

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Company.

There are risks associated with any investment. Some of the particular risks in investing in the Company are summarised in the section headed “Risk factors” in this prospectus. You should read such section carefully before you decide to invest in the Company.

OVERVIEW

The Group is a leading gold mining enterprise principally engaged in the exploration, mining, production, refining and sale of gold and other mineral resources in the PRC.

The principal operating assets of the Group are the Zijinshan Gold Mine and its ancillary gold refinery in Fujian province. According to the PRC Gold Industry Yearbook 2002, Zijinshan Gold Mine is the single largest open pit gold mine by production output in the PRC in 2001. Beneath the gold reserves of the Zijinshan Gold Mine lie a large scale of copper resources (estimated at approximately 1.465 million tonnes of copper metal). The Group also participates in the mining of, and exploration for, gold, copper and other mineral resources (such as zinc, silver and lead) in the central and western parts of the PRC, and has secured the exploration rights for an aggregate of 704.3 sq.km. in Anhui, Guizhou, Jilin, Sichuan provinces and Xinjiang. According to SRK, it is estimated that the Group controls over 235.2 tonnes of gold resources and over 2.46 million tonnes of copper resources in the PRC.

By adopting advanced mining techniques and production flow, the Zijinshan Gold Mine has demonstrated its cost efficiency in the gold mining industry. The table below summarises the Group’s operating performance and reserve movement as follows:

	For the year ended 31st December,			For the six months ended 30th June,
	2000	2001	2002	2003
Operating performance				
Mass of gold produced:				
(kg)	4,119	5,262	7,812	4,725
(ounces)	132,429	169,177	251,161	151,912
Mass of gold sold:				
(kg)	3,957	5,197	7,225	5,222
(ounces)	127,220	167,087	232,289	167,891
Minerals mined (processed)				
(million tonnes)	5.46	7.07	10.45	6.21
Revenue from gold sold:				
RMB/gram	75.3	71.7	80.9	93.0
US\$/ounce	285.62	271.97	306.87	352.76
Cash operating cost (<i>note 1</i>):				
RMB/gram	37.71	35.19	33.94	33.88
US\$/ounce	143.04	133.48	128.74	128.51

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	For the year ended 31st December,			For the six months ended
	2000	2001	2002	30th June, 2003
Total cash production cost (<i>note 2</i>):				
RMB/gram	45.51	44.03	42.97	40.52
US\$/ounce	172.62	167.01	162.99	153.70
Total production cost (<i>note 3</i>):				
RMB/gram	53.28	52.91	51.51	48.52
US\$/ounce	202.10	200.69	195.38	184.04


Reserve movement

(gold metal contained)

Opening reserve (tonnes)	144.1	138.4	129.9	148.8
Depletion (tonnes)	5.7	8.5	9.2	3.3
Replenishment (tonnes) (<i>note 4</i>)	—	—	28.1	42.3
Year end proved and probable reserve (tonnes)	138.4	129.9	148.8	187.8

Notes:

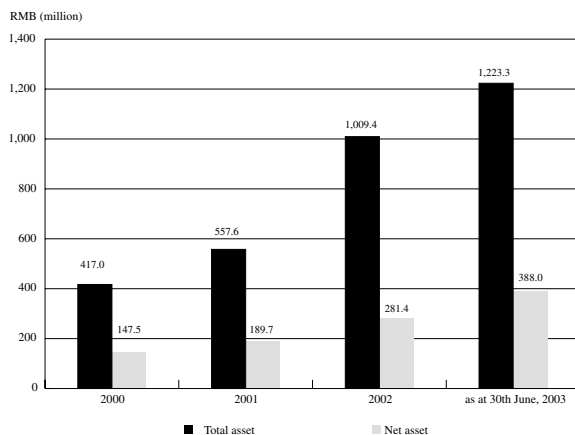
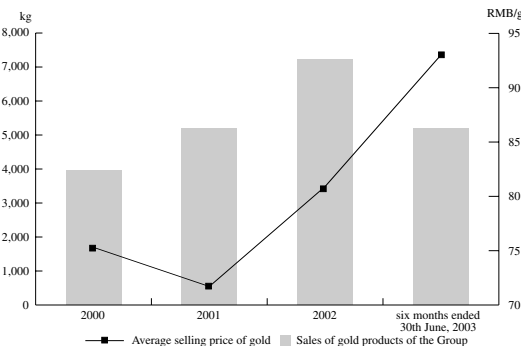
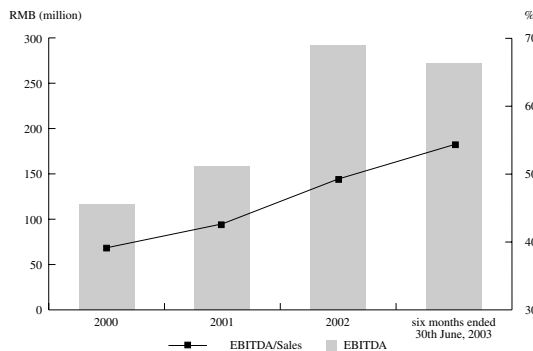
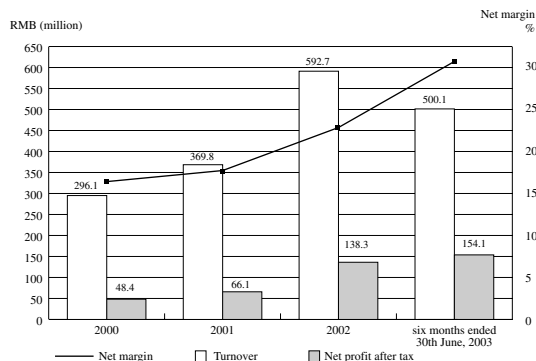
- (1) Cash operating cost comprises all direct cash production costs of mining, processing and refining.
- (2) Total cash production cost comprises cash operating cost and indirect cash costs including administration expenses, selling expenses and finance costs.
- (3) Total production cost comprises all cash and non-cash cost items.
- (4) The Group did not undertake any work to define reserve replenishment during 2000 and 2001. Replenishment in 2002 includes gold resources of 21.8 tonnes from the Shiyindong Gold Mine and 6.3 tonnes from the Paodaling Gold Mine. The addition in 2003 is attributable to gold resources of 27.5 tonnes from the Hunchun Gold-Copper Mine and 14.8 tonnes from the Jiaochong Gold-Base-Metals Mine.
- (5) The industry performance indicators include in the above table are reported with reference to the Australian Gold Reporting Standards which are generally accepted as the best industry reporting practice internationally.

The principal product of the Group is gold. The refinery of the Group produces gold bullions of 99.99% and 99.95% purity under the “ ZIJIN” brand. The quality of these gold bullions meet the standards recognised by the Shanghai Gold Exchange. The refinery of the Group is one of the first ten qualified gold refineries approved by the Shanghai Gold Exchange and has obtained ISO9001:2000 certification. Prior to the opening of the Shanghai Gold Exchange on 30th October, 2002, PBOC purchased the gold bullions, and other refining enterprises purchased the gold bearing materials and mineral ores, produced by the Group. Subsequent to the opening of the Shanghai Gold Exchange, the Group sold its gold bullions online through the Shanghai Gold Exchange. Since clearing and settlement are processed by the Shanghai Gold Exchange, the Group does not incur significant trade receivables and is not exposed to any doubtful debts on its sales of gold bullions.

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FINANCIAL HIGHLIGHT

During the Track Record Period, the Group recorded the following consistent growth in terms of its profitability, productivity and scale of operation:



COMPETITIVE ADVANTAGES

The Directors believe that the Group possesses the following competitive advantages:

Advantage in resources

The Group wholly owns the mining rights of the Zijinshan Gold Mine in Fujian province. According to the PRC Gold Industry Yearbook 2002, the Zijinshan Gold Mine is the single largest open pit gold mine by production output in the PRC in 2001. Due to unique hydrologic and geological conditions at the Zijinshan Gold Mine, it is amenable to large-scale open pit mining. The mine is situated on a highly oxidised portion of a low grade gold deposit, where gold ores are readily available for processing with high gold recoverability. With technological improvements in mining and processing operations resulting in reduced processing costs, recoverability of gold can be further improved. Beneath the gold reserves of the Zijinshan Gold Mine lie a large scale of copper deposits (estimated at approximately 1.465 million tonnes of copper metal). The copper resources are large in size with low cutoff grades. The geological and hydrologic conditions of the copper resources are suitable to mining with large scale and using the bio-leaching process.

