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.

On 16 June 2004, the name of the Company was changed from Fujian Zijin Mining Industry Co., Ltd. to Zijin Mining Group Co., Ltd.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and other financial assets as further explained below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year after the elimination of all material intercompany transactions. 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Company has control.

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

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

Impact of recently issued International Financial Reporting Standards

The following revised, amended and new standards which are generally effective for accounting periods beginning on or after 1 January 2005 may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented:

- IAS 1 Presentation of Financial Statements (amended 2004);
- IAS 2 Inventories (revised 2003);
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (revised 2003);
- IAS 10 Events after the Balance Sheet Date (amended 2004);
- IAS 16 Property, Plant and Equipment (amended 2004);
- IAS 17 Leases (amended 2004);
- IAS 24 Related Party Disclosure (revised 2003);
- IAS 27 Consolidated and Separate Financial Statements (amended 2004);
- IAS 32 Financial Instruments: Disclosure and Presentation (amended 2004);
- IAS 33 Earning per Share (amended 2004);
- IAS 39 Financial Instruments: Recognition and Measurement (amended 2004);
- IFRS 2 Share-Based Payments; and
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

The Group has not early adopted the revised, amended and new standards for the year ended 31 December 2004. The Group has commenced its assessment of the impact of these standards but it is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

Subsidiaries

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

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

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

Joint venture companies

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

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

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

(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 company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which 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 and Company's share of the post-acquisition results and reserves of jointly-controlled entities are included in the results and 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 Company's interests in jointly-controlled entities are stated in the balance sheet at the Company's share of net assets under the equity method of accounting, less any impairment losses.

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

Associates

An associate is a company, 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 both use consistent accounting policies.

The Group's and Company's share of the post-acquisition results and reserves of associates are included in the results and reserves, respectively. The 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 Company's interests in associates are stated in the balance sheet at the Company's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's and the Company's interests in associates.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair value of identifiable net assets of subsidiaries, associates and jointly-controlled entities at the date of acquisition. For agreement date of acquisition before 31 March 2004, goodwill is amortised on the straight-line basis over its useful life up to a presumed maximum of 10 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For agreement date of acquisition after 31 March 2004, goodwill is not amortised, and is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

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

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

Negative goodwill

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

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

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

Negative goodwill *(continued)*

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

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

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

Fixed assets and depreciation

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

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

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

Also included in fixed assets are mining assets which comprise the openpit platform, leaching piles, mine shafts and buildings located at the mining sites. Depreciation is provided to write off the cost of the openpit 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 to10 years.

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

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

Construction in progress

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

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 the estimated useful life of 10 years.

Mining rights

Mining rights, including exploration rights and development rights, are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on the straight-line basis over the estimated useful life of 5 to 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. Amortisation of mining rights commences once the mining rights are used when production commences. Mining rights are written off to the income statement if the mining property is abandoned.

Land use rights

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

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

Research and development costs

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

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

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised as income. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, 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.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised as income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to the Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

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

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

Impairment of assets

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

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

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

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 is accounted for as follows:

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

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

Trade and other receivables

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

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

Cash and cash equivalents

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

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

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

Interest-bearing loans and borrowings

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

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

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

Provisions

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

(d) rental income, on an accrual basis; and

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

2. 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 receivables under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Borrowing costs

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

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

Income tax

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

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

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

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

(i) except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

(i) except where the deferred income tax asset relating to the deductible temporary 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 income tax asset to be utilised. Conversely, previously unrecognised deferred tax assets 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 income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Retirement benefits

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

Government grants

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 period necessary to match them 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

Dividends

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

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

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated into Renminbi using the net investment method. The income statement of overseas subsidiaries is translated into Renminbi at the weighted average exchange rates for the year, and their balance sheets are translated into Renminbi at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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. TURNOVER, REVENUE AND GAINS

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

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

	Notes	2004 *RMB'000*	2003 *RMB'000*
Turnover:			
Sale of gold bullions		**1,396,048**	1,009,979
Sale of gold concentrates		**56,445**	11,972
Sale of copper concentrates		**37,319**	5,820
Sale of copper cathodes		**20,392**	14,896
Sale of iron concentrates		**6,027**	14,360
Others		**2,417**	524
Less: Sales taxes and levies (Note)		**(10,969)**	(7,022)
		1,507,679	1,050,529
Other revenue:			
Interest income		**11,761**	710
Rental income		**807**	338
Processing income		**371**	—
Dividend income		**6**	—
Others		**4,998**	2,294
		17,943	3,342
Gains:			
Exchange gains		**423**	445
Gain on disposal of 16% equity interest in a subsidiary	37(b)	**9**	—
Gain on deemed disposal of equity interests in subsidiaries		**143**	148
Gain on disposal of other financial assets		**2,243**	—
Negative goodwill recognised	17, 19	**44**	40
		2,862	633
		20,805	3,975

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

The Group conducts its business within one business segment, i.e., the business of refining, exploration, mining, process of gold and non-ferrous metals and other mineral resources in the PRC. Accordingly, no business segment information is presented. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are mainly located in the PRC. Accordingly, no geographical segment data is presented.

4. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	2004 *RMB'000*	2003 *RMB'000*
Cost of inventories sold		**650,235**	468,439
Amortisation of land use rights	13	**543**	305
Amortisation of long term deferred assets	14	**6,465**	3,500
Amortisation of intangible assets	16	**13,297**	3,112
Provision for land restoration and rehabilitation costs	33	**12,793**	14,414
		683,333	489,770
Depreciation (note (i))	12	**101,099**	89,313
Research and development expenditures		**21,032**	9,309
Minimum lease payments under operating leases on land and buildings		**1,146**	362
Auditors' remuneration		**1,900**	856
Staff costs (including directors' remuneration (note 6)):			
Salaries and other staff costs (note (ii))		**115,496**	53,818
Retirement benefits - defined contribution fund (note (iii))		**3,629**	3,742
		119,125	57,560
Provision for/(write-back of) inventory obsolescence		**493**	(143)
Provision for bad and doubtful trade receivables*		**45**	179
Provision for bad and doubtful other receivables*		**8,077**	1,095
Loss on disposal of fixed assets*		**20,473**	2,613
Donations*		**8,269**	5,885
Amortisation of goodwill*	17	**1,845**	1,613
Loss on disposal of 2% equity interest in a subsidiary*		**—**	164
Loss on deemed disposal of equity interests in subsidiaries*		**13**	—
Write-back of impairment provision of fixed assets*	12	**(94)**	(149)

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

4. PROFIT FROM OPERATING ACTIVITIES *(continued)*

Notes:

(i) Depreciation cost of approximately RMB85,394,000 was included in the cost of sales for the year ended 31 December 2004 (2003: RMB80,080,000).

