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11th December, 2003

The Directors
Fujian Zijin Mining Industry Co., Ltd.
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding Fujian Zijin Mining Industry Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the three years ended 31st December, 2002 and the six months ended 30th June, 2003 (the "Relevant Periods") prepared on the basis set out in Section 2 below, for inclusion in the prospectus of the Company dated 11th December, 2003 (the "Prospectus").

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 6th September, 2000 to engage in gold mining business (the "Relevant Business"). Prior to the establishment of the Company, the Relevant Business was carried out by Fujian Minxi Zijin Mining Group Limited (福建省閩西紫金礦業集團有限公司) (the "Predecessor Entity"), a limited liability company registered in the PRC under the control and administration of a state-owned enterprise. Upon establishment of the Company, the Relevant Business and all the assets and liabilities of the Predecessor Entity were transferred to the Company pursuant to the "Corporate Reorganisation" as described in Section 1 below (the "Reorganisation").

As of the date of this report, the Company had direct and indirect interests in the following subsidiaries:

| Company name | Place and date of establishment | Paid-up share/ registered capital | Percentage of equity interests attributable to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | *RMB'000* | *Direct* | *Indirect* | |
| Anhui Zijin Mining Company Limited ("Anhui Zijin") 安徽紫金礦業有限公司 | The PRC 30th December, 2001 | 8,000 | 75% | — | Gold mining and geological studies |
| Guizhou Zijin Mining Company Limited ("Guizhou Zijin") *(note 1)* 貴州紫金礦業股份有限公司 | The PRC 17th December, 2001 | 30,000 | 51% | 4.3% | Gold mining and geological studies |

| Company name | Place and date of establishment | Paid-up share/ registered capital *RMB'000* | Percentage of equity interests attributable to the Group *Direct* | *Indirect* | Principal activities |
|---|---|---|---|---|---|
| Xiamen Zijin Science and Technology Company Limited ("Xiamen Zijin") 廈門紫金科技股份有限公司 | The PRC 9th March, 2001 | 15,000 | 86.5% | — | Geological studies, and provision of mining technique consultancy |
| Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele") 新疆阿舍勒銅業股份有限公司 | The PRC 13th August, 1999 | 250,000 | 51% | — | Copper mining and geological studies |
| Hunchun Zijin Mining Company Limited ("Hunchun Zijin") *(note 2)* (琿春紫金礦業有限公司) | The PRC 10th January, 2003 | 30,000 | 67% | 5.2% | Gold mining and geological studies |
| Tongling Zijin Mining Company Limited ("Tongling Zijin") (銅陵紫金礦業有限公司) | The PRC 9th June, 2003 | 34,280 | 51% | — | Gold mining and geological studies |
| Fujian Shanghang Zijin Shuidian Company Limited ("Zijin Shuidian") (福建省上杭縣紫金水電有限公司) | The PRC 13th June, 2003 | 20,000 | 51% | — | Dormant |
| Fujian Shanghang Jinshan Construction Engineering Company Limited ("Jinshan Construction") (福建省上杭縣金山建設工程有限公司) | The PRC 5th March, 2003 | 9,000 | 80% | — | Dormant |

All companies comprising the Group have adopted 31st December as their financial year end date.

*Note 1:* 51% and 5% equity interests of Guizhou Zijin were directly held by the Company and Xiamen Zijin, respectively.

*Note 2:* 67% and 6% equity interests of Hunchun Zijin were directly held by the Company and Xiamen Zijin, respectively.

The financial statements of the Company and its subsidiaries were prepared in accordance with the accounting principles and financial regulations applicable to the PRC enterprises ("PRC GAAP").

As of the date of this report, the financial statements of the Company and its subsidiaries during the Relevant Periods, or since their dates of establishment or acquisition, were audited by the following certified public accountants in the PRC:

| | **Period** | **Name of auditors** |
|---|---|---|
| The Company | Years ended 31st December, 2000, 2001 and 2002 and six months ended 30th June, 2003 | Ernst & Young Hua Ming Certified Public Accountants ("Ernst & Young Hua Ming") |
| Anhui Zijin | Period ended 31st December, 2001<br>Year ended 31st December, 2002 | Anhui Zhengding Certified Public Accountants (安徽正鼎會計師事務所) |
| Guizhou Zijin | Period ended 31st December, 2002 | Tianyi Certified Public Accountants Company Limited (天一會計師事務所有限責任公司) |
| Xiamen Zijin | Period ended 31st December, 2001<br>Year ended 31st December, 2002 | Shanghang Anyong (Lianhe) Certified Public Accountants (上杭安永(聯合)會計師事務所) |
| Xinjiang Ashele | Year ended 31st December, 2002 | Xinjiang Chiyuan Tianhe Certified Public Accountants (新疆馳遠天合有限責任會計師事務所) |

As Hunchun Zijin, Tongling Zijin, Zijin Shuidian and Jinshan Construction were newly established in 2003, no audited financial statements have been prepared for these subsidiaries since the dates of their establishment.