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The Group has also obtained controlling interests in the Shuiyindong Gold Mine in Guizhou province, the Hunchun Gold-Copper Mine in Jilin province, the Paodaoling Gold Mine and Jiaochong Gold-Base-Metals Mine in Anhui province, the Ashele Copper-Zinc Mine in Xinjiang and the Caodi Gold Mine in Sichuan province.

These mines have mineral resources including approximately 235.2 tonnes of gold metal and 2.46 million tonnes of copper metal. The Group has also obtained the exploration rights of the above sites and the peripheral zones of approximately 704.3 sq.km. It is expected that, after additional geological exploration, the mineral resources of the Group can be further increased.

In addition, the Group owns a 31.5% shareholding in Makeng Mining in Fujian province, and has participated in the development of one of the largest iron mines in the eastern China with reserves estimated to amount to approximately 434 million tonnes of iron ore.

In the opinion of SRK, the mines of the Group are based on a sound geological understanding and have sufficient mineral resources and ore reserves to meet its production targets and/or are sufficiently prospective to warrant further investigations and expenditure as proposed.

Advantage in scale

The Group is one of the largest gold mining and refining enterprises in the PRC and owns the Zijinshan Gold Mine, the single largest open pit gold mine by production output in the PRC. In 2000, the processing volume of the Zijinshan Gold Mine was approximately 5.46 million tonnes of ore and the gold refining production was approximately 4,119 kg. It achieved the record for gold processing and refining for a single gold mine enterprise in the PRC. In 2001, the throughput of the Zijinshan Gold Mine was approximately 7.07 million tonnes of ore and the gold refining production was approximately 5,262 kg. In 2002, the throughput of the Zijinshan Gold Mine was approximately 10.45 million tonnes of ore and the gold refining production was approximately 7,812 kg. In comparison, the gold refining production of the second largest open pit gold mine in the PRC was approximately 2,916 kg in 2002.

The Group has undergone an upgrade development plan at the Hunchun Gold-Copper Mine. Its designed throughput upon completion is expected to reach approximately 4,000 tpd of ore, which, as at the Latest Practicable Date, will make it the second largest gold mine in the PRC in terms of ore volume.

The Directors believe that the gold mining, processing and refining operations of the Group enjoy economies of scale that have made the Group one of the most efficient gold mining enterprises in the PRC.

Advantage in cost

The Zijinshan Gold Mine is featured with geologically well-located deposits, simple hydrology and geological conditions, and highly oxidised gold ores which can be easily processed. The Group adopts large-scale open pit mining by using an internationally advanced steep-slope stripping technique which minimises overburden stripping during the development stage. The Group outsources

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the most labour-intensive stripping process to a number of contractors through a tendering process. Such outsourcing activities have resulted in considerable savings in investment in machinery and reduction in mining expenditures as well as training costs, salaries and other staff-related expenses. By capitalising on the topography of the location of the Zijinshan Gold Mine, ores are transported through a gravity drifting method which substantially reduces power consumption and transportation costs. In addition, by utilising the Group's ore processing method (crushing, screening, washing, gravity processing, coarse heap leaching and fines carbon-in-leach), the recovery rate of gold can be as high as 80%.

