshan Construction Engineering Company Limited ("Jinshan Construction")	PRC	20,000	—	61.6%	Construction works
Tibet Jindi Mining Company Limited ("Tibet Jindi")	PRC	30,000	51%	1%	Gold mining and geological studies
Sichuan Jiuzhaigou Zijin Mining Company Limited ("Jiuzhaigou Zijin")	PRC	40,000	60%	—	Gold mining and geological studies

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital *RMB'000*	Percentage of equity attributable to the Group *Direct*	*Indirect*	Principal activities
Qinghai West Copper Mining Company Limited ("Qinghai West")	PRC	120,000	60%	—	Copper mining and geological studies
Xinjiang Jinbao Mining Company Limited * ("Xinjiang Jinbao")	PRC	50,000	—	40.8%	Iron mining and geological studies
Sichuan Ganzi Zijin Mining Company Limited ("Ganzi Zijin")	PRC	20,000	60%	—	Gold mining and geological studies
Fujian Zijin Investment Company Limited ("Zijin Investment")	PRC	150,000	96.7%	3.2%	Investment holding
Bayannaoer Zijin Non- ferrous Metal Company Limited ("Bayannaoer Zijin")	PRC	192,500/ 250,000	77.92%	—	Refinery of zinc
Zijin (International) Mining Company Limited ("Zijin International ")	PRC	50,000	95%	4.8%	Geological studies
Luoyang Yinhui Gold Refinery Company Limited ("Luoyang Yinhui")	PRC	100,000	70%	—	Gold and silver smelting and geological studies
Yunnan Huaxi Mining Company Limited ("Yunnan Huaxi")	PRC	50,000	53%	—	Geological studies
Henan Jinda Mining Company Limited ("Henan Jinda")	PRC	229,866	56.5%	—	Geological studies

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
		RMB'000	*Direct*	*Indirect*	
Xinyi Baoyuan Mine Company Limited ("Xinyi Baoyuan")	PRC	80,000	80%	—	Stannum mining
Guangdong Xinyi Dongkeng Gold Mine Company Limited ("Guangdong Xinyi")	PRC	20,000	80%	—	Gold mining and smelting

* Xinjiang Jinbao is a subsidiary of a non-wholly-owned subsidiary of the Company and accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

The statutory audited financial statements of the above subsidiaries, prepared in accordance with PRC GAAP, were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000* (Restated)
Unlisted shares, at cost	**—**	—	**275,610**	8,299
Share of net assets	**361,754**	50,313	**—**	—
	361,754	50,313	**275,610**	8,299

20. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Fujian Makeng Mining Company Limited (formerly known as "Fujian Longyan Makeng Mining Company LImited")	Ordinary shares of RMB1 each	PRC	31.5%	Iron mining and geological studies
Fujian Shanghang Ting River Hydro-electricity Limited	Ordinary shares of RMB1 each	PRC	49%	Electricity generation
Tibet Yulong Copper Joint Stock Company Limited	Ordinary shares of RMB1 each	PRC	39%	Copper mining and geological studies
Wuping County Zijin Hydro Power Company Limited	Ordinary shares of RMB1 each	PRC	38%	Electricity generation and investment holding

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The financial statements of the above associates are coterminous with those of the Group.

20. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	Group	
	2005	2004
	RMB'000	*RMB'000*
Share of net assets of associates:		
Current assets	**277,644**	49,431
Non-current assets	**328,035**	73,307
Current liabilities	**(150,013)**	(30,188)
Non-current liabilities	**(93,912)**	(42,237)
Net assets	**361,754**	50,313
Share of the associates' revenue and profits:		
Revenue	**81,551**	34,775
Profits	**31,173**	15,034

The statutory audited financial statements of the above associates, prepared in accordance with PRC GAAP, were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	RMB'000	*RMB'000*
Share of net assets	**5,295**	7,040

Particulars of the jointly-controlled entities are as follows:

Name	Place of incorporation/ registration and operations	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Guizhou New Henken Minerals Inc	PRC	20%	20%	20%	Gold mining and geological studies
Kingbao Mining Limited	Hong Kong	50%	50%	50%	Dormant

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	Group	
	2005	2004
	RMB'000	*RMB'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**4,184**	7,071
Non-current assets	**1,211**	605
Current liabilities	**(100)**	(636)
Net assets	**5,295**	7,040

These jointly-controlled entities do not contribute any revenue and profits after tax to the Group for the current and prior years.

The statutory audited financial statements of the above companies, prepared in accordance with PRC GAAP, were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investment, at fair value	**13,760**	—	**—**	—
Unlisted equity investments, at cost	**77,168**	19,990	**49,850**	19,890
	90,928	19,990	**49,850**	19,890

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity securities cannot be reliably measured and such securities are stated at cost less any impairment losses.

23. INVENTORIES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials and consumable supplies	**87,966**	47,631	**25,436**	17,830
Work in progress	**148,124**	84,703	**127,186**	72,740
Finished goods	**66,494**	62,224	**36,056**	43,746
	302,584	194,558	**188,678**	134,316

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

Included in the balance of the Group is a loan advanced to an associate of RMB7,144,000 (2004: Nil) which is unsecured, bears interest at a rate of 8.37% per annum and has no fixed terms of repayment (note 39(i)(g)).