(ii) Staff costs of approximately RMB45,200,000 were included in the cost of sales for the year ended 31 December 2004 (2003: RMB25,626,000).

(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 16% to 24% of the previous year's average basic salaries within the geographical area where the employees are under employment with the Company and its subsidiaries. The Company and its subsidiaries have no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

5. FINANCE COSTS

	Group	
	2004	2003
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**12,673**	22,677
Less: Interest capitalised as construction in progress	**(6,837)**	(5,548)
	5,836	17,129

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 5.184% to 6.696% (2003: 2.88% to 7.84%) per annum.

6. DIRECTORS' REMUNERATION

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

	Group	
	2004	2003
	RMB'000	*RMB'000*
Fees	**—**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**2,567**	692
Discretionary bonuses	**3,630**	2,789
Retirement benefits scheme contributions	**17**	12
	6,214	3,493

The emolument payable to the independent non-executive directors during the year is RMB306,000 (2003: RMB128,000).

6. DIRECTORS' REMUNERATION *(continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**7**	9
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**1**	—
	9	9

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2003: 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 (2003: Nil).

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included four (2003: three) directors for the year ended 31 December 2004, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining one (2003: two) non-director, highest paid employee for the year are as follows:

	Group	
	2004	2003
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**276**	336
Discretionary bonuses	**395**	834
Retirement benefits scheme contributions	**4**	11
	675	1,181

The non-director, highest paid employee during the year ended 31 December 2004 and 2003 fell within the band of nil to HK$1,000,000 (equivalent to approximately RMB1,064,000). There was no arrangement under which the non-director, highest paid employee waived or agreed to waive any remuneration during the year (2003: 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 (2003: Nil).

8. TAX

	2004 *RMB'000*	2003 *RMB'000*
Group:		
Current - Hong Kong	—	—
- Mainland China	**191,460**	137,025
Overprovision in prior years (note (ii))	**(12,644)**	(42,077)
	178,816	94,948
Share of tax attributable to associates:	**7,621**	729
	186,437	95,677

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

(i) Pursuant to "Guo Shui Fa [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 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 regions.

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

(ii) Pursuant to "Ji Guo Shui Fa [2004] No. 290" issued by the Provincial Tax Bureau of Jilin Province, Hunchun Zijin was exempted from corporate income tax ("CIT") for the year ended 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 2003 or before (2003: 2002 or before) 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 years amounting to RMB11,499,000 (2003: RMB7,944,000) was written back during the year.

8. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company, 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 rates) to the effective tax rates, are as follows:

	2004		2003	
	RMB'000	%	*RMB'000*	%
Profit before tax	**644,306**		418,551	
At PRC statutory tax rate	**212,621**	**33.0**	138,122	33.0
Expenses not deductible for tax	**9,548**	**1.48**	4,304	1.03
Income not subject to tax	**(60)**	**(0.01)**	(130)	(0.03)
Differential tax rate on the profit of certain subsidiaries	**(18,157)**	**(2.82)**	(4,542)	(1.09)
Reduction of income tax in respect of the tax benefit on locally purchased machinery (Note)	**(4,871)**	**(0.76)**	—	—
Overprovision in prior years	**(12,644)**	**(1.96)**	(42,077)	(10.05)
Tax charge at the Group's effective rate	**186,437**	**28.93**	95,677	22.86

At 31 December 2004, there was no significant unrecognised deferred tax liability (2003: 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.

Note: A reduction of income tax in relation to the machinery locally purchased in 2004 amounting to RMB4,871,000 (2003: Nil) was approved by the local tax bureau and used to offset against the income tax provision for the year.

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was RMB370,703,000 (2003: RMB306,031,000) (note 36).

10. PROPOSED FINAL DIVIDEND

	2004	2003
	RMB'000	*RMB'000*
Proposed final – RMB0.10 (2003: RMB0.15) per ordinary share	**262,826**	197,120

At the shareholders' meeting on 28 May 2004, the directors declared a final dividend of RMB197,120,000 (based on 1,314,130,910 ordinary shares as at 31 December 2003) in respect of the year ended 31 December 2003.

The proposed final dividend of RMB262,826,000 for the year ended 31 December 2004 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

11. EARNINGS PER SHARE

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 (note 35(d)). When calculating the earnings per share for the year ended 31 December 2003, the number of ordinary shares outstanding has been adjusted as if the conversion of the Company's share premium to new shares had taken place on 1 January 2003.

The calculation of earnings per share is based on the Group's net profit attributable to shareholders of RMB417,619,000 (2003: RMB313,906,000) and the weighted average number of 2,628,261,820 ordinary shares (2003: 1,916,395,676 ordinary shares) in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2004 and 2003 have not been disclosed as there were no potential dilutive ordinary shares outstanding during these years.

12. FIXED ASSETS

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 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	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
Additions through business combination	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
At 31 December 2003	60,383	22,798	252,273	6,205	118,940	6,353	10,329	398,968	876,249

12. FIXED ASSETS *(continued)*

Company

	Buildings RMB'000	Electricity generation plant RMB'000	Mining assets RMB'000 (Note 2)	Leasehold improvements RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 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
At 31 December 2003	37,054	21,544	226,424	6,205	83,259	4,207	4,952	93,271	476,916

As at 31 December 2004, fixed assets with net book value of RMB346,000 (2003: Nil) were pledged to a bank for a bank loan granted to a subsidiary (note 30).

Note 1: Included in the balance of the Group are building structures located in the gold mines with a net book value of RMB23,715,000 (2003: RMB26,057,000) in respect of which the Group had not obtained the relevant land use rights as at 31 December 2004.