Advantage in technology

The Directors believe that the Group has the following advanced technologies:

- the Group employs a unique ore processing method, which combines the processes of crushing, screening, washing, gravity processing, coarse heap leaching and fines carbon-in-leach, with a recovery rate as high as 80%;
- the Group utilises a hot pressure cyanide-free elution and electrowinning technique. The Directors believe that this places the Group in a leading position in gold refining in the PRC;
- the Group is equipped with a self-developed activated carbon regeneration furnace, which is one of the largest activated carbon regeneration furnaces in the PRC. It can maintain operational stability, a high recovery rate of activated carbon and a low cost of regeneration;
- the Group adopts a comprehensive utilisation technique for low grade gold ores and gold containing solid waste. The Directors believe that it has demonstrated high cost-effectiveness and has extensive application prospects;
- the Group has attained a leading position in research and development of the refractory gold treatment process. Since there are substantial refractory gold resources in the central and western parts of the PRC, the utilisation by the Group of its self-developed chemical pre-oxidation techniques, as well as hot pressure elution and electrowinning technique, could significantly assist in the development of refractory gold mines; and
- the Group has developed a bacterial leaching-extraction-electrowinning technique and engineering process for primary copper ore. This technique has been included in the State Tenth-Five Year Plan for Key Projects (國家“十五”重點攻關項目).

Advantage in product

The refinery of the Group produces gold bullions of 99.99% and 99.95% purity under the “ ZIJIN” brand. The quality of these gold bullions meet the standards recognised by the Shanghai Gold Exchange. The refinery of the Group is one of the first ten qualified gold refineries approved by the Shanghai Gold Exchange and has obtained ISO9001:2000 certification.

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Advantage in human resources

Most members of the senior management of the Group possess extensive experience in the non-ferrous metal industry and the mining industry (including geology and metallurgy). Over 80% of the members of the senior management are of university level or higher. Of the 1,035 employees of the Group, as at the Latest Practicable Date, 377 are university or tertiary educated or above. A post-doctoral research station and an in-house research centre undertakes various State-level technology projects. With these human resources, the Directors believe the Group is in a leading position in the industry in the PRC, particularly in the refining of low grade gold ores and the application of hydrometallurgy.

Advantage in its leading position in the industry

The Directors believe that the Group is one of the most advanced gold ore processing enterprises in the world in terms of its scale of production, utilisation of low grade ores, environmental management and research and development capability. The Directors believe that the Group has also maintained its leading position in the mining industry in the PRC in terms of quality of management, profitability, return on investment and construction cycles, which are of international standards. As a result of the accession by the PRC to the WTO, competition within the gold and gold-related industries has intensified, and large scale consolidation within the gold industry is inevitable. The Directors believe that the Group is equipped with the necessary technical know-how, management skills and capital to maintain its leading position in the mining industry in the PRC and to take advantage of any opportunities which may arise from such industry consolidation.

BUSINESS OBJECTIVE AND STRATEGIES

The business objective of the Group is to develop itself into a highly efficient and technologically advanced enterprise principally engaged in the development and exploration of mineral resources, particularly gold. The Group has developed a three-stage strategy in order to achieve its mission, being “leading the gold industry, penetrating the domestic mining industry, and meeting the high standards of the international mining industry”. This strategy capitalises on the competitive advantages of the Group to further develop and expand its gold production and refining capacity and, if opportunities arise, to participate in the operation of other mineral resources.

The Group has strengthened its research and development capability. The Group has also been involved in the development of mineral resources in the central and western parts of the PRC. The Group has taken these steps to take advantage of the growth opportunities emerging from the expanding gold and mining markets in the PRC.

Having considered the above business objectives and the competitive advantages of the Group, the Directors have formulated the following business strategies:

Expand gold production capacity

The Group intends to enhance the level of resources utilisation, and to increase the quantity of recoverable gold resources through a comprehensive utilisation of gold-containing waste at the Zijinshan Gold Mine, in order to maintain its gold throughput at approximately 9 tpa of metal.

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The Group intends to increase the gold production volume by 2,500 kg of metal in the next two years at the Shuiyindong Gold Mine, the Hunchun Gold-Copper Mine and the Paodaoling Gold Mine. The Group also intends to increase its number of gold development projects in the next five years, with the aim that in 2008, the annual gold production volume of the Group will be 15,000 kg of metal.