25. TRADE RECEIVABLES

The sales of gold bullions are settled on the transaction date. The credit period on the sales of other products ranges from 30 to 120 days. Trade receivables are non-interest-bearing.

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

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 4 months	**53,110**	7,170	**19,074**	3,900
Over 4 months but within 12 months	**7,493**	198	**436**	193
Over 1 year but within 2 years	**1,065**	165	**625**	20
Over 2 years	**—**	301	**—**	—
	61,668	7,834	**20,135**	4,113

26. DUE FROM RELATED PARTIES

		Group		Company	
	Notes	**2005**	2004	**2005**	2004
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due from minority shareholders:					
Zhenfeng Industrial Investment Limited	(i)	—	400	—	400
Hunchun Gold and Copper Mining Company Limited	(ii)	—	2,307	—	—
		—	2,707	—	400

Notes:

(i) The loan to Zhenfeng Industrial Investment Limited is unsecured, interest-free and has no fixed terms of repayment. The loan was fully repaid during the year.

(ii) The loan to Hunchun Gold and Copper Mining Company Limited is unsecured, interest-free and has no fixed terms of repayment. The loan was fully repaid during the year.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Company	
	Notes	**2005**	2004	**2005**	2004
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investments	(i)	**6,100**	—	—	—
Convertible corporate bonds, listed	(ii)	—	766	—	635
Corporate bonds, unlisted	(iii)	—	10,000	—	10,000
Loan note	(iv)	—	2,000	—	2,000
		6,100	12,766	—	12,635

Notes:

(i) The listed equity investments are carried at market value at 31 December 2005.

(ii) The listed convertible corporate bonds were carried at market value at 31 December 2004. Interest was earned at the rate of 1.2% per annum.

(iii) The unlisted corporate bonds will mature on 16 November 2014. Interest was earned at rate of 4.94% per annum.

(iv) The loan note was due on 13 October 2005. Interest was earned at a rate of 5.844% per annum.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**984,464**	827,747	**275,186**	641,627
Time deposits	**69,060**	84,688	**21,688**	64,688
	1,053,524	912,435	**296,874**	706,315
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 mines (note)	**(21,688)**	(21,688)	**(21,688)**	(21,688)
	(23,688)	(23,688)	**(23,688)**	(23,688)
Cash and cash equivalents in the consolidated balance sheet	**1,029,836**	888,747	**273,186**	682,627
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(24,035)**	(63,000)	**—**	(43,000)
Cash and cash equivalents in the consolidated cash flow statement	**1,005,801**	825,747	**273,186**	639,627

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month to one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

Note: As required by the Shanghang Municipal Government, the Company is required to pledge certain deposits to a bank which is restricted for land restoration and environmental costs upon the closure of mines. As at 31 December 2005, the Company has pledged bank deposits of RMB21,688,000 (2004: RMB21,688,000). The use of these bank deposits are subject to approval by the Shanghang Municipal Government. For the year ended 31 December 2005, the Company made a provision for land restoration and environmental costs amounting to RMB11,458,000 (2004: RMB12,793,000) (note 34). The shortfall of the pledged cash was deposited into the bank in February 2006.

29. 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 RMB118,277,000 (2004: RMB120,575,000).

30. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**211,108**	131,633	**73,715**	61,026
Over 1 year but within 2 years	**1,074**	4,221	**105**	1,656
Over 2 years but within 3 years	**344**	3,033	**213**	3,028
Over 3 years	**639**	531	**527**	531
	213,165	139,418	**74,560**	66,241

Trade payables of the Group and the Company include trading balances due to the shareholders of RMB3,211,000 as at 31 December 2005 (2004: RMB4,545,000). The trade payables also include trading balances due to a minority shareholder of RMB12,273,000 as at 31 December 2005 (2004: RMB12,154,000). The balances due to the shareholders and the minority shareholder are unsecured, interest-free and repayable in accordance with normal commercial terms.

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

31. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	Group 2005 RMB'000	Group 2004 RMB'000	Company 2005 RMB'000	Company 2004 RMB'000
Bank loans:						
Unsecured	2.55 - 6.696	2006 - 2010	1,167,410	149,400	569,400	149,400
Secured	4 - 5.58	2006 - 2008	118,247	162,247	—	—
Total bank loans			1,285,657	311,647	569,400	149,400
Total bank loans			1,285,657	311,647	569,400	149,400
Less: Amounts due within one year included under current liabilities	4 - 6.696	2006	(630,627)	(45,000)	(409,800)	(40,000)
Amounts due after one year			655,030	266,647	159,600	109,400
Bank loans repayable:						
Within one year	4 - 6.696	2006	630,627	45,000	409,800	40,000
In the second year	5.85 - 6.696	2007	81,000	40,047	—	29,800
In the third to fifth years, inclusive	5.184 - 5.71	2007 - 2010	569,600	226,600	159,600	79,600
More than five years	2.55	2020	4,430	—	—	—
			1,285,657	311,647	569,400	149,400

The bank loans are secured by guarantees from a minority shareholder of a subsidiary (note 39(iii)) and a pledge of equipment with a net book value of RMB238,000 as at 31 December 2005 (2004: RMB346,000) (note 13). Bank loans of certain subsidiaries are also secured by guarantees from the Company (note 39(iii)(c)).