Note 2: Included in the balance of the Company are building structures located in the gold mines with a net book value of RMB20,651,000 (2003: RMB22,056,000) in respect of which the Company had not obtained the relevant land use rights as at 31 December 2004.

13. LAND USE RIGHTS

	Group	Company
	RMB'000	*RMB'000*
Cost:		
At beginning of year	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**
At 31 December 2003	15,236	8,771

14. LONG TERM DEFERRED ASSETS

Group

	Exploration and development costs *RMB'000*	land compensation costs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At beginning of year	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 beginning of year	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**
At 31 December 2003	7,934	55,565	—	63,499

14. LONG TERM DEFERRED ASSETS *(continued)*

Company

	Land compensation costs *RMB'000*
Cost:	
At beginning of year	61,072
Additions	18,784
At 31 December 2004	**79,856**
Accumulated amortisation and impairment:	
At beginning of year	6,290
Provided during the year	2,903
At 31 December 2004	**9,193**
Net book value:	
At 31 December 2004	**70,663**
At 31 December 2003	54,782

15. PREPAYMENTS

Included in the balance of the Group are mainly prepayments for purchases of mining and exploration rights of RMB45,440,000 (2003: RMB46,060,000), and land use rights of RMB22,665,000 (2003: RMB4,276,000). The certificates of mining and exploration rights and land use rights were not obtained as at 31 December 2004.

Included in the balance of the Company are prepayments for purchases of mining and exploration rights of RMB3,360,000 (2003: RMB7,850,000), and land use rights of RMB9,489,000 (2003: RMB2,297,000). The certificates of mining and exploration rights and land use rights were not obtained as at 31 December 2004.

16. INTANGIBLE ASSETS

Group

	Mining rights *RMB'000*	Trading right in Shanghai Gold Exchange *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At beginning of year	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 beginning of the year	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**
31 December 2003	116,763	450	—	117,213

16. INTANGIBLE ASSETS *(continued)*

Company

	Mining rights	Trading right in Shanghai Gold Exchange	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At beginning of year	36,720	500	37,220
Additions	137,108	—	137,108
At 31 December 2004	**173,828**	**500**	**174,328**
Accumulated amortisation and impairment:			
At beginning of the year	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**
31 December 2003	28,320	450	28,770

17. GOODWILL

Group

	RMB'000
Cost:	
At beginning of year	16,133
Acquisition of subsidiaries (note 37(a))	3,088
At 31 December 2004	**19,221**
Accumulated amortisation and impairment:	
At beginning of the year	1,613
Amortisation provided less negative goodwill recognised as income during the year	1,841
At 31 December 2004	**3,454**
Net book value:	
31 December 2004	**15,767**
31 December 2003	14,520

18. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	RMB'000	*RMB'000*
Unlisted shares, at cost	**585,156**	281,291
Due (to)/from subsidiaries	**(3,705)**	30,937
Loans to subsidiaries	**157,000**	50,000
	738,451	362,228

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

The loans to subsidiaries are unsecured, bearing interest at rates ranged from 5.58% to 6.336% (2003: 5.5755%) per annum and repayable according to the repayment schedules stipulated in the loan agreements.

18. INTERESTS IN SUBSIDIARIES *(continued)*

As at 31 December 2004, particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Legal status	Nominal value of paid-up capital/ registered capital *RMB'000*	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Anhui Zijin Mining Company Limited ("Anhui Zijin")	PRC	Limited liability company	8,000	75%	—	Gold mining and geological studies
Guizhou Zijin Mining Company Limited ("Guizhou Zijin")	PRC	Joint stock company	30,000	51%	4.8%	Gold mining and geological studies
Xiamen Zijin Science and Technology Company Limited ("Xiamen Zijin")	PRC	Joint stock company	80,000	96.3%	—	Geological studies and the provision of mining technique consultancy services
Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele")	PRC	Joint stock company	250,000	51%	—	Copper mining and geological studies
Hunchun Zijin Mining Company Limited ("Hunchun Zijin")	PRC	Limited liability company	50,000	67%	5.8%	Gold mining and geological studies
Tongling Zijin Mining Company Limited ("Tongling Zijin")	PRC	Limited liability company	34,280	51%	—	Gold mining and geological studies
Fujian Shanghang Zijin Shuidian Company Limited ("Zijin Shuidian")	PRC	Limited liability company	25,000	—	50.9%	Dormant
Fujian Shanghang Jinshan Construction Engineering Company Limited ("Jinshan Construction")	PRC	Limited liability company	9,000	—	61.6%	Provision of construction works

18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Legal status	Nominal value of paid-up capital/ registered capital *RMB'000*	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Tibet Jindi Mining Company Limited ("Tibet Jindi")	PRC	Limited liability company	30,000	51%	1%	Gold mining and geological studies
Sichuan Jiuzhaigou Zijin Mining Company Limited ("Jiuzhaigou Zijin")	PRC	Limited liability company	40,000	60%	—	Gold mining and geological studies
Qinghai West Copper Mining Company Limited ("Qinghai West")	PRC	Limited liability company	120,000	60%	—	Copper mining and geological studies
Xinjiang Jinbao Mining Company Limited * ("Xinjiang Jinbao")	PRC	Limited liability company	50,000	—	40.8%	Iron mining and geological studies
Xinjiang Zijin Mining Company Limited ("Xinjiang Zijin")	PRC	Limited liability company	100,000	68%	—	Dormant
Sichuan Ganzi Zijin Mining Company Limited ("Ganzi Zijin")	PRC	Limited liability company	12,000	60%	—	Gold mining and geological studies
Fujian Zijin Investment Company Limited ("Zijin Investment")	PRC	Limited liability company	100,000	95%	4.8%	Investment holding
Bayannaoer Zijin Non-ferrous Metal Company Limited ("Bayannaoer Zijin")	PRC	Limited liability company	25,000/ 250,000	60%	—	Refinery of zinc

* 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, are 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.