Gradual increase of the development of copper and non-ferrous metal resources

Apart from the gold resources of the Group, it has, as at the Latest Practicable Date, over 2.46 million tonnes of copper resources. The Group owns the Zijinshan Copper Mine and has a controlling shareholding in the Ashele Copper-Zinc Mine. Bio-leaching-extraction-electrowinning experiments undertaken by the Group on the copper resources of the Zijinshan Copper Mine have been positive. In order to expedite the implementation of the State Tenth-Five Year Plan for Key Projects (國家“十五”重點攻關項目) “Biological Metallurgy and Engineering for Zijinshan”, the Group intends to complete the construction of a copper ore processing system in Zijinshan Copper Mine with a production capacity of approximately 13,000 tpa of cathode copper by the end of 2004. Construction of the Ashele Copper-Zinc Mine, which will have an expected processing capacity of approximately 4,000 tonnes of ore per day, is under way, and production is scheduled to commence in the fourth quarter of 2004. Upon full operation of the Ashele Copper-Zinc Mine, its annual production capacity is anticipated to be approximately 30,000 tonnes of copper concentrate per annum, approximately 15,000 tonnes of zinc concentrate, approximately 194 kg of gold associated with copper concentrate and approximately 18,553 kg of silver associated ore. The Group intends to pursue other suitable mineral projects in the PRC.

Actively participate in the exploration and development of gold and non-ferrous metal resources in the central and western parts of the PRC

The Directors believe that discovery and control of mineral resources is the key to the viability of mining enterprises.

Accordingly, the Group intends to enlarge the mineral resources of the Group through exploration as well as mergers and acquisitions. The Directors believe that there are opportunities in the central and western parts of the PRC. By capitalising on the expertise and technological advantages (in particular, the hydrometallurgical techniques) of the Group, the Directors believe that the Group will be able to focus on the development of low-grade gold deposits, refractory gold deposits and base metal in the central and western parts of the PRC.

Promote technological innovations

The Group adopts advanced technology in order to improve its rate of utilisation of resources and reduce its overall costs of processing and refining of ore. The Group adopts a sustainable development strategy in a cost-effective manner.

The Group intends to optimise the method of open pit mining of the Group, to enhance its utilisation of resources and to further control its ore depletion rate and mining costs. The Group intends to adopt the proprietary process of ore processing of the Group to fully utilise low-grade ores and gold-containing waste and plans to further increase recoverability of heap leaching and reduce gold losses to waste.

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The Group has adopted a refining process using electrowinning to reduce its overall costs and time required so as to quickly and effectively respond to market changes.

The Directors intend to enhance the strength of the Group in the research and development of new techniques on chemical pre-oxidation, pressurised pre-oxidation (leaching) and biological pre-oxidation methods, and to apply them to the treatment of refractory gold and complicated non-ferrous metal mine resources in the central and western parts of the PRC.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The Directors believe that the net proceeds from the Share Offer are essential to finance the implementation of the business strategies of the Group, which will enable the Group to consolidate its position as a leading mining enterprise with advanced technology and high cost-efficiency.

Assuming an Offer Price of HK\$3.10 (being the mid-point of the stated range of the Offer Price of HK\$2.90 and HK\$3.30 per H Share), the net proceeds from the New Issue, after deducting related expenses but without taking into account the proceeds from the additional new H Shares to be issued upon the exercise of the Over-allotment Option, are estimated to amount to approximately HK\$934,000,000.

The Directors intend to apply the above proceeds for the following purposes:

- approximately RMB168,800,000 (equivalent to approximately HK\$160,762,000) will be utilised for the combined utilisation of the gold-containing solid waste and environmental management of the Zijinshan Gold Mine, of which RMB97,825,000 has been committed by the Group;
- approximately RMB150,000,000 (equivalent to approximately HK\$142,857,000) will be utilised for seeking opportunities to acquire additional gold resources in the central and western parts of the PRC and prospecting for gold resources;
- approximately RMB100,000,000 (equivalent to approximately HK\$95,238,000) will be utilised for the capital contribution to the subsidiaries of the Company including RMB25,000,000 as to Hunchun Zijin, RMB25,000,000 as to Tongling Zijin and RMB50,000,000 as to Xiamen Zijin, of which RMB 14,600,000 has been committed by the Group;
- approximately RMB85,000,000 (equivalent to approximately HK\$80,952,000) will be utilised for the development of the Zijinshan Copper Mine;
- approximately RMB80,000,000 (equivalent to approximately HK\$76,190,000) will be utilised for the acquisition of the mining and exploration rights of mines in the peripheral zones of Zijinshan Gold Mine, of which RMB10,436,000 has been committed by the Group; and
- the balance will be utilised for general working capital.