The consolidated financial statements of the Group for the three years ended 31st December, 2000, 2001 and 2002 and the six months ended 30th June, 2003, which were prepared in accordance with the PRC GAAP, were audited by Ernst & Young Hua Ming, Certified Public Accountants registered in the PRC. For the purpose of this report, we have undertaken an independent audit of the consolidated financial statements of the Group for each of the Relevant Periods in accordance with Hong Kong Statements of Auditing Standards issued by the Hong Kong Society of Accountants (the "HKSA"), and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKSA.

The summaries of the consolidated results, consolidated statements of movements in equity and consolidated cash flows statements of the Group for the Relevant Periods and the consolidated balance sheets of the Group and the balance sheets of the Company as at 31st December, 2000, 2001 and 2002 and 30th June, 2003 (the "Summaries"), together with the notes thereto, set out in this report have been prepared from the audited consolidated financial statements of the Group, including the Predecessor Entity, as if the Reorganisation had been completed as at the beginning of the periods presented and the business activities had been conducted by the Group throughout the Relevant Periods or since the date of establishment in respect of subsidiaries during the Relevant Periods. The exception to this basis of preparation is the acquisition by the Group during the Relevant Periods, in December 2002, of Xinjiang Ashele, which is accounted for using acquisition accounting because the Group acquired the controlling interest in Xinjiang Ashele from independent third parties. Adjustments have been made for the purpose of the Prospectus to restate those audited financial statements to the basis of the accounting policies referred to in Section 3, which are in compliance with International Financial Reporting Standards ("IFRS"), and as we consider appropriate, and are presented on the basis set out in Section 2 below.

The directors of the respective companies now comprising the Group are responsible for the preparation of the respective financial statements on which the Summaries are based. In preparing the Summaries, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion based on our examination on the Summaries and to report our opinion to you.

In our opinion, the Summaries, together with the notes thereto give, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the Group for each of the Relevant Periods and of the consolidated balance sheets of the Group and the balance sheets of the Company as at 31st December, 2000, 2001 and 2002 and 30th June, 2003.

## 1. CORPORATE REORGANISATION

In August 2000, the Predecessor Entity underwent a corporate reorganisation (the "Reorganisation"). Pursuant to the Reorganisation, a joint stock limited liability company was established under the Company Law of the PRC on 17th August, 2000. On 2nd August, 2000, Minxi Xinghang State-owned Assets Investment Company Limited (閩西興杭國有資產投資經營有限公司) and Shanghang County Jinshan Trading Company Limited (上杭縣金山貿易有限公司) (the "Original Shareholders"), the shareholders of the Predecessor Entity, entered into an agreement for the transfer of the assets and liabilities of the Relevant Business as well as the Relevant Business to the Company. The Company issued an aggregate share capital of RMB62,710,000 as consideration to the Original Shareholders for the transfer, after taking into account the additional cash contribution and an reinvestment of dividends by the Original Shareholders amounting to RMB14,754,000. As the Original Shareholders controlled the Predecessor Entity before the Reorganisation and continue to control the Company after the Reorganisation, the Reorganisation has been accounted for as a reorganisation of entities under common control.

Upon the establishment of the Company, Xinhuadu Industrial Company Limited (新華都實業集團股份有限公司), Fujian Xinhuadu Engineering Company Limited (福建省新華都工程有限責任公司), Xiamen Hengxing Construction & Decoration Materials Company Limited (廈門恒興建築裝飾材料有限公司), Fujian Xinhuadu Department Store Company Limited (福建新華都百貨有限責任公司), Fujian Gold Group Company Limited (福建黃金集團有限公司) and Fujian Minxi Geologist (福建省閩西地質大隊) (the "Other Promoters") injected cash into the Company in an aggregate amount of RMB48,597,000 as paid up capital in consideration for 32,290,500 shares of RMB1 each of the Company.

As a result of the above, 66.01% and 33.99% of the share capital of the Company were owned by the Original Shareholders and the Other Promoters, respectively, up to the date of this Report.