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Share of net assets of associates	**50,590**	11,307	**25,982**	11,307
Negative goodwill arising on acquisition of an associate, less amortisation and impairment	**(277)**	(317)	**(277)**	(317)
	50,313	10,990	**25,705**	10,990

Particulars of the associates are as follows:

Name	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Fujian Longyan Makeng Mining Company Limited	Corporate	PRC	31.5%	Iron mining and geological studies
Fujian Shanghang Ting River Hydro-electricity Limited	Corporate	PRC	49%	Electricity generation

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

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2004	2003
	RMB'000	*RMB'000*
Unlisted shares, at cost	**7,040**	—

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Fujian Zijin Copper Company Limited	Corporate	PRC	30%	33%	30%	Manufacture and sale of copper alloy plate in roll
Guizhou New Henken Minerals Inc	Corporate	PRC	20%	20%	20%	Gold mining and geological studies

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

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2004	2003	2004	2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments	**19,990**	40	**19,890**	40

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

22. INVENTORIES

	Group		Company	
	2004	2003	2004	2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumable supplies	**47,631**	24,824	**17,830**	13,812
Work in progress	**84,703**	77,369	**72,740**	73,522
Finished goods	**62,224**	19,431	**43,746**	17,825
	194,558	121,624	**134,316**	105,159

The carrying amount of inventories of the Group and the Company carried at net realisable value included in the above balance was approximately RMB2,921,000 (2003: RMB1,688,000).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

Included in the balance of the Group and the Company in the prior year is receivable of proceeds from the issue of new H shares upon the exercise of an over-allotment option by the underwriters amounting to RMB247,657,000. The amount was fully settled in the current year.

24. TRADE RECEIVABLES

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

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 4 months	**7,170**	2,373	**3,900**	437
Over 4 months but within 12 months	**198**	—	**193**	—
Over 1 year but within 2 years	**165**	—	**20**	—
Over 2 years	**301**	—	**—**	—
	7,834	2,373	**4,113**	437

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

25. BALANCES WITH RELATED PARTIES

		Group		Company	
	Notes	**2004**	2003	**2004**	2003
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due from minority shareholders:					
Zhenfeng Industrial Investment Limited (貞豐縣工業投資有限公司)	(i)	**400**	800	**400**	800
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司)	(ii)	**2,307**	2,905	**—**	—
		2,707	3,705	**400**	800
Due from companies controlled by minority shareholders:					
Xinjiang Non-ferrous Gold Construction Company (新疆有色黃金建設公司)	(iii)	**—**	436	**—**	—
		—	436	**—**	—
		2,707	4,141	**400**	800

Notes:

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

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

(iii) The balance represented an advance of construction fees to Xinjiang Non-ferrous Gold Construction Company in the prior year, which was unsecured, interest-free and fully repaid in the current year.

26. OTHER FINANCIAL ASSETS

		Group		Company	
	Notes	**2004**	2003	**2004**	2003
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Convertible corporate bonds, listed	(i)	**766**	—	**635**	—
Corporate bonds, unlisted	(ii)	**10,000**	—	**10,000**	—
Loan note	(iii)	**2,000**	—	**2,000**	—
		12,766	—	**12,635**	—

Notes:

(i) The listed convertible corporate bonds are carried at market value as at 31 December 2004. Interest is earned at a rate of 1.2% per annum.

(ii) The unlisted corporate bonds are repayable on 16 November 2014. Interest is earned at a rate of 4.94% per annum.

(iii) The loan note is repayable on 13 October 2005. Interest is earned at a rate of 5.844% per annum.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**827,747**	1,046,466	**641,627**	964,275
Time deposits	**84,688**	82,475	**64,688**	12,475
	912,435	1,128,941	**706,315**	976,750
Less: Quality guarantee deposit pledged to a bank for gold bullions sold	**(2,000)**	(2,000)	**(2,000)**	(2,000)
Time deposit restricted for land restoration and environmental costs upon the closure of the mines *(Note)*	**(21,688)**	(12,475)	**(21,688)**	(12,475)
	(23,688)	(14,475)	**(23,688)**	(14,475)
	888,747	1,114,466	**682,627**	962,275

Note: Pursuant to a directive issued by the Longyan 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 the mines. As at 31 December 2004, the Company has pledged bank deposits of RMB21,688,000 (2003: RMB12,475,000). The use of these bank deposits are subject to approval by the Shanghang municipal government. During the year ended 31 December 2004, the Company made a provision for land restoration and environmental costs amounting to RMB12,793,000 (2003: RMB13,377,000) (note 33).

28. ACCRUED LIABILITIES AND OTHER PAYABLES

Group and Company

Included in the balance of the Group and the Company is an amount payable to the Social Security Fund of RMB120,575,000 (note 35(b)) (2003: RMB120,575,000).

29. TRADE PAYABLES

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

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**131,633**	102,890	**61,026**	93,929
Over 1 year but within 2 years	**4,221**	66	**1,656**	66
Over 2 years but within 3 years	**3,033**	40	**3,028**	40
Over 3 years	**531**	226	**531**	226
	139,418	103,222	**66,241**	94,261

Trade payables of the Group include trading balances due to shareholders of RMB4,545,000 as at 31 December 2004 (2003: RMB32,225,000). Trade payables also include trading balances due to a minority shareholder of RMB12,154,000 as at 31 December 2004 (2003: RMB29,647,000). The balances due to shareholders and a minority shareholder are unsecured, interest-free and repayable in accordance with normal commercial terms.

Trade payables of the Company include trading balances due to shareholders of RMB4,527,000 as at 31 December 2004 (2003: RMB31,673,000). Trade payables also include trading balances due to a minority shareholder of RMB12,154,000 as at 31 December 2004 (2003: RMB27,563,000). The balances due to shareholders and a minority shareholder are unsecured, interest-free and repayable in accordance with normal commercial terms.

30. INTEREST-BEARING BANK LOANS

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Total bank loans	**311,647**	199,400	**149,400**	149,400
Less: Amounts due within one year included under current liabilities	**(45,000)**	—	**(40,000)**	—
Amounts due after one year	**266,647**	199,400	**109,400**	149,400
Bank loans:				
Unsecured	**149,400**	149,400	**149,400**	149,400
Secured	**162,247**	50,000	**—**	—
	311,647	199,400	**149,400**	149,400
Bank loans repayable:				
Within one year	**45,000**	—	**40,000**	—
Between one and two years	**40,047**	55,000	**29,800**	40,000
Between two and five years	**226,600**	119,600	**79,600**	84,600
More than five years	**—**	24,800	**—**	24,800
	311,647	199,400	**149,400**	149,400

The bank loans carry interest at rates ranging from 2.88% to 6.70% (2003: 2.88% to 6.70%) per annum.