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In the event that the Over-allotment Option is exercised in full, the additional net proceeds of about HK\$141.9 million (assuming the Offer Price is determined at the mid-point of the stated range) will be utilised for acquisition of additional gold resources in the central and western parts of the PRC.

To the extent that any part of the business strategies cannot be implemented or proceed as planned, or the net proceeds of the New Issue are not immediately required for the purposes stated above, the Directors, after evaluation, may reallocate the intended funds to other business plans and/or new projects of the Group and/or place them on short-term interest bearing deposits with banks or financial institutions. If these occur, the Company will make an announcement pursuant to the Listing Rules.

Taking into account the internal resources of the Group and the loan facilities available, the Directors believe that the net proceeds from the New Issue will be sufficient to finance the business strategies of the Group set out in the section headed “Future plans and use of proceeds” of this prospectus.

FORECAST FOR THE YEAR ENDING 31ST DECEMBER, 2003

Forecast consolidated profit after tax and

minority interests but before extraordinary items^(note 1) not less than RMB280,000,000
(about HK\$266,667,000)

Forecast consolidated earnings per Share

— Basic^(note 2) RMB0.295
(about HK\$0.281)

— Pro forma fully diluted^(note 3) RMB0.221
(about HK\$0.211)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31st December, 2003 have been prepared are summarised in Appendix II to this prospectus.
- (2) The calculation of basic forecast earnings per Share is based on the forecast consolidated profit after tax and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003 and a total of 950,000,000 Shares, being the number of Shares in issue immediately before the Share Offer but taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The calculation of the forecast earnings per Share on a fully diluted basis is based on the forecast consolidated profit after tax and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003 and on the assumption that a total of 1,266,636,364 Shares (assuming the Over-allotment Option is not exercised) were in issue during the entire year. The forecast profit after tax and minority interests but before extraordinary items of the Group for the year ending 31st December, 2003 has not taken into account any interest income that would have been earned if the net proceeds from the New Issue had been received on 1st January, 2003.

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SHARE OFFER STATISTICS

	Based on an Offer Price of HK\$2.90 per H Share	Based on an Offer Price of HK\$3.30 per H Share
Market capitalisation of the H Shares ^(note 4)	HK\$1,010.1 million	HK\$1,149.4 million
Forecast price/earnings multiple		
— Basic ^(note 5)	10.3 times	11.7 times
— Pro forma fully diluted ^(note 6)	13.7 times	15.6 times
Adjusted net tangible asset value per Share ^(note 7)	HK\$1.022	

Notes:

- (4) The calculation of the market capitalisation of the H Shares is based on 348,300,000 H Shares in issue immediately after completion of the Share Offer but does not take into account any H Shares which may be issued upon exercise of the Over-allotment Option.
- (5) The calculation of basic forecast price/earnings multiple is based on the forecast consolidated earnings per Share for the year ending 31st December, 2003 of about RMB0.295 (about HK\$0.281) at the respective Offer Price of HK\$2.90 and HK\$3.30 per H Share, and based on the assumption set out in note (2) above.
- (6) The calculation of forecast price/earnings multiple on a fully diluted basis is based on the fully diluted forecast consolidated earnings per Share of RMB0.221 (about HK\$0.211) at the respective Offer Price of HK\$2.90 and HK\$3.30 per H Share and the 1,266,636,364 Shares (assuming the Over-allotment Option is not exercised) were in issue since 1st January, 2003. For the purpose of this calculation, the forecast consolidated profit after taxation but before extraordinary items for the financial year ending 31st December, 2003 has not taken into account any interest income that would have been earned if the net proceeds of the New Issue had been received on 1st January, 2003.
- (7) The adjusted net tangible asset value per Share is based on 1,266,636,364 Shares expected to be in issue immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised) and an offer price of HK\$3.1 (being the mid-point of the stated price range of HK\$2.90 and HK\$3.30).