32. OTHER LONG TERM LOAN

	Group and Company 2005 RMB'000	Group and Company 2004 RMB'000
Shanghang County Social Labour Insurance Company (上杭縣社會勞動保險公司)	—	1,000

The above loan was secured by a retirement fund of the Company managed by the Shanghang Municipal Government which bore interest at the rate of 5.76% per annum and was fully repaid during the year.

33. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP AND COMPANY

For the year ended 31 December 2005, the Company entered into forward contracts for the sale of copper. Compared with the quoted market price at 31 December 2005, the Group and the Company recorded an unrealised loss of RMB10,287,000 for the year (2004: Nil).

34. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

	Group and Company *RMB'000*
At beginning of year	26,170
Additional provision for the year	11,458
At 31 December 2005	37,628

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

35. LONG TERM OTHER PAYABLES

		Group		Company	
	Notes	**2005** ***RMB'000***	2004 *RMB'000*	**2005** ***RMB'000***	2004 *RMB'000*
Xinjiang Geological, Mining and Prospecting Development Bureau (新疆地質礦產堪察開發局)	(a)	**25,936**	32,420	**—**	—
Xinjiang Non-ferrous Metal Industry Company (新疆有色金屬工業公司)	(a)	**7,776**	9,721	**—**	—
Shanghang Finance Bureau (上杭縣財政局)	(b)	**44,898**	50,498	**44,898**	50,498
Fujian Minxi Geologist Team (福建省閩西地質大隊)	(c)	**2,633**	3,433	**2,633**	3,433
Bonuses of directors and senior executives	(d)	**12,247**	23,104	**12,247**	23,104
Others		**16,500**	—	**16,500**	—
		109,990	119,176	**76,278**	77,035

35. LONG TERM OTHER PAYABLES *(continued)*

Notes:

(a) The balances represent amounts payable to the promoters of Xinjiang Ashele upon the injection of assets for the establishment of Xinjiang Ashele on 13 August 1999, which is unsecured, interest-free and repayable within five years with equal yearly instalments from 2006 onwards. The current portion of RMB8,429,000 (2004: Nil) has been included in accrued liabilities and other payables as at 31 December 2005.

(b) The balance represents an amount payable to the Shanghang Finance Bureau for the purchase of mining rights of the copper mine located in the northwest area of Zijinshan, which is unsecured, interest-free and repayable within 10 years from July 2004 onwards. The current portion of RMB5,600,000 (2004: RMB5,611,000) has been included in accrued liabilities and other payables as at 31 December 2005.

(c) The balance represents an amount payable to the Fujian Minxi Geologist Team for the purchase of mining rights of the gold mine located in the southeast area of Zijinshan, which is unsecured, interest-free and repayable within five years with equal yearly instalments from 2004 onwards. The current portion of RMB800,000 (2004: RMB800,000) has been included in accrued liabilities and other payables as at 31 December 2005.

(d) The balance represents the bonus payable to directors and senior executives, which is interest-free and payable after the completion of the tenure.

The directors consider that the carrying amounts of long term payables approximate to their fair value.

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

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Between two and five years	**72,536**	86,855	**38,824**	48,748
More than five years	**37,454**	32,321	**37,454**	28,287
	109,990	119,176	**76,278**	77,035

36. SHARE CAPITAL

	2005 Number of shares '000	2005 Nominal value RMB'000	2004 Number of shares '000	2004 Nominal value RMB'000
Registered	**5,256,524**	**525,652**	2,628,262	262,826
Issued and fully paid:				
Domestic shares of RMB0.10 each (2004: RMB 0.10 each)	**3,654,348**	**365,434**	1,827,174	182,717
H shares of RMB0.10 each	**1,602,176**	**160,218**	801,088	80,109
	5,256,524	**525,652**	2,628,262	262,826

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

	2005 Number of shares '000	2005 Nominal value RMB'000	2004 Number of shares '000	2004 Nominal value RMB'000
At beginning of year	**2,628,262**	**262,826**	1,314,131	131,413
Share premium converted into share capital (note)	**2,628,262**	**262,826**	1,314,131	131,413
At end of year	**5,256,524**	**525,652**	2,628,262	262,826

Note:

On 31 May 2005, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting. Accordingly, the Company issued 2,628,261,820 ordinary shares of RMB0.1 each on the basis of ten new ordinary shares to ten existing shares.

On 28 May 2004, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting. Accordingly, the Company issued additional 1,314,130,910 ordinary shares of RMB0.1 each on the basis of ten new ordinary shares to ten existing shares.

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

37. 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 58 of the financial statements.

Company

	Notes	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* Note (a)	Public welfare fund *RMB'000* Note (b)	Capital reserve *RMB'000*	Retained profits *RMB'000* Note (c)	Proposed final dividend *RMB'000*	Total *RMB'000*
At 1 January 2004								
As previously reported		1,214,378	53,923	26,962	1,253	73,684	197,120	1,567,320
Prior year adjustments		—	—	—	(1,253)	(1,479)	—	(2,732)
As restated		1,214,378	53,923	26,962	—	72,205	197,120	1,564,588
Dividends paid		—	—	—	—	—	(197,120)	(197,120)
Share premium converted into share capital	36	(131,413)	—	—	—	—	—	(131,413)
Net profit for the year (restated)	10	—	—	—	—	356,572	—	356,572
Transfer to reserves		—	42,242	21,120	—	(63,362)	—	—
Proposed final dividend	11	—	—	—	—	(262,826)	262,826	—
At 31 December 2004		1,082,965	96,165	48,082	—	102,589	262,826	1,592,627
At 1 January 2005								
As previously reported		1,082,965	96,165	48,082	1,796	118,199	262,826	1,610,033
Prior year adjustments		—	—	—	(1,796)	(15,610)	—	(17,406)
As restated		1,082,965	96,165	48,082	—	102,589	262,826	1,592,627
Dividends paid		—	—	—	—	—	(262,826)	(262,826)
Share premium converted into share capital	36	(262,826)	—	—	—	—	—	(262,826)
Net profit for the year	10	—	—	—	—	530,157	—	530,157
Transfer to reserves		—	70,878	35,441	—	(106,319)	—	—
Proposed final dividend	11	—	—	—	—	(420,522)	420,522	—
At 31 December 2005		820,139	167,043	83,523	—	105,905	420,522	1,597,132