## 2. BASIS OF PRESENTATION

As the Original Shareholders controlled the Predecessor Entity before the Reorganisation and continued to control the Company after the Reorganisation, the Reorganisation has been accounted for as a reorganisation of entities under common control. The Summaries have been prepared as if the Reorganisation had been completed at the beginning of the Relevant Periods and the Relevant Business of the Predecessor Entity had been conducted by the Group throughout the Relevant Periods. For the purpose of this report, the acquisition of Xinjiang Ashele is accounted for using acquisition accounting. The results of subsidiaries or associates acquired or disposed of during the Relevant Periods are consolidated from or to their effective dates of acquisition or disposal, respectively. The assets and liabilities transferred to the Company have been stated at their historical amounts.

The Summaries have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by its Standing Interpretations Committee.

## 3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the financial information described in this report which conforms with IFRS are set out as follows:

### Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 provided using the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account their estimated residual value. The estimated useful lives of fixed assets are as follows:

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

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

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

**Construction in progress**

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

**Long term deferred assets**

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

Exploration and development costs include expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and development costs are capitalised and written off on a straight-line basis over the estimated useful life of 1 to 3 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 a straight-line basis over the estimated useful life of 10 years.

**Mining rights**

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on a straight-line basis over the estimated useful life of 5 to 10 years.

The useful lives of the mining rights are reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mines.

**Land use rights**

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

**Goodwill**

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

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

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

**Negative goodwill**

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

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

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

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

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

**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 profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

**Associates**

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

The Group's share of the post-acquisition results and reserves of associates are included in the consolidated results and reserves, respectively. The 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 Group's interest in associates include negative goodwill (net of accumulated amortisation) on acquisition, which are treated in accordance with the accounting policy for negative goodwill stated above.

**Research and development costs**

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

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

**Other investments**

Other investments represent investments in unlisted companies held on a long term basis and are stated at cost less any impairment losses.

**Impairment of assets**

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

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

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

**Inventories**

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

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

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

**Trade and other receivables**

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

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

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statements, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

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

**Trade payables and other payables**

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

**Revenue recognition**

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

(a) revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) processing income, when the relevant service is rendered;

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividends, when the shareholders' right to receive payment is established.

**Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account 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.

**Deferred income tax**

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 tax liabilities are recognised for all taxable temporary differences:

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

(ii) in respect of taxable temporary differences associated with interests in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

(ii) in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

**Retirement benefits**

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

**Government grants and subsidies**

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

**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 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.

## 4. RESULTS

The following is a summary of the consolidated results of the Group for the Relevant Periods prepared on the basis set out in Section 2 above:

| | Notes | Year ended 31st December, 2000 RMB'000 | 2001 RMB'000 | 2002 RMB'000 | Six months ended 30th June, 2003 RMB'000 |
|---|---|---|---|---|---|
| Turnover | (a) | 296,097 | 369,757 | 592,654 | 500,134 |
| Cost of sales | | (161,684) | (207,879) | (301,278) | (232,567) |
| Gross profit | | 134,413 | 161,878 | 291,376 | 267,567 |
| Other revenue | (a) | 1,901 | 2,474 | 1,994 | 2,105 |
| Selling and distribution costs | | (1,224) | (3,526) | (2,163) | (2,037) |
| Administrative expenses | | (30,330) | (41,296) | (63,166) | (33,812) |
| Other operating costs | | (20,879) | (9,466) | (7,305) | (2,813) |
| Profit from operating activities | (c) | 83,881 | 110,064 | 220,736 | 231,010 |
| Finance costs | (d) | (6,403) | (10,346) | (15,805) | (8,816) |
| Share of profit/(loss) of an associate | | 19 | (13) | 1,100 | 514 |
| Profit from operating activities before tax and minority interests | | 77,497 | 99,705 | 206,031 | 222,708 |
| Tax | (f) | (29,183) | (35,209) | (67,850) | (70,350) |
| Net profit from ordinary activities | | 48,314 | 64,496 | 138,181 | 152,358 |
| Minority interests | | 113 | 1,606 | 102 | 1,759 |
| Net profit attributable to shareholders | | 48,427 | 66,102 | 138,283 | 154,117 |
| Appropriations: | | | | | |
| Transfer to reserves | | (3,011) | (9,762) | (20,803) | — |
| Profit for the year/period, retained | | 45,416 | 56,340 | 117,480 | 154,117 |
| Distribution to Original Shareholders | (g) | 44,520 | 12,000 | — | — |
| Final dividend proposed after the balance sheet date | (h) | 11,875 | 47,500 | 95,000 | — |
| Earnings per share — basic | (i) | RMB0.73 | RMB0.70 | RMB1.46 | RMB1.62 |