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$3.10 per H Share (being the mid-point of the stated range of the Offer Price of between HK\$2.90 and HK\$3.30 per H Share), the adjusted net tangible assets of the Company will be increased to approximately HK\$1.093 per Share, while the fully diluted earnings per Share will be diluted correspondingly to approximately HK\$0.203 per Share. However, the Directors believe that this will not have any material impact on the interests of Shareholders.

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DIVIDEND POLICY

For each of the years ended 31st December, 2002, the Company declared and distributed final dividends of RMB11,875,000, RMB47,500,000 and RMB95,000,000 to the then shareholders of the Company respectively during the Track Record Period. Such dividends were recommended by the Directors and approved by the shareholders of the Company after taking into account all relevant factors, including the results and profit levels, financial condition and anticipated funding requirement of the Group. The Directors consider that the relevant dividend amount was appropriate in light of the then cashflow position of the Group which represented a fair and reasonable return to the then shareholders of the Company.

For the year ended 31st December, 2003, the Directors propose to declare a dividend to the Shareholders equivalent to not less than 30 per cent. of the Company's distributable profit of the year. Based on the forecasted distributable profit of the Company for the year ending 31st December, 2003 of RMB280,000,000 (approximately HK\$266,667,000) as set out in Appendix II to this prospectus, it is estimated that the dividend declared will not be less than RMB84,000,000 (approximately HK\$80,000,000) or RMB0.0663 per Share (approximately HK\$0.0632 per Share) assuming the Over-allotment Option is not exercised.

The declaration, payment and amount of dividends will be subject to the discretion of the Shareholders' general meeting and will be dependent upon the earnings, financial conditions and cash requirements and availability of the Company, the provisions of relevant laws and all other relevant factors. Potential investors should note that the historical declaration and distribution of dividends should not be used as a reference or basis to determine the amount of dividend to be declared and distributed in the future.

The Articles of Association require that a cash dividend of H Shares be declared in Renminbi and distributed in HK dollars to H Share holders. Conversion of Renminbi and Hong Kong dollars will be subject to the relevant PRC foreign exchange regulations and will be calculated at an exchange rate which will be the average of the PBOC Exchange Rate one calendar week preceding the date of declaration of the dividend. If the Company does not have sufficient foreign exchange reserves to distribute its dividend in Hong Kong dollars, the Directors intend to exchange the required Hong Kong dollars from authorised banks or through other approved means. Please refer to the section headed "Foreign exchange control" in the section headed "Summary of relevant PRC and Hong Kong laws and regulations" in Appendix V to this prospectus.

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RISK FACTORS

The Directors believe that the business of the Company involves a certain number of risk factors. Details of the risk factors are set out in the section headed “Risk Factors” of this prospectus. The risk factors (which can be summarised as risks relating to the Group, risks relating to the industry, risks relating to the PRC and risks relating to the Share Offer) are as follows:

Risks relating to the Group

- Price fluctuations of gold
- Uncertainty in the results of exploration for resources
- Licence period of mining rights
- Reliance on operating performance of a single gold mine
- Technological risks
- Risk of contingent liabilities on guaranteed loans
- Reliance on stripping contractors
- Possible provisions made on loan granted to Hunchun Gold and Copper Mining Company Limited
- Amortisation policy on mining rights
- Provision of raw materials
- Supply of electricity
- Business expansion
- Environmental protection
- Production safety
- Handling of dangerous articles
- Exploitation for additional copper resources
- Capital requirements and funding sources

Risks relating to the industry

- Government regulations on the gold mining industry
- Competition for resources
- Taxation

Risks relating to the PRC

- Political and economic considerations
- Legal considerations
- Foreign exchange transactions and exchange rates
- Different regulatory framework
- Securities laws and regulations
- Enforceability of judgements and arbitration

Risks relating to the Share Offer

- Liquidity and share price of the H Shares may fluctuate
- Tax to be imposed on overseas shareholders

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TRACK RECORD PERIOD

The following is a summary of the combined operation results of the Group for the Track Record Period. This summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

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