The bank loans are secured by guarantee from a minority shareholder of a subsidiary (note 38) and a pledge of fixed assets with net book value of RMB346,000 (2003: Nil) as at 31 December 2004 (note 12). Bank loans of certain subsidiaries are also secured by guarantees from the Company (note 38).

31. SHORT TERM BANK LOANS

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unsecured	**—**	44,500	**—**	44,000
Secured	**—**	12,000	**—**	—
	—	56,500	**—**	44,000

The short term bank loans were secured by guarantees from the Company.

32. OTHER LONG TERM LOANS

	Notes	Group and Company 2004 RMB'000	2003 RMB'000
Office of Longyan City Party Committee Intellectual Working Leadership Team （龍岩市委知識分子工作領導小組辦工室）	(i)	—	200
Shanghang County Technology Bureau （上杭縣科技局）	(ii)	—	30
Shanghang County Social Labour Insurance Company （上杭縣社會勞動保險公司）	(iii)	**1,000**	1,000
		1,000	1,230
Portion classified under current liabilities		**(1,000)**	(230)
		—	1,000
Other long term loans are repayable as follows:			
Within one year		**1,000**	230
Between one and two years		—	1,000
		1,000	1,230

Notes:

(i) The balance is unsecured, bears interest at 20% per annum and is repaid during the year.

(ii) The balance is unsecured, interest-free and repaid during the year.

(iii) The balance is secured by a retirement fund of the Company managed by the Shanghang municipal government which bears interest at 5.76% per annum and was fully repaid in March 2005.

33. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

	Group RMB'000	Company RMB'000
At beginning of year	14,414	13,377
Additional provision for the year	12,793	12,793
Utilisation during the year	(1,037)	—
At 31 December 2004	**26,170**	**26,170**

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

34. LONG TERM OTHER PAYABLES

		Group		Company	
	Notes	**2004** **RMB'000**	2003 RMB'000	**2004** **RMB'000**	2003 RMB'000
Xinjiang Geological, Mining and Prospecting Development Bureau (新疆地質礦產勘察開發局)	(i)	**32,420**	32,420	**—**	—
Xinjiang Non-ferrous Metal Industry Company (新疆有色金屬工業公司)	(i)	**9,721**	9,721	**—**	—
Shanghang Finance Bureau (上杭縣財政局)	(ii)	**50,498**	—	**50,498**	—
Fujian Minxi Geologist Team (福建省閩西地質大隊)	(iii)	**3,433**	4,233	**3,433**	4,233
Bonus of directors and senior executives	(iv)	**23,104**	—	**23,104**	—
		119,176	46,374	**77,035**	4,233

Notes:

(i) 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 in five years with equal yearly instalments from 2006 onwards.

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

(iii) The balance represents an amount payable to Fujian Minxi Geologist Team for the purchase of mining rights of the gold mine located at the southeast area of Zijinshan, which is unsecured, interest-free and repayable in five years with equal yearly instalments from 2004 onwards. The current portion of RMB800,000 has been included in accrued liabilities and other payables as at 31 December 2004 (2003: RMB800,000).

(iv) The balance represents the bonus payable to directors and senior executives after the completion of the tenure.

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

	Group		Company	
	2004 **RMB'000**	2003 RMB'000	**2004** **RMB'000**	2003 RMB'000
Between two and five years	**86,855**	24,231	**48,748**	3,200
More than five years	**32,321**	22,143	**28,287**	1,033
	119,176	46,374	**77,035**	4,233

35. SHARE CAPITAL

	2004 Number of shares '000	2004 Nominal value RMB'000	2003 Number of shares '000	2003 Nominal value RMB'000
Registered	**2,628,262**	**262,826**	1,314,131	131,413
Issued and fully paid:				
Domestic Shares of RMB0.10 each (2003: RMB0.10 each)	**1,827,174**	**182,717**	913,587	91,359
H shares of RMB0.10 each	**801,088**	**80,109**	400,544	40,054
	2,628,262	**262,826**	1,314,131	131,413

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

	2004 Number of shares '000	2004 Nominal value RMB'000	2003 Number of shares '000	2003 Nominal value RMB'000
At beginning of the year	**1,314,131**	**131,413**	95,000	95,000
Share subdivision (note (a))	**—**	**—**	855,000	—
Domestic Shares converted into Sale H Shares (note (b))	**—**	**—**	(36,413)	(3,641)
Share placement and public offer (note (c))	**—**	**—**	400,544	40,054
Share premium converted into share capital (note (d))	**1,314,131**	**131,413**	—	—
At end of year	**2,628,262**	**262,826**	1,314,131	131,413

35. SHARE CAPITAL *(continued)*

Notes:

(a) Pursuant to a resolution adopted at an extraordinary general meeting of the Company held on 28 June 2003 and an approval issued by the China Securities Regulatory Commission on 18 November 2003, each Domestic Share of the Company with nominal value of RMB1.00 each was sub-divided into 10 Domestic Shares of nominal value of RMB0.10 each.

(b) Pursuant to the "Provisional Administrative Measures for the Reduction of State-owned Shares and the Raising of the Social Security Fund" (減持國有股籌集社會保障資金暫行辦法), an aggregate of 36,413,090 Domestic Shares were converted into 36,413,090 Sale H Shares. The proceeds from the sale of the 36,413,090 Sale H Shares of RMB128,034,000 after netting off the portion of share issue expenses of RMB7,459,000, which should be borne by the Social Security Fund in connection with these Sale H Shares, should be remitted to the Social Security Fund (note 28).