(a) **Turnover and revenue**

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

An analysis of turnover and other revenue of the Group is as follows:

| | Year ended 31st December, | | | Six months ended 30th June, |
|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Turnover: | | | | |
| Sales of gold bullions | 289,650 | 325,726 | 584,232 | 485,257 |
| Sales of gold bearing materials | 8,362 | 46,780 | — | — |
| Sales of gold concentrates | — | — | — | 4,327 |
| Sales of iron concentrates | — | — | 4,138 | 4,923 |
| Sales of copper concentrates | — | — | — | 1,872 |
| Sales of copper cathodes | — | — | 8,929 | 7,207 |
| Less: Sales taxes and levies | (1,915) | (2,749) | (4,645) | (3,452) |
| | 296,097 | 369,757 | 592,654 | 500,134 |
| Other revenue: | | | | |
| Interest income | 280 | 568 | 370 | 996 |
| Rental income | — | — | 142 | 107 |
| Processing income | 110 | 1,189 | 742 | — |
| Dividend income from other investments | 32 | 33 | 8 | — |
| Amortisation of negative goodwill | — | — | 40 | 20 |
| Gain on deemed disposal of 8.325% equity interest in a subsidiary | — | — | — | 148 |
| Others | 1,479 | 684 | 692 | 834 |
| | 1,901 | 2,474 | 1,994 | 2,105 |
| Total | 297,998 | 372,231 | 594,648 | 502,239 |

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

All of the above revenue was attributable to operations in the PRC for the years/period presented.

(b) **Segment information**

As the turnover and profit from operating activities of the Group for the Relevant Periods are mainly generated from gold mining business in the PRC, and all the assets of the Group are located in the PRC, no further segment information has been presented.

(c) **Profit from operating activities**

Profit from operating activities is arrived at after charging/(crediting):

| | Year ended 31st December, 2000 RMB'000 | 2001 RMB'000 | 2002 RMB'000 | Six months ended 30th June, 2003 RMB'000 |
|---|---|---|---|---|
| Amortisation of land use rights | 133 | 170 | 147 | 117 |
| Amortisation of long term deferred assets | 695 | 1,821 | 2,641 | 1,571 |
| Amortisation of intangible assets* | 1,680 | 1,949 | 2,761 | 1,381 |
| Depreciation *(note (i))* | 29,502 | 43,769 | 64,627 | 37,117 |
| Research and development expenditures | 1,288 | 5,244 | 5,044 | 1,411 |
| Minimum lease payments under operating leases on land and buildings | 254 | 354 | 355 | 178 |
| Auditors' remuneration | 400 | 400 | 400 | 321 |
| Staff costs (including directors', supervisors' and senior executives' emoluments as set out in note (e)) *(note (ii))* | | | | |
| Retirement benefits | | | | |
| - defined contribution fund | 1,214 | 1,757 | 3,608 | 1,378 |
| Salaries and other staff costs | 13,986 | 18,424 | 26,169 | 17,380 |
| Total staff cost | 15,200 | 20,181 | 29,777 | 18,758 |
| Provision for inventory obsolescence | 1,072 | 544 | 59 | — |
| Provision for/(write back of) bad and doubtful trade receivables** | 489 | (422) | 8 | 7 |
| Provision for/(write back of) bad and doubtful other receivables** | 3,653 | 323 | (1,512) | 85 |
| Provision for/(write back of) loss on guaranteed bank loans *(note 5(m))*** | 3,255 | — | (14) | — |
| Loss on disposal of fixed assets** | 9,494 | 2,947 | 4,105 | 255 |
| Loss/(gain) on deemed disposal of an associate** | (37) | 5 | — | — |
| Impairment of fixed assets** | — | 891 | — | — |
| Donations** | 1,860 | 592 | 4,609 | 661 |
| Amortisation of goodwill** | — | — | — | 807 |
| Write off of exploration cost** | — | 2,789 | — | — |
| Loss on disposal of 2% equity interest in a subsidiary** | — | — | — | 164 |

* *Item classified under "Administrative expenses" in the consolidated results of the Group.*

** *Items classified under "Other operating costs" in the consolidated results of the Group.*

*Notes:*

(i) Depreciation cost of approximately RMB30,014,000, RMB41,098,000, RMB60,230,000 and RMB33,632,000 are included in the cost of sales for the years ended 31st December, 2000, 2001 and 2002 and for the six months ended 30th June, 2003, respectively.

(ii) Staff costs of approximately RMB8,665,000, RMB8,764,000, RMB13,904,000 and RMB7,340,000 are included in cost of sales for the years ended 31st December, 2000, 2001 and 2002 and for the six months ended 30th June, 2003, respectively.