37. 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 its subsidiaries incorporated in the PRC, 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 its 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 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 its subsidiaries incorporated in the PRC, the Company and its 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 International Financial Reporting Standards.

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.

At 31 December 2005, the Company's reserves available for distribution were approximately RMB526,427,000 (2004: RMB365,415,000 (restated)).

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

Pursuant to agreements entered into among the Company, Guangdong Gold Company (廣東省黃金公司) and Xinyi Gold Company (信宜市黃金公司) dated 16 January 2005 and 17 August 2005, the Company acquired 80% equity interests in Guangdong Xinyi (廣東信宜東坑金礦有限責任公司) at a total consideration of RMB16,000,000. Guangdong Xinyi is engaged in gold mining business and its registered capital is RMB20,000,000 as at 31 December 2005.

Pursuant to agreements entered into between the Company and Mr. Liu Kaisheng, Mr. Tang Yongfa and Mr. Yang Xianwu dated 25 January 2005 and 18 November 2005, the Company acquired 80% equity interests in Xinyi Baoyuan (信宜市寶源礦業有限公司) at a total of consideration of RMB64,000,000. Xinyi Baoyuan is engaged in the gold mining business and its registered capital is RMB80,000,000.

On 9 August 2004, Zijin Investment, Shanghai Boai Health Investment Company Limited ("Shanghai Boai") (上海博愛健康投資有限公司), Hongfeng Holding Company Limited ("Hongfeng") (宏豐控股有限公司) and Xiamen Zijin established Zijin Copper. Zijin Investment took up 30% equity interests in Zijin Copper at an investment of RMB31,500,000, of which RMB5,040,000 was paid in 2004 and the remaining RMB26,460,000 was paid in the current year. During the year, Zijin Investment further acquired 9.01% equity interests in Zijin Copper at a consideration of RMB9,460,500 from Shanghai Boai, Hongfeng and Xiamen Zijin. In addition, on 14 June 2005, the capital of Zijin Copper increased from RMB105,000,000 to RMB129,000,000 and Zijin Investment further injected RMB24,000,000 into Zijin Copper for the capital increment. As a result, Zijin Investment holds 50.37% equity interests in Zijin Copper which was accounted as a subsidiary as at 31 December 2005. As at 31 December 2004, Zijin Copper was accounted as a jointly-controlled entity of the Group.

Pursuant to an agreement entered into between the Company and Mr. Ma Yinshuan dated 25 October 2005, the Company acquired 70% equity interests in Luoyang Yinhui at a consideration of RMB70,000,000. The registered capital of Luoyang Yinhui is RMB100,000,000 as at 31 December 2005.

Pursuant to an agreement entered into between the Company, Jiujiang Huiming Industrial Company Limited (" Jiujiang Huiming") (九江滙明實業發展有限公司), Jiujiang Nanya Investment Management Company Limited ("Jiujiang Nanya") (九江南業投資管理有限公司) and Beijing Fengde Investment and Consultancy Company ("Beijing Fengde ") (北京市豐德創業投資咨詢有限公司) dated 5 August 2005, the Company acquired 42% equity interests in Yunnan Huaxi at a consideration of RMB52,500,000. Pursuant to an agreement entered into between the Company and Xiamen Qiaoxing Investment Management Company Limited ("Xiamen Qiaoxing") (廈門喬興投資管理公司) dated 29 August 2005, the Company acquired an additional 11% equity interests in Yunnan Huaxi at a consideration of RMB13,750,000.

On 16 March 2004, Xiamen Zijin entered into agreements with Wuhan Dida High-tech Industry Group Company Limited(武漢地大高科技產業集團有限責任公司) and Wuhan Telecom Industry Group Company Limited (武漢電信實業有限責任公司), independent third parties, to acquire 51% equity interests in Wuhan Dida Nanometer Rare-earth Materials Development Company Limited at an aggregate consideration of RMB1,747,000.

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

(a) Acquisition of subsidiaries *(continued)*

On 18 March 2004, Xiamen Zijin entered into an agreement with Sinopec Group Dianqiangui Oil Exploration Bureau (中國石化集團滇黔桂石油勘探局), an independent third party, to acquire 51% equity interests in Hubei Gedian Dida Nanometer Technology Development Company Limited at a consideration of RMB3,200,000.

Pursuant to an agreement entered into between the Company and Qinghai West dated 11 April 2004, the capital of Qinghai West increased from RMB10,000,000 to RMB120,000,000. The Company injected RMB72,000,000 into Qinghai West as the capital injection for 60% of the enlarged capital in Qinghai West.