(c) On 23 December 2003, 348,300,000 ordinary H Shares of RMB0.10 each, which represented 316,636,364 New H Shares and 31,663,636 Sale H Shares, were issued to foreign investors at a price of HK$3.30 (equivalent to approximately RMB3.516). On 29 December 2003, 52,244,000 additional ordinary H Shares of RMB0.10 each, which represented 47,494,546 New H Shares and 4,749,454 Sale H Shares, were issued to foreign investors at a price of HK$3.30 (equivalent to approximately RMB3.516) upon the exercise of an over-allotment option. After deducting net proceeds of approximately RMB120,575,000 from the sale of an aggregate 36,413,090 Sale H Shares which should be remitted to the Social Security Fund as explained in note (b) above and share issue expenses of approximately RMB82,050,000 (before deducting issue expenses of RMB7,459,000 borne by the Social Security Fund as referred to in note (b) above), the Company raised net proceeds of RMB1,205,748,000, of which paid-up share capital amounted to RMB36,413,000 and share premium amounted to RMB1,169,335,000 (note 36).

(d) 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 one new ordinary share to every one existing share.

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

36. 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 52 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 2003		45,043	22,257	11,129	897	12,272	95,000	186,598
Dividend paid		—	—	—	—	—	(95,000)	(95,000)
Share of capital reserve of an associate		—	—	—	356	—	—	356
New shares issued	35(c)	1,243,926	—	—	—	—	—	1,243,926
Share issue expenses	35(c)	(74,591)	—	—	—	—	—	(74,591)
Net profit for the year		—	—	—	—	306,031	—	306,031
Transfer to reserves		—	31,666	15,833	—	(47,499)	—	—
Proposed final dividend	10	—	—	—	—	(197,120)	197,120	—
As at 31 December 2003 and 1 January 2004		1,214,378	53,923	26,962	1,253	73,684	197,120	1,567,320
Dividend paid		—	—	—	—	—	(197,120)	(197,120)
Share of capital reserve of an associate		—	—	—	543	—	—	543
Share premium converted into share capital	35(d)	(131,413)	—	—	—	—	—	(131,413)
Net profit for the year		—	—	—	—	370,703	—	370,703
Transfer to reserves		—	42,242	21,120	—	(63,362)	—	—
Proposed final dividend	10	—	—	—	—	(262,826)	262,826	—
At 31 December 2004		1,082,965	96,165	48,082	1,796	118,199	262,826	1,610,033

Notes:

(a) Statutory surplus reserve ("SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the Company and the subsidiaries 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 the subsidiaries. Subject to certain restrictions set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) Public welfare fund ("PWF")

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

36. RESERVES *(continued)*

(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 Report 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.

As at 31 December 2004, the Company's reserves available for distribution were approximately RMB381,025,000 (2003: RMB270,804,000).

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

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

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 Nanometer Technology 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 capital injection for 60% of 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 capital injection for 60% of enlarged capital in Xinjiang Jinbao.

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

(a) Acquisition of subsidiaries *(continued)*

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

	RMB'000
Fixed assets	59,968
Intangible assets	99,620
Long term deferred assets	3,398
Available-for-sale financial assets	100
Cash and cash equivalents	133,807
Inventories	4,700
Trade receivables	450
Prepayment, deposits and other receivables	14,946
	316,989
Trade payables	(11,389)
Accrued liabilities and other payables	(109,150)
Interest-bearing bank loans	(8,336)
Other long term loans	(14,500)
Minority interests	(69,755)
	(213,130)
Fair value of net assets	103,859
Goodwill arising on acquisition (note 17)	3,088
	106,947
Consideration:	
Cash paid	106,947
Cash inflow on acquisition is as follows:	
Amount of cash paid	(106,947)
Net cash acquired	133,807
Net cash inflow	26,860

Since the acquisition, the aforementioned subsidiaries had no significant impact on the turnover or the consolidated profit after tax and before minority interests for the year.

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

(b) Disposal of equity interests in subsidiaries

On 23 April 2004, the Company entered into agreements with Fujian Shanghang Huahui Mine Construction Industry Co., Ltd. (福建省上杭縣華輝礦建實業有限公司) and Fujian Shanghang Qilin Trading Co., Ltd. (福建省上杭縣麒麟工貿有限公司), respectively, to dispose of 16% equity interest in Jinshan Construction at an aggregate consideration of RMB2,261,000. The disposal resulted in a gain on disposal of RMB9,000 for the year ended 31 December 2004 (note 3).

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

(c) Major non-cash transactions

During the year, the Group capitalised interest expenses of RMB6,837,000 (2003: RMB5,548,000) in fixed assets (note 5).

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

38. 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	2004 RMB'000	2003 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)	86,226	97,093
Fujian Minxi Geologist Team (福建省閩西地質大隊)	A shareholder	Purchase of exploration and mining rights	(b)	—	10,736
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司)	A shareholder of Hunchun Zijin	Construction service fees	(a)	—	3,222
		Loan	(c)	2,512	2,905
		Deposit for acquisition of equity share	(d)	5,993	—
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)	67,526	72,290
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	(f)	2,500	—
		Prepayment for the purchase of exploration and mining rights	(g)	—	13,200
Fujian Shanghang Jinma Economic Development Company Limited (福建省上杭縣金馬經濟開發有限公司)	A shareholder of Jinshan Construction	Loan	(h)	1,500	500
Shanghang Da Guang Ming Electricity Group Limited (上杭大光明電力集團有限公司)	A shareholder of Zijin Shuidian	Loan	(h)	—	6,860
Tongling Jin Chan Mining Company Limited (銅陵金蟾礦業有限責任公司)	A shareholder of Tongling Zijin	Purchase of exploration and mining rights	(i)	—	16,800

38. RELATED PARTY TRANSACTIONS *(continued)*

(i) *(continued)*

Name of related party	Relationship with the Company	Nature of transaction	Notes	2004 RMB'000	2003 RMB'000
Xinjiang Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau (新疆維吾爾自治區地質礦產勘查開發局)	A shareholder of Xinjiang Ashele	Disposal of 2% equity interest in Xinjiang Ashele	(j)	—	5,000
Xinjiang Baodi Mining Company Limited (新疆寶地礦業有限責任公司)	A shareholder of Xinjiang Ashele	Infrastructure construction	(l)	—	1,300
Fuyun Jinbao Transportation Company (富蘊縣金豹運輸公司)	A company controlled by a minority shareholder of Xinjiang Jinbao	Sale of fixed assets	(e)	5,000	—
		Transportation services	(e)	3,661	—
Shanghang Mining Construction Limited (上杭縣礦業建築有限公司)	A shareholder of a minority shareholder of Jinshan Construction	Loan	(h)	—	1,100
Xinjiang Non-ferrous Gold Construction Company (新疆有色黃金建設公司)	A company controlled by Xinjiang Ashele's shareholder	Advance of construction fees	(k)	761	1,282
		Infrastructure construction fees	(m)	—	3,768

Notes:

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

(b) In accordance with an agreement entered into between the Company and Fujian Minxi Geologist Team dated 28 June 2003, the Company purchased exploration and mining rights of the gold mine located at the southeast area of Zijinshan from Fujian Minxi Geologist Team at a consideration of RMB10,736,000.