(d) **Finance costs**

| | Year ended 31st December, 2000 *RMB'000* | 2001 *RMB'000* | 2002 *RMB'000* | Six months ended 30th June, 2003 *RMB'000* |
|---|---|---|---|---|
| Interest paid on bank loans repayable within five years | 8,495 | 15,480 | 21,400 | 12,156 |
| Less: Amount capitalised as construction in progress | (2,092) | (5,134) | (5,595) | (3,340) |
| | 6,403 | 10,346 | 15,805 | 8,816 |

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 5.18% to 10.53% per annum.

(e) **Directors', supervisors' and senior executives' emoluments**

Details of the directors' remuneration are as follows:

| | Year ended 31st December, 2000 *RMB'000* | 2001 *RMB'000* | 2002 *RMB'000* | Six months ended 30th June, 2003 *RMB'000* |
|---|---|---|---|---|
| Fees | — | — | — | — |
| Other emoluments: | | | | |
| Basic salaries, other allowances and benefits in kind | 459 | 712 | 829 | 391 |
| Discretionary bonuses | — | 594 | 859 | 498 |
| Retirement benefits scheme contributions | 2 | 7 | 7 | 4 |
| | 461 | 1,313 | 1,695 | 893 |

All of the directors' remuneration fell within the range of nil to RMB1,000,000 for each of the Relevant Periods.

The five highest paid individuals in the Group included two directors for the years ended 31st December, 2000 and 2001, and four directors for the year ended 31st December, 2002 and the six months ended 30th June, 2003. Information relating to the emoluments of these directors has been disclosed above. The details of the emoluments of the remaining highest paid individuals in the Group, including three non-director individuals for the years ended 31st December, 2000 and 2001, and one non-director individual for the year ended 31st December, 2002 and six months ended 30th June, 2003 are as follows:

| | Year ended 31st December, | | | Six months ended 30th June, |
|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Basic salaries, other allowances and benefits in kind | 319 | 349 | 143 | 15 |
| Discretionary bonuses | — | 243 | 106 | 125 |
| Retirement benefits scheme contributions | 5 | 26 | 2 | 8 |
| | 324 | 618 | 251 | 148 |

The remuneration of the remaining one (2000 and 2001: three; 2002: one) highest paid, non-director individual fell within the range of nil to RMB1,000,000 for each of the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons who are directors of the Company waived or agreed to waive any emoluments during the Relevant Periods.

(f) **Tax**

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Relevant Periods. Provision for the PRC corporate income tax has been provided at a rate of 33% on the taxable income as reported in their statutory accounts which are prepared using the PRC GAAP, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

| | Year ended 31st December, | | | Six months ended 30th June, |
|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Group: | | | | |
| PRC corporate income tax | 29,165 | 35,209 | 67,398 | 75,360 |
| Overprovision in prior years | — | — | — | (5,180) |
| | 29,165 | 35,209 | 67,398 | 70,180 |
| An associate | 18 | — | 452 | 170 |
| | 29,183 | 35,209 | 67,850 | 70,350 |

A reconciliation between the provision for income tax expenses computed by applying the standard PRC income tax rate to profit from operating activities before tax and minority interests and the actual provision for income tax is as follows:

| | Year ended 31st December, | | | Six months ended 30th June, |
|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit from operating activities before tax and minority interests | 77,497 | 99,705 | 206,031 | 222,708 |
| Standard tax rate in the PRC | 33% | 33% | 33% | 33% |
| Standard tax rate applied to profit before income tax | 25,574 | 32,903 | 67,990 | 73,494 |
| Reconciling items: | | | | |
| Goodwill amortisation not deductible for income tax purposes | — | — | — | 266 |
| Negative goodwill amortisation not allowable for income tax purposes | — | — | (13) | (7) |
| Provision for/(write back of) doubtful debts on other receivables not deductible/(taxable) for income tax proposes | 1,205 | 107 | (499) | 28 |
| Provision for/(write back of) loss on guaranteed bank loans not deductible/(taxable) for income tax proposes | 1,074 | — | (5) | — |
| Provision for impairment of fixed assets not deductible for income tax purposes | — | 294 | — | — |
| Expenses not deductible for income tax purposes | 1,330 | 1,905 | 377 | 1,749 |
| | 3,609 | 2,306 | (140) | 2,036 |
| Overprovision in prior years *(Note)* | — | — | — | (5,180) |
| Income tax expenses | 29,183 | 35,209 | 67,850 | 70,350 |

*Note:* Pursuant to relevant PRC tax regulations, subject to the approval of the local tax authority, the Company can claim an additional deduction when calculating the income tax provision if machinery was purchased locally. Such machinery was purchased in 2002 or before and an approval from the local tax bureau to reduce income tax liabilities was obtained in 2003.