Pursuant to an agreement entered into between the Company and Xinjiang Jinbao dated 18 March 2004, the capital of Xinjiang Jinbao increased from RMB5,000,000 to RMB 50,000,000. The Company injected RMB30,000,000 into Xinjiang Jinbao as the capital injection for 60% of the enlarged capital in Xinjiang Jinbao.

The fair values of the identifiable assets and liabilities of the subsidiaries assumed by the Group were as follows:

	Notes	2005 *RMB'000*	2004 *RMB'000*
Property, plant and equipment	13	**88,194**	59,968
Intangible assets		**32,715**	99,620
Long term deferred assets		**—**	3,398
Available-for-sale investments		**1,500**	100
Interests in associates		**14,549**	—
Cash and cash equivalents		**125,181**	133,807
Inventories		**34,576**	4,700
Trade receivables		**280**	450
Prepayments, deposits and other receivables		**180,173**	14,946
		477,168	316,989
Trade payables		**(24,147)**	(11,389)
Accrued liabilities and other payables		**(80,510)**	(109,150)
Interest-bearing bank loans		**(16,000)**	(8,336)
Other long term loan		**—**	(14,500)
Minority interests		**(125,198)**	(69,755)
		(245,855)	(213,130)
Fair value of net assets		**231,313**	103,859
Goodwill arising on acquisition	18	**41,370**	3,088
		272,683	106,947

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

(a) Acquisition of subsidiaries *(continued)*

An analysis of the net inflow/ (outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2005 *RMB'000*	2004 *RMB'000*
Consideration:		
Satisfied by cash	**267,643**	106,947
Transfer from interests in jointly-controlled entities	**5,040**	—
	272,683	106,947
Cash consideration	**(267,643)**	(106,947)
Net cash acquired	**125,181**	133,807
Net cash inflow/ (outflow)	**(142,462)**	26,860

Since the acquisition, the aforementioned subsidiaries had no significant impact on the Group's revenue and the consolidated profit for the year.

Had the subsidiaries acquisition taken place prior to the beginning of the year, the revenue and the profit of the Group for the year would have been RMB3,038,509,000 (2004: RMB1,508,712,000) and RMB870,921,000 (2004: RMB458,102,000) respectively.

Included in the goodwill of RMB41,370,000 recognised above is mainly represented by research activities performed by Yunnan Huaxi and the securing of over 50% voting powers in the board of Yunnan Huaxi.

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

(b) Disposal of subsidiaries

	2005
Net assets disposed of:	*RMB'000*
Property, plant and equipment	3,748
Intangible assets	512
Cash and cash equivalents	142
Inventories	251
Trade receivables	2,843
Prepayments, deposits and other receivables	11,093
Trade payables	(75)
Accrued liabilities and other payables	(2,774)
Minority interests	(7,196)
	8,544
Loss on disposal of subsidiaries (note 6)	(4,879)
	3,665
Satisfied by:	
Cash	3,665

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2005
	RMB'000
Cash consideration	3,665
Net cash disposed of	(142)
Net cash inflow	3,523

On 22 September 2005, Xiamen Zijin entered into an agreement with Mr. Li Bin to dispose of its 51% equity interests in Sichuan Shimian Zijin Platinum Company Limited at a consideration of RMB1,100,000. The disposal resulted in a loss on disposal of RMB4,141,000 for the year.

On 26 November 2005, Zijin Investment entered into an agreement with Mr. Zhu Minghai to dispose of its 60% equity interests in Huangping Xingda Mining Industry Company Limited at a consideration of RMB3,006,000. The disposal resulted in a loss on disposal of RMB438,000 for the year.

Liaoning Zijin Mining Company Limited ("Liaoning Zijin"), a newly set up subsidiary on 4 February 2005, was dissolved on 5 September 2005. The Company originally invested RMB15,000,000 in Liaoning Zijin with 75% equity interests in it. Upon dissolution of Liaoning Zijin, the Company received total proceeds of RMB14,700,000 and resulted in a loss on disposal of RMB300,000 for the year ended 31 December 2005.

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

(b) Disposal of subsidiaries *(continued)*

The Group, in aggregate, resulted in a loss on disposal of subsidiaries of RMB4,879,000 for the year ended 31 December 2005 (2004: Nil).

The result of the subsidiaries disposed of in the year ended 31 December 2005 had no significant impact on the Group's consolidated revenue and the consolidated profit for the year.

(c) Major non-cash transaction

During the year, the Group capitalised interest expenses of RMB23,105,000 (2004: RMB6,837,000) in fixed assets (note 5).

39. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship with the Company	Nature of transaction	Notes	2005 *RMB'000*	2004 *RMB'000*
Fujian Xinhuadu Engineering Company Limited (福建省新華都工程有限責任公司)	A shareholder	Construction service fees	(a)	**87,434**	86,226
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司)	A shareholder of Hunchun Zijin	Loan	(b)	—	2,512
		Deposit for acquisition of equity shares	(c)	—	5,993
		Purchase of 9.125% equity interests in Hunchun Zijin	(d)	**13,688**	—
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)	**75,820**	67,526
Tibet Autonomous Region Geologic Minerals Exploration & Development Bureau Dire Geothermic 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	Exploration services	(e)	—	2,500

39. RELATED PARTY TRANSACTIONS *(continued)*

(i) *(continued)*

Name of related party	Relationship with the Company	Nature of transaction	Notes	2005 *RMB'000*	2004 *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	(b)	—	1,500
Fuyun Jinbao Transportation Company (富蘊縣金豹運輸公司)	A company controlled by a minority shareholder (as well as a director) of Xinjiang Jinbao	Sales of equipments	(f)	—	5,000
		Transportation services	(f)	16,121	3,661
Wuping Zijin Hydro-electricity Company Limited (武平縣紫金水電有限公司)	An associate	Loan	(g)	7,144	—

Notes:

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

(b) The loans were unsecured, interest-free and had no fixed terms of repayment. They were fully repaid during the year.