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

(d) 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 RMB5,993,000 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.

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

(f) The payments were made for exploration services provided by minority shareholders of subsidiaries. The transactions were conducted on prices by reference to the standard fee scale issued by the PRC government.

38. RELATED PARTY TRANSACTIONS *(continued)*

(i) *(continued)*

Notes: (continued)

(g) In accordance with an agreement entered into between the Company on behalf of its subsidiary, Tibet Jindi, and Tibet Autonomous Region Geologic Minerals Exploration & Development Bureau Dire Geothermic Geologic Team on 16 July 2003, Tibet Jindi agreed to purchase exploration and mining rights of Muyan Gold Mine of Mayou（馬攸木岩金礦）from Tibet Autonomous Region Geologic Minerals Exploration & Development Bureau Dire Geothermic Geologic Team at a consideration of RMB13,200,000. Prepayment of RMB13,200,000 was made as at 31 December 2003. The exploration and mining certificates were obtained as at 31 December 2004.

(h) The loans were unsecured, interest-free and fully repaid during the year. The loans in the prior year were fully repaid on 19 August 2003.

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

(j) In accordance with an agreement entered into between the Company and Xinjiang Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau dated 11 January 2003, the Company disposed of 5,000,000 shares of Xinjiang Ashele to Xinjian Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau at a consideration of RMB5,000,000.

(k) The balances represented loans to Xinjiang Ashele's shareholder and its controlled company which was engaged in the infrastructure construction works of Xinjiang Ashele in 2003. The loans were unsecured, interest-free and were repaid by offsetting construction fees.

(l) In accordance with agreements entered into between Xinjiang Ashele and Xinjiang Baodi Mining Company Limited dated 10 October 2002, Xinjiang Baodi Mining Company Limited was engaged in the water pipe construction works of Xinjiang Ashele. The contract sum for the water pipe construction works were charged to Xinjiang Ashele according to prices by reference to the standard fee scale issued by the PRC government. The construction works were completed in October 2003.

(m) In accordance with agreements entered into between Xinjiang Ashele and Xinjiang Non-ferrous Gold Construction Company dated 3 May 2002 and 1 July 2002, Xinjiang Non-ferrous Gold Construction Company was engaged in water pipe and mining tunnel construction works of Xinjiang Ashele. The water pipe construction works was completed in September 2003 and the mining tunnel construction works was transferred to an independent third party in 2004. The water pipe construction works were charged to Xinjiang Ashele according to prices by reference to the standard fee scale issued by the PRC government.

In addition to the above, and in accordance with an agreement entered into between Xinjiang Ashele, Urumqi Non-ferrous Metal Refining Research Institute（烏魯木齊有色冶金設計研究院）, a company controlled by one of Xinjiang Ashele's shareholders, and Beijing Non-ferrous Metal Refining Research Institute（北京有色冶金設計研究總院）, an independent third party, on 2 March 2001, Urumqi Non-ferrous Metal Refining Research Institute and Beijing Non-ferrous Metal Refining Research Institute (collectively known as the "Research Institutes") were jointly engaged in the overall design for the initial construction works of copper mine of Xinjiang Ashele with a contract sum of RMB6,500,000. On 20 May 2002, Xinjiang Ashele and the Research Institutes entered into a supplemental agreement to confirm that the value of the contract was increased by an additional RMB650,000 and the Research Institutes provided a revised feasibility report to Xinjiang Ashele for an additional consideration of RMB100,000. In 2003, an aggregate design fee of RMB2,050,000 was paid to Research Institutes.

38. RELATED PARTY TRANSACTIONS *(continued)*

(ii) (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 2004, the guarantee was utilised to the extent of RMB116,000,000.

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

Name of associate	Nature of guarantee	2004 *RMB'000*	2003 *RMB'000*
Fujian Longyan Makeng Mining Company Limited	Corporate guarantee		
Maximum guarantees		**15,000**	15,000
Guarantees utilised		**13,500**	15,000

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

Name of subsidiary	Nature of guarantee	2004 *RMB'000*	2003 *RMB'000*
Xiamen Zijin	Corporate guarantee		
Maximum guarantees		**25,000**	25,000
Guarantees utilised		**—**	25,000
Guizhou Zijin	Corporate guarantee		
Maximum guarantees		**25,000**	27,000
Guarantees utilised		**25,000**	27,000
Xinjiang Ashele	Corporate guarantee		
Maximum guarantees		**173,400**	173,400
Guarantees utilised (Note)		**137,000**	10,000

As at 31 December 2004, a long term bank loan of Xinjiang Ashele amounting to RMB137,000,000 was secured by guarantees provided by the Company and Xinjiang Non-ferrous Metal Industry (Group) Company Limited (note 38(ii)(a) above).