(g) **Distribution to Original Shareholders**

Pursuant to a shareholders' resolutions dated 16th September, 2000 and 10th October, 2001, the Predecessor Entity made a distribution to the Original Shareholders which represented the retained profits of the Predecessor Entity prior to the establishment of the Company prepared in accordance with PRC GAAP.

(h) **Dividends**

| | Year ended 31st December, | | | Six months ended 30th June, |
|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Proposed final – Nil (2002: RMB1; 2001: RMB50 cents; 2000: RMB12.5 cents) per ordinary share | 11,875 | 47,500 | 95,000 | — |

*Note:* At the shareholders meeting held on 16th January, 2001, the shareholders declared a dividend of RMB11,875,000 in respect of the year ended 31st December, 2000. At the shareholders meeting held on 3rd February, 2002, the shareholders declared a dividend of RMB47,500,000 in respect of the year ended 31st December, 2001. At the shareholders meetings on 18th May, 2003 and 1st November, 2003, the shareholders declared an aggregate dividends of RMB95,000,000 in respect of the year ended 31st December, 2002.

For dividend purposes, the amount which the Company and its subsidiaries can legally distribute by way of a dividend is determined with reference to their profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those reflected in this report which are prepared in accordance with IFRS.

Upon listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the directors intend to distribute dividends based on the lower of the Group's profits determined under PRC GAAP and IFRS.

(i) **Earnings per share**

The calculation of earnings per share is based on the Group's net profit attributable to shareholders for each of the Relevant Periods and the weighted average number of shares in issue during the year (Year ended 31st December, 2000: 66,721,774 shares; Years ended 31st December, 2001 and 2002 and the six months ended 30th June 2003: 95,000,000 shares).

In determining the weighted average number of shares in issue during the year ended 31st December, 2000, the conversion of owner's equity of RMB76,692,000 into share capital of 52,582,660 shares was deemed to have occurred at the beginning of that year. The calculation of this weighted average number of shares in issue also took into account the additional capital contribution and the reinvestment of dividends by the Original Shareholders in an aggregate amount of RMB14,754,000 (representing 10,126,925 shares) and the capital contribution by the Other Promoters of RMB48,597,000 (representing 32,290,365 shares).

Diluted earnings per share amounts for each of the Relevant Periods have not been calculated as there were no dilutive potential ordinary shares in existence during the Relevant Periods.

(j) **Retirement benefits**

According to relevant rules and regulations of the PRC, the Company and its subsidiaries participate in a defined contribution retirement plan. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Company and its subsidiaries are required to make contributions to the Labour and Social Security Bureau of the Fujian municipal government at 18% 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 Labour and Social Security Bureau of the Fujian municipal government as set out above.

Any contributions forfeited by the employees who leave the plan will not be used to reduce the Group's contributions for other employees.

(k) **Related party transactions**

(i) In addition to the transactions and balances described elsewhere in this report, the Group had the following material transactions with related parties during the Relevant Periods which, in the opinion of the directors, are entered into based on normal commercial terms:

| Name of related parties | Relationship with the Company | Nature of transactions | *Notes* | Year ended 31st December, 2000 | 2001 | 2002 | Six months ended 30th June, 2003 |
|---|---|---|---|---|---|---|---|
| | | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Shanghang County Jinshan Trading Company Limited (上杭縣金山貿易有限公司) | A shareholder | Purchase of construction materials* | (1) | — | 1,329 | 3,737 | 915 |
| Fujian Xinhuadu Engineering Company Limited (福建省新華都工程有限責任公司) | A shareholder | Construction service fees* | (1) | 84,908 | 98,573 | 102,276 | 48,679 |
| Fujian Minxi Geologist (福建省閩西地質大隊) | A shareholder | Payment for the purchase of mining and exploration rights | (2) | — | — | — | 300 |
| Minxi Xinghang State-owned Assets Investment Company Limited (閩西興杭國有資產投資經營有限公司) | A shareholder | Guarantee handling fee | (3) | — | 560 | 210 | — |
| Fujian Shanghang Hongyang Mine Engineering Company Limited (福建上杭鴻陽礦山工程有限公司) | A shareholder of Hunchun Zijin and Guizhou Zijin | Construction service fees* | (1) | — | — | — | 36,441 |
| | | Interest expenses | (4) | — | — | — | 11 |
| Xiamen Hengxing Construction & Decoration Materials Company Limited (廈門恒興建築裝飾材料有限公司) | A shareholder | Rental expenses | (5) | — | — | 7 | 7 |