(c) Pursuant to an agreement entered into between Hunchun Zijin and Hunchun Gold and Copper Mining Company Limited dated 15 April 2004, the Group made a deposit of RMB 5,993,000 to Hunchun Gold and Copper Mining Company Limited for the acquisition of 20% equity shares of Hunchun Zijin which was held by Hunchun Gold and Copper Mining Company Limited. This agreement was subsequently superseded by another agreement dated 18 June 2005 in note (d) below.

(d) Pursuant to an agreement entered into between the Group and Hunchun Gold and Copper Mining Company Limited dated 18 June 2005, the Group purchased 9.125% equity shares of Hunchun Zijin from Hunchun Gold and Copper Mining Company Limited at a consideration of RMB13,688,000.

(e) The payment was made for the provision of exploration services which were conducted on prices by reference to the standard fee scale issued by the PRC government.

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

(g) Pursuant to an agreement entered into between Zijin Investment and other shareholders of Wuping Zijin Hydro-electricity Company Limited - Ting River Hydro-electricity Limited and Daguangming Electricity Group dated 26 May 2005, Zijin Investment advanced a loan of RMB7,144,000 to Wuping Zijin Hydro-electricity Company Limited in 2005. The loan is unsecured, bears interest at 8.37% per annum and has no fixed terms of repayment.

39. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Details of compensation of key management personnel of the Group is disclosed in note 7 and note 8 to the financial statements.

(iii) (a) 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) Company 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) Company Limited provides 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 2005, the guarantee was utilised to the extent of RMB116,000,000 (2004: RMB116,000,000).

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

Name of associate	Nature of guarantee	2005 *RMB'000*	2004 *RMB'000*
Fujian Makeng Mining Company Limited	Corporate guarantee Maximum guarantee	**15,000**	15,000
	Guarantee utilised	**11,250**	13,500

39. RELATED PARTY TRANSACTIONS *(continued)*

(iii) *(continued)*

(c) Guarantees in respect of banking facilities granted by the Company to its subsidiaries

Name of subsidiary	Nature of guarantee	2005 RMB'000	2004 RMB'000
Guizhou Zijin	Corporate guarantee		
	Maximum guarantee	**25,000**	25,000
	Guarantee utilised	**20,000**	25,000
Xinjiang Ashele	Corporate guarantee		
	Maximum guarantee	**173,400**	173,400
	Guarantee utilised (note)	**173,400**	137,000
Zijin Investment	Corporate guarantee		
	Maximum guarantee	**20,000**	—
	Guarantee utilised	**2,000**	—
Xiamen Zijin	Corporate guarantee		
	Maximum guarantee	—	25,000
	Guarantee utilised	—	—
Zijin Copper	Corporate guarantee		
	Maximum guarantee	**4,172**	—
	Guarantee utilised	**4,172**	—

Note:

As at 31 December 2005, a long term bank loan of Xinjiang Ashele amounting to RMB177,000,000 (2004: RMB137,000,000) was secured by guarantees provided by the Company and Xinjiang Non-ferrous Metal Industry (Group) Company Limited (note 39(iii)(a) above).

40. CONTINGENT LIABILITIES

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

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Corporate guarantees in respect of bank loans granted to:				
Subsidiaries	—	—	**222,572**	223,400
An associate	**15,000**	15,000	**15,000**	15,000
Bills discounted with recourse	—	—	—	—
	15,000	15,000	**237,572**	238,400

As at 31 December 2005, 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 RMB199,572,000 (2004: RMB162,000,000) and RMB11,250,000 (2004: RMB13,500,000), respectively.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2005, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,935**	1,245	**354**	246
In the second to fifth years, inclusive	**5,446**	3,699	**87**	152
Over five years	**6,200**	—	—	—
	13,581	4,944	**441**	398

41. 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 a term of one year, and those for land are for terms ranging between one to ten years.

At 31 December 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,600**	1,152	**31**	1,152
In the second to fifth years, inclusive	**761**	4,540	16	4,540
After five years	—	1,135	—	1,135
	2,361	6,827	**47**	6,827

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided:				
– Acquisition of plants, machinery and mining assets	**197,205**	175,640	**51,264**	16,244
– Acquisition of exploration and mining rights	**—**	49,000	**—**	49,000
– Acquisition of land use rights	**—**	13,332	**—**	9,950
– Capital injection in subsidiaries	**—**	—	**63,598**	219,702
– Capital injection in associates	**44,200**	—	**33,000**	—
– Acquisition of additional equity interests in subsidiaries	**52,500**	23,967	**52,500**	23,967
	293,905	261,939	**200,362**	318,863
Authorised, but not contracted for:				
– Overall utilisation of solid waste and environmental engineering	**—**	58,959	**—**	58,959
– Nangang staff quarters project	**—**	5,400	**—**	—
– Establishment of dressing medicament factory	**—**	10,627	**—**	—
– Acquisition of subsidiaries	**161,418**	—	**161,418**	—
	161,418	74,986	**161,418**	58,959
	455,323	336,925	**361,780**	377,822

43. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

The Group conducts its major operations in the Mainland China and is exposed to market risk from changes in interest rate. Financial assets of the Group include cash, deposits with banks, trade and bills receivables, prepayments, deposits and other receivables and available-for-sale investments. Financial liabilities of the Group include accrued liabilities and other payables, trade payables, bank loans and other loans.