39. CONTINGENT LIABILITIES

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

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Corporate guarantees in respect of bank loans granted to:				
Third parties	**—**	7,600	**—**	7,600
Subsidiaries	**—**	—	**223,400**	225,400
An associate	**15,000**	15,000	**15,000**	15,000
Bills discounted with recourse	**—**	8,300	**—**	—
	15,000	30,900	**238,400**	248,000

As at 31 December 2004, 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 RMB162,000,000 (2003: RMB60,500,000) and RMB13,500,000 (2003: RMB15,000,000), respectively.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2004, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,245**	510	**246**	273
In the second to fifth years, inclusive	**3,699**	1,064	**152**	135
	4,944	1,574	**398**	408

40. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

At 31 December 2004, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,152**	1,163	**1,152**	1,146
In the second to fifth years, inclusive	**4,540**	4,540	**4,540**	4,540
After five years	**1,135**	2,270	**1,135**	2,270
	6,827	7,973	**6,827**	7,956

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided:				
— acquisition of plants, machinery and mining assets	**175,640**	136,166	**16,244**	20,335
— acquisition of exploration and mining rights	**49,000**	51,850	**49,000**	51,850
— acquisition of land use rights	**13,332**	—	**9,950**	—
— capital injection in subsidiaries	**—**	—	**219,702**	82,867
— acquisition of additional equity shares in a subsidiary	**23,967**	—	**23,967**	—
	261,939	188,016	**318,863**	155,052
Authorised, but not contracted for:				
— overall utilisation of solid waste & environmental engineering	**58,959**	81,549	**58,959**	81,549
— Nangang staff quarters project	**5,400**	—	**—**	—
— establishment of dressing medicament factory	**10,627**	—	**—**	—
	74,986	81,549	**58,959**	81,549
	336,925	269,565	**377,822**	236,601

42. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

The Group conducts its major operations in the PRC and exposes to market risk from changes in interest rate. Financial assets of the Group include cash, deposits with banks, amounts due from related parties, other financial assets, trade and bills receivables, prepayments, deposit and other receivables and available-for-sale financial assets. Financial liabilities of the Group include accrued liabilities and other payables, trade payables, bank loans and other borrowings.

(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 Co., Ltd., the China Everbright Bank, the China Minsheng Banking Corp., Ltd., the Citic Industrial Bank, the China Merchants Bank, the Rural Credit Cooperatives and the City Credit Cooperatives.

Included in the cash & cash equivalents of the Group are amounts of RMB2,979,000 and 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 facility. 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 other significant concentration of credit risk with any single counterparty of group counterparties.

(ii) Liquidity risk

The Group 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 commitment 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.

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

(v) Fair values

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

As at 31 December 2004, the carrying amounts of the Group's long term borrowings approximated their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities.

Available-for-sale financial assets are measured at cost less impairment losses if there are no quoted market prices in an active market and their fair values cannot be reliable (note 21).

Other financial assets are estimated by reference to their quoted market prices at the balance sheet date or measured at cost loss impairment losses if there are no quoted market prices in an active market and their fair values cannot be reliable (note 26).

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.

43. EVENTS AFTER THE BALANCE SHEET DATE

(i) On 10 January 2005, the Company and Xiamen Zijin established a new company, namely Zijin International Mining Co., Ltd. ("Zijin International") which is engaged in mining business of both domestic and overseas mineral resources. The registered share capital of Zijin International is RMB50,000,000. The Company and Xiamen Zijin contributed RMB47,500,000 and RMB2,500,000, respectively, in Zijin International as paid-up capital, representing 95% and 5%, respectively, of equity interests in Zijin International.

(ii) Pursuant to an agreement 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, the Company acquired 80% equity interests in Guangdong Xinyi Dongkeng Gold Mine Company Limited ("Guangdong Xinyi")（廣東信宜東坑金礦有限責任公司）from Guangdong Gold Company and Xinyi Gold Company at a consideration of RMB6,400,000. Guangdong Xinyi is engaged in gold mining business. The registered capital of Guangdong Xinyi is RMB1,000,000.

(iii) On 4 February 2005, the Company, Liaoning Central Part City Economy and Technology Development Co., Ltd.（遼寧中部城市經濟技術聯合開發有限公司）and Shenyang Biyuetan Hotspring Holiday Hotel Co., Ltd.（沈陽碧月潭溫泉度假酒店有限公司）established a new company, namely Liaoning Zijin Mining Co., Ltd. ("Liaoning Zijin")（遼寧紫金礦業有限公司）, which is engaged in gold and copper mining and geological studies. The registered share capital of Liaoning Zijin is RMB100, 000,000. The Company takes up 75% equity interests in Liaoning Zijin according to the agreement.

(iv) Pursuant to an agreement entered into among the Company, West Mining Company Limited (西部礦業股份有限公司), Tibet Autonomous Region Geologic Minerals Exploration & Development Bureau No. 6 Geologic Team (西藏自治區地質礦產勘查開發局第六地質大隊), Tibet Autonomous Region Changdu State-owned Assets Management Company (西藏自治區昌都地區國有資產經營公司) and Tibet Autonomous Region Mining Development Company (西藏自治區礦業開發總公司) dated 6 April 2005, they will set up a new company namely Tibet Yulong Copper Mining Company Limited ("Tibet Yulong") (西藏玉龍銅業股份有限公司) which is engaged in the copper mining and geological studies. The registered share capital of Tibet Yulong is RMB625,000,000 and the Company takes up 39% equity interests in Tibet Yulong according to the agreement.

(v) On 7 April 2005, the Board of Directors proposed a final dividend of RMB0.10 per ordinary share, totaling approximately RMB262,826,000. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(vi) On 7 April 2005, the Board of Directors proposed to convert an amount of RMB262,826,182 in the Company's share premium into 2,628,261,820 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.

44. COMPARATIVE AMOUNTS

Certain comparative amounts for the year ended 31 December 2003 were reclassified as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's financial position. A summary of the reclassification is as follows:

(i) Prepayment for land use rights of RMB4,276,000 and mining rights of RMB46,060,000 of the Group were reclassified to prepayments under non-current assets on the consolidated balance sheet.

(ii) Prepayment for land use rights of RMB2,297,000 and mining rights of RMB7,850,000 of the Company were reclassified to prepayments under non-current assets on the balance sheet of the Company.

(iii) Included in accrued liabilities and other payables of the Group and the Company, balance payable to Fujian Minxi Geologist Team of RMB4,233,000 for the purchase of mining rights was reclassified to long term other payables.

(iv) Provision for land restoration and environmental costs of the Group and the Company of RMB14,414,000 and RMB13,377,000, respectively, were classified to non-current liabilities on the balance sheets.

(v) Amortisation charges of land use right, long term deferred assets and intangible assets with an aggregate amount of RMB6,917,000 was classified to cost of sales on the income statement.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 April 2005.