| Name of related parties | Relationship with the Company | Nature of transactions | *Notes* | Year ended 31st December, 2000 | 2001 | 2002 | Six months ended 30th June, 2003 |
|---|---|---|---|---|---|---|---|
| | | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Fujian Longyan Makeng Mining Company Limited (福建龍岩馬坑礦業有限公司) | An associate | Purchase of iron ores | (1) | — | — | 108 | — |
| Guizhou Bureau of Geology & Mineral Resources 105 (貴州省地質礦產勘查開發局105地質大隊) | A shareholder of Guizhou Zijin | Fund received for additional capital injection in a subsidiary | (4) | — | — | 1,700 | — |
| | | Gold mine exploration fees* | (6) | — | — | — | 80 |
| | | Interest expenses | (4) | — | — | 9 | 39 |
| Xiamen Hengxing Mining Company Limited (廈門恒興礦業有限公司) | A shareholder of Guizhou Zijin | Fund received for additional capital injection in a subsidiary | (4) | — | — | 1,000 | — |
| | | Interest expenses | (4) | — | — | 5 | 27 |
| Zhenfeng Industrial Investment Limited (貞豐縣工業投資有限公司) | A shareholder of Guizhou Zijin | Fund received for additional capital injection in a subsidiary | (4) | — | — | 3,000 | — |
| | | Interest expenses | (4) | — | — | — | 62 |
| | | Loan | (9) | — | — | — | 800 |
| Guizhou Land & Mineral Resources Development Company (貴州省地質礦產資源開發總公司) | A shareholder of Guizhou Zijin | Fund received for additional capital injection in a subsidiary | (4) | — | — | 3,400 | — |
| | | Interest expenses | (4) | — | — | 19 | 80 |
| Anhui Geological and Mining Bureau, Geological Team 321 (安徽省地質礦產局321地質隊) | A shareholder of Tongling Zijin | Construction service fees* | (7) | — | — | — | 246 |
| Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司) | A shareholder of Hunchun Zijin | Loan* | (9) | — | — | — | 940 |
| | | Construction service fees* | (1) | — | — | — | 1,752 |
| | | Sales of construction materials | (10) | — | — | — | 275 |
| Anhui Tongling Jin Chan Mining Company Limited (安徽省銅陵金蟾礦業有限責任公司) | A shareholder of Tongling Zijin | Purchase of mining and exploration rights of Jiaochong Gold-Base-Metals Mine, Hamaling Gold Mine and Qingyang County Yinjiazha Gold Mine | (2) | — | — | — | 16,800 |
| Fujian Shanghang Jinma Economic Development Limited (福建省上杭縣金馬經濟開發有限公司) | A shareholder of Jinshan Construction | Loan | (8) | — | — | — | 500 |

| Name of related parties | Relationship with the Company | Nature of transactions | *Notes* | Year ended 31st December, 2000 *RMB'000* | 2001 *RMB'000* | 2002 *RMB'000* | Six months ended 30th June, 2003 *RMB'000* |
|---|---|---|---|---|---|---|---|
| Shanghang Mining Construction Limited (上杭縣礦業建築有限公司) | A shareholder of the minority shareholder of Jinshan Construction | Loan | (8) | — | — | — | 1,100 |
| Shanghang Da Guang Ming Electricity Group Limited (上坑大光明電力集團有限公司) | A shareholder of Zijin Shuidian | Loan | (8) | — | — | — | 6,860 |
| Xinjiang Uygur Autonomous Region Geologic Minerals Exploration & Development Bureau (新疆維吾爾自治區地質礦產勘查開發局) | A shareholder of Xinjiang Ashele | Disposal of 2% equity interests in Xinjiang Ashele | (11) | — | — | — | 5,000 |
| Xinjiang Baodi Mining Company Limited (新疆寶地礦業有限責任公司) | A shareholder of Xinjiang Ashele | Advance of construction proceeds* | (12) | — | — | — | 264 |
| Xinjiang Land & Mineral Bureau Geologic Team No.4 (新疆地礦局第四地質大隊) | A company controlled by Xinjiang Ashele's shareholder | Infrastructure construction fees | (13) | — | — | — | 355 |
| Xinjiang Non-ferrous Metals Industry Engineering Quality Control Team (新疆有色金屬工業工程質量監督站) | A company controlled by Xinjiang Ashele's shareholder | Infrastructure construction fees* | (14) | — | — | — | 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 | Loan | (15) | — | — | 600 | 240 |
| | | Advance of construction proceeds | (12) | — | — | 292 | 1,282 |
| | | Infrastructure construction fees | (16) | — | — | — | 1,384 |
| Xinjiang Aletai Zhenan Blast Limited (新疆阿勒泰震安爆破有限責任公司) | A company controlled by Xinjiang Ashele's shareholder | Infrastructure construction fees* | (17) | — | — | — | 237 |
| Aletai Kaiyuan Mining Limited (阿勒泰開源礦業有限公司) | A company controlled by Xinjiang Ashele's shareholder | Infrastructure construction fees | (18) | — | — | — | 6 |