(i) Credit risk

Substantial amounts of the Group's cash balances are deposited with the People's Bank of China, the Industrial and Commercial Bank of China, the Agriculture Bank of China, the Bank of China Limited, the China Construction Bank, the Bank of Communications, the Industrial Bank Company Limited, the China Everbright Bank, the China Minsheng Banking Corporation Limited, the Citic Industrial Bank, the China Merchants Bank, the Hongkong and Shanghai Banking Corporation Limited, the Rural Credit Cooperatives and the City Credit Cooperatives.

Included in the cash and cash equivalents of the Group are amounts of RMB5,700,000 (2004: RMB2,979,000) and RMB1,000,000 (2004: RMB1,416,000), respectively, deposited with the Rural Credit Cooperatives and the City Credit Cooperatives, which are registered in PRC and engaged in the provision of banking facilities. The terms and conditions of the deposits are the same as those deposits in other commercial banks. The Rural Credit Cooperatives and the City Credit Cooperatives have the obligation to repay the amounts upon request. The directors consider it prudent to account for any interest income arising from these deposits on a receipt basis; no other provisions have been made in the financial statements for these deposits accordingly.

Other than the aforesaid, the Group has no significant concentration of credit risk with any single counterparty of group counterparties.

(ii) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed annual credit facilities from banks to meet its commitments over the next year in accordance with its strategic plan.

(iii) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank loans.

The Group's income and operating cash flows are substantially independent of changes in market interest rate prices.

(iv) Foreign exchange risk

The Group has no significant foreign exchange risk due to limited foreign currency transactions.

43. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS *(continued)*

(v) Fair values

The fair values of cash, deposits with banks, trade and bills receivables, prepayments, deposits and other receivables, accrued liabilities and other payables, trade payables and bank loans are not materially different from their carrying amounts. The Group did not enter into any foreign exchange forward contract to hedge against fluctuations.

The carrying amounts of the Group's long term borrowings approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities.

Available-for-sale investments are measured at cost less impairment losses if there are no quoted market prices in an active market and their fair values cannot be measured reliably.

Financial assets at fair value through profit or loss are estimated by reference to their quoted market prices at the balance sheet date or measured at cost less impairment losses if there are no quoted market prices in an active market and their fair values cannot be measured reliably.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

44. POST BALANCE SHEET EVENTS

(1) On 10 January 2006, the Group purchased 4.9% equity interests in Lingbao Gold Company Limited at a consideration of RMB44,628,000. Lingbao Gold Company Limited is a listed company in Hong Kong and is engaged in gold mining and smelting activities.

(2) Pursuant to an agreement entered into between the Company and Yunnan Wenshan Longxing Mining Company Limted (''YWLM'') on 20 January 2006, the Company purchased 51% equity interests in Yunnan Guangnan Longxing Mining Company Limited from YWLM at a consideration of RMB21,165,000. Yunnan Guangnan Longxing Mining Company Limited is engaged in gold mining and smelting activities.

(3) On 5 January 2006, the Company, the West Mining Company Limited（西部廣業有限責任公司）, Heilongjiang Mining Group Company Limited（黑龍江省礦業集團有限責任公司）, Heilongjiang Heilong Mining Company Limited（黑龍江省礦業股份有限公司）and Haerbin Baifu Investment Company Limited（哈爾濱百福投資有限公司）established a new company, namely Heilongjiang Duobao Shan Copper Mining Joint Stock Company Limited ("Heilongjiang Duobao Shan")（黑龍江多寶山銅業股份有限公司）, which is engaged in copper and molybdenum mining. The registered share capital of Heilongjiang Duobao Shan is RMB 300,000,000. The Company takes up 31% equity interests in Heilongjiang Duobao Shan according to the agreement.

(4) On 29 March 2006, the Board of Directors proposed a final dividend of RMB0.08 per ordinary share, totaling approximately RMB420,522,000. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

44. POST BALANCE SHEET EVENTS *(continued)*

(5) On 29 March 2006, the Board of Directors proposed to convert an amount of RMB525,652,364 in the Company's share premium into 5,256,523,640 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.

45. COMPARATIVE AMOUNTS

As further explained in note 2.2 in the financial statement, due to the adoption of new IFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2006.

