

Report of the Supervisory Committee

I. MEETINGS OF THE SUPERVISORY COMMITTEE WITH THE REPORTING PERIOD

In 2004, the Supervisory Committee held two Supervisory Committee Meetings.

The Third Meeting of the Second Supervisory Committee was held at the Company's conference room on 3 April 2004. The senior officers of the Company presented their reports on the Company's operations in 2004 in the meeting. The Company's final financial statements of 2003 year and the audit report issued by Ernst & Young Hua Ming were reviewed. Conclusions were drawn on the annual performance of the Supervisory Committee, where the "2003 Working Report of the Supervisory Committee" was considered and approved in the meeting for submission to the general meeting.

The Fourth Meeting of the Second Supervisory Committee was held at the Company's conference room on 28 June 2004. In the Meeting, deployments have been made to strengthen supervisory administration works on external investment projects, and set down a 2004 working plan for the Supervisory Committee.

II. INDEPENDENT WORKING REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee attended all the Board meetings. The chairman of the Supervisory Committee also participated in the meeting for the General Manager's office, attended to the working reports of the Board and the management, and participated in the studies 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

In accordance with the relevant resolutions in general meetings, the Board seriously implemented the various resolutions. Its decision procedures complied with the Company Law and the Articles of Association, strictly implemented the various rules and systems, such as internal control system, management on project investment, rules for connected transactions, management on guarantees to external parties, material purchasing system, management on engineering project tendering, There was no discovery of violation of the laws, regulations, the Articles of Association or the Company's interests being hampered by the Company's Directors and senior managerial officers in the course of performance of their duties.

2. Basic financial situation

The Company's financial statements for the year was audited by Ernst & Young, which has issued an audited report without qualified opinion. During the year, the Company realised sales income of RMB1,508 million and net profits of RMB417.6 million, an increase of 33% over the previous year.

3. Use of proceeds

The net proceeds from the listing was RMB1,205,748,000. As at 31 December 2004, an aggregate of RMB642,395,000 from the proceeds have been applied, representing 53.27% of the total proceeds. The application of the proceeds have not changed the use of proceeds as set out in the prospectus as follows:

Unit: RMB'000

Name of project	Plan as set out in the prospectus	Actual aggregate investments	Percentage of completion
Combined utilisation of gold-containing solid waste in Zijinshan	168,800	122,720	72.7%
Development of Zijinshan Copper Mine	85,000	93,400	109.88%
Acquisition of mining resources in the Central and Western parts of China	150,000	156,410	104.27%
Contributions to subsidiaries	100,000	90,865	90.87%
Acquisition of mining rights in the peripheral zones of Zijinshan	80,000	82,160	102.7%
Repayment of loans	Balance for use as working capital	218,030	

4. Connected transactions

Upon review and examination, no action in the Company's connected transactions has been discovered to be harmful to the Company's interests, and full disclosures were 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 2004, the transaction actually conducted between the Company and Xinhua Engineering was RMB86,230,000 in terms of monetary amount, representing 34.7% of similar transactions (cap of waiver was RMB105,000,000). The transaction actually conducted by the Company with Hongyang Mine Engineering Company was RMB67,530,000 in terms of monetary amount, representing 27.2% 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 2004 amounted to RMB175,500,000, of which, RMB13,500,000 was provided to Longyan Makeng, RMB137,000,000 was provided to Xinjiang Ashele Copper Mine, RMB25,000,000 was provided to Guizhou Zijin. Save as disclosed above, the Supervisory Committee was not aware of any other guarantee items.

6. Routine supervisory works:

During the reporting period, the Supervisory Committee has enhanced inspection on the external investment projects of the Company. The Supervisory Committee closely cooperated with the supervisory division of the group company and the supervisory committees of the controlling subsidiaries, and in accordance with the principles of "Overall inspection, focussing on key points", enhanced in the inspection on the construction and implementation of the internal control system of newly established wholly-owned and controlling subsidiaries. Regularisation of internal management process, enhancing control and inspection on project total investments, and raising proposals for inspection on important and key problems affecting the infrastructure and production of the company. In 2004, supervisions and audits were made to Jilin Hunchun Zijin Mining Company Limited, Guizhou Zijin Mining Company Limited, Xinjiang Ashele Copper Company Limited, Jinbao Mining Company Limited, Sichuan Jiuzhaigou Zijin Mining Company Limited, Xiamen Zijin, Guizhou Kaiyang Aluminium Bauxite Project and Longyan Makeng Iron Mine, and audit reports issued, which regularised and promoted the operation management of external invested projects.

During the reporting period, local investment projects audited and supervised mainly included new investment projects such as Zijin Shuidian Company, Dingjiang Hydraulic Power Company, Zijin Investment Company, Zijin Design Company, Ganlong Railway, Copper Mining Company, focussing in helping the enterprises to set up various rules and regulations, standardise management process, participate in major project works and tendering of material purchases, and make timely feedback to problems discovered during the process of audit and supervision, and make requests for adjustments and tracking works.

The committee organised the review on the 2004 combined statements prepared by the Company, verified the major adjustment to the recorded matters and statements in the Hong Kong audits, connected transactions, and issued their opinions. The committee also reviewed the relevant accounting information such as loan guarantees of the Company. Upon the inspection, the Supervisory Committee considered that the annual financial report truly reflected the Company's financial situation and operating results in the past one year.

III. 2005 WORKING PLAN

The Supervisory Committee organised the supervision on the Company's external investment projects, supervise the Company in strengthening appraisal system to the staff on assignment, regularising in the supervisory management of major investment projects.

1. In respect of the downward delegation of management duties of the Company, 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;
2. 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;
3. Be concerned on the actual investment projects on the Company's funds, and inspect whether these are in line with the investment projects undertaken. In the event of changes in the actual investment projects, whether the process of changes are lawful;
4. Be concerned whether the connected transactions of the Company are fair and are not harmful to the Company's interests;
5. 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

April 7, 2005