(1) These transactions were made according to the published prices and conditions similar to those offered to independent third parties. Fujian Shanghang Hongyang Mine Engineering Company Limited (福建上杭鴻陽礦山工程有限公司) provided construction service fees during the Relevant Periods. As Fujian Shanghang Hongyang Mine Engineering Company Limited (福建上杭鴻陽礦山工程有限公司) became a related party of the Group after becoming the minority shareholder of Hunchun Zijin and Guizhou Zijin on 10th January, 2003 and 24th March, 2003, respectively, the construction service fees paid to Fujian Shanghang Hongyang Mine Engineering Company Limited (福建上杭鴻陽礦山工程有限公司) were disclosed as related party transactions for the six months ended 30th June, 2003.

(2) In accordance with an agreement entered into between the Company and Fujian Minxi Geologist (福建省閩西地質大隊) on 28th June, 2003, the Company purchased mining and exploration rights of gold and copper mine at the southern end of Shanghang Zijinshan Gold and Copper Mine (上坑縣紫金山銅金礦東南礦段金銅礦) from Fujian Minxi Geologist (福建省閩西地質大隊) at a consideration of RMB10,736,000. Prepayment of RMB300,000 was made as at 30th June, 2003. The Company has paid RMB5,403,000 to Fujian Minxi Geologist on 22nd July, 2003. The remaining balance of RMB5,033,000 will be paid after the completion of the transfer of legal title of the mining and exploration rights from Fujian Minxi Geologist to the Company.

In accordance with an agreement entered into between Tongling Zijin and Anhui Tongling Jin Chan Mining Company Limited (安徽省銅陵金蟾礦業有限責任公司) on 1st June, 2003, Tongling Zijin purchased mining and exploration rights of Jiaochong Gold-Base-Metals Mine (焦沖金礦), Hamaling Gold Mine (蛤蟆嶺金礦) and Qingyang County Yinjiazha Gold Mine (青陽縣尹家榨金礦) from Anhui Tongling Jin Chan Mining Company Limited at a consideration of RMB16,800,000. Prepayment of RMB16,800,000 was made as at 30th June, 2003.

(3) The guarantee handling fee was paid to Minxi Xinghang State-owned Assets Investment Company Limited (閩西興杭國有資產投資經營有限公司) for the provision of guarantee on bank loans borrowed by the Company. The guarantee handling fee was calculated on terms mutually agreed between the parties. On 10th August, 2002, Minxi Xinghang State-owned Assets Investment Company Limited (閩西興杭國有資產投資經營有限公司) entered into an agreement with the Company which confirmed that the Company was not required to pay any further guarantee handling fee to Minxi Xinghang State-owned Assets Investment Company Limited (閩西興杭國有資產投資經營有限公司) since the date of the agreement.

(4) Interest expenses were paid to the shareholders of Guizhou Zijin for the advance of funds to Guizhou Zijin for the increase in share capital from RMB10,000,000 to RMB30,000,000. Interest expenses were charged for the period when the funds were received from shareholders until the completion of additional capital injection. The interest expenses were charged at short term bank loan rates ranging from 4.425% to 5.580% per annum. The interest expenses were repaid in September 2003.

(5) On 1st October, 2002, Xiamen Zijin entered into a tenancy agreement with Xiamen Hengxing Construction & Decoration Materials Company Limited (廈門恒興建築裝飾材料有限公司) at a monthly rental rate of RMB1,200. The rental expense was made at prices and terms mutually agreed between the parties.

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

(7) In accordance with agreements entered into between Anhui Zijin and Anhui Geological and Mining Bureau, Geological Team 321 (安徽省地質礦產局321地質隊) on 13th December, 2002 and 11th March, 2003, Anhui Geological and Mining Bureau, Geological Team 321 (安徽省地質礦產局321地質隊) performed drilling work in the gold mine of Anhui Zijin. The drilling work was charged to Anhui Zijin according to prices by reference to the standard fee scale issued by the PRC government.

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

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

(10) This transaction was conducted on terms mutually agreed between the parties.

(11) In accordance with an agreement entered into between the Company and 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) on 11th January, 2003, the Company disposed of 5,000,000 shares of Xinjiang Ashele to 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) at a consideration of RMB5,000,000.