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting ("AGM") of Zijin Mining Group Company Limited (the "Company") for the year ended 31 December 2005 will be held at 10:00 a.m. on 18 May 2006, Thursday, at the conference room on the 1st floor of the Company's office building at Shanghang County, Fujian Province, the PRC 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 2005

   1.2 Report of Supervisory Committee of the Company for 2005

   1.3 audited consolidated financial statements and Report of the international auditors of the Company for the year ended 31 December 2005;

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 2005;

3. to consider and approve the remuneration of the Directors and Supervisors for the year ended 31 December 2005;

4. 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 2006, and to authorise the Board of Directors to determine their remuneration;

SPECIAL RESOLUTIONS

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

   An amount of RMB525,652,364 in the Company's surplus reserve fund will be converted into 5,256,523,640 shares of RMB0.1 each and to issue 10 additional new ordinary shares by the conversion of every 10 ordinary shares on the basis of 5,256,523,640 shares in issue at the end of 2005 to shareholders.

6. to consider and approve the various amendments to certain provisions in the Articles of Association, provided that such provisions shall be independent, without affecting the validity of other provisions;

   6.1 In the view of the transfer in domestic share of the Company in 2006, and subject to passing of the No. 5 resolution above, the Company's registered capital and capital structure will be changed.

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

      "The existing share capital structure of the Company: The total issued ordinary share capital of the Company is 10,513,047,280 of nominal value of RMB0.1 each, including:

      Minxi Xinghang State-owned Assets Investment Company Limited owns 3,368,721,696 Shares, representing 32.04% of the total issued ordinary shares of the Company;

Xinhuadu Industrial Company Limited owns 1,383,200,000 Shares, representing 13.16% of the total issued ordinary shares of the Company;

Shanghang County Jinshan Trading Company Limited owns 1,324,760,000 Shares, representing 12.60% of the total issued ordinary shares of the Company;

Fujian Xinhuadu Engineering Company Limited owns 532,000,000 Shares, representing 5.06% of the total issued ordinary shares of the Company;

Xiamen Hengxing Industrial Company Limited owns 380,000,000 Shares, representing 3.62% of the total issued ordinary shares of the Company;

Fujian Gold Group Company Limited owns 120,572,168 Shares, representing 1.15% of the total issued ordinary shares of the Company;

Fujian Xinhuadu Department Store Company Limited owns 114,948,000 Shares, representing 1.09% of the total issued ordinary shares of the Company;

Mr. Chen Jinghe owns 60,000,000 Shares, representing 0.57% of the total issued ordinary shares of the Company;

Fujian Minxi Geologist owns 24,493,416 Shares, representing 0.23% of the total issued ordinary shares of the Company; and

Holders of the overseas listed foreign shares owns 3,204,352,000 Shares, representing 30.48% of the total issued ordinary shares of the Company."

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

"The registered capital of the Company is RMB1,051,304,728."

7. to consider and authorize the Board of Directors of the Company (among other things):

a) to issue, allot and deal with once or more than once during the Relevant Period (as defined below) additional Shares, whether Domestic Shares or H Shares, which shall not exceed 20 percent of the aggregate nominal amount of Domestic Shares or H Shares of the Company in issue as of the date of passing this Resolution, subject to obtaining approval from any government and / or regulatory authorities in accordance with the applicable laws. In the exercise of their power to allot and issue shares, the authority of the Board of Directors shall include (without limitation):

(i) the determination of the number of the additional Shares to be issued;

(ii) the determination of the issue price of the additional Shares;

(iii) the determination of the opening and closing dates of the issue of the additional Shares;

(iv) the determination of the number of the additional Shares (if any) to be issued to the existing shareholders;

(v) to grant or give authorisatioin to grant offers, to enter into or give authorisatioin to enter into agreements and to exercise options for the purpose of exercising the said powers;

b) upon the exercise of the powers pursuant to paragraph (a) above, the Board of Directors may during the Relevant Period grant or give authorisation to grant offers, to enter into or give authorisation to enter into agreements and to exercise or give authorisation to exercise options and that the relevant additional Shares relating thereto may only be allotted and issued after the expiry of the Relevant Period; and

(c) to amend the Articles of Association, if applicable, provided that the amendments are made in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company Law of the People's Republic of China (as the same may be amended from time to time) and that all necessary approvals from the relevant PRC government authorities are obtained; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earlier of:

(i) twelve months from the date of the passing of this resolution;

(ii) the conclusion of the next annual general meeting of the Company; and

(iii) the date on which the mandate granted by this Resolution is revoked or varied by a special resolution of the shareholders in general meeting.

8. with reference to resolutions no. 5, 6, 7 above, the Board of Directors be authorised:

(a) to approve, execute and enter into, 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.

9. to consider and approve resolutions (if any) raised by any shareholder holding 5% and above of the total number of Shares having voting rights on the general meeting.

By order of the Board of Directors
Fan Cheung Man
Company Secretary

Fujian, the PRC, 30 March, 2006

Notes:

(A) The Company's register of H Shares members will be closed from Tuesday, 18 April, 2006 to Wednesday, 17 May, 2006 (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, 18 April, 2006, 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 Thursday, 13 April, 2006.

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

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

(B) Holders of H Shares and Domestic Shares who intend to attend the AGM, must complete and return the reply slip in writing to the Board secretariat of the Company twenty days before the convening of the AGM, that is Friday, 28 April, 2006.

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

1 Zijian Road
Shanghang County
Fujian Province
The PRC
Tel: (86) 597 384 1468
Fax: (86) 592 396 9667

(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. For those shareholders who appoint more than one proxy, 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 2005 annual report.

(D) The instrument appointing a proxy must be in writing and signed by the appointor or by 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: 46th 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 last for half a day, and shareholders attending the AGM will be responsible for their own travelling and accommodation expenses.