



福建紫金礦業股份有限公司

Fujian Zijin Mining Industry Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Annual Results Announcement for the year ended 31 December 2003

Financial results

Turnover	+77.26% to RMB1,050,529,000
Gross profit	+94.83% to RMB567,676,000
Gross profit margin	54.04% as compared to 49.16% for Year 2002
Net profit attributable to shareholders	+127% to RMB313,906,000
Net profit margin	29.88% as compared to 23.33% for Year 2002

Operating performance

Mass of gold produced	+37.66% to 10,754 kg or 345,749 ounce
Mass of gold sold	+44.61% to 10,448 kg or 335,910 ounce
Average selling price of gold	+19.53% to RMB96.7 per gram or RMB3,007.7 per ounce

Highlights

- Issue of bonus shares on the basis of 10 new ordinary shares for every 10 existing ordinary shares upon proposed conversion of reserve fund into share capital
- Proposed dividend of RMB0.15 per share, representing a payout ratio of 45.45%
- High growth in turnover and profit due to significant increase in production volume and continuous rise in gold price during the year
- Continuous enhancement in operating stability and recoverability of gold by improving production techniques and allocation of resources
- Sound financial position with a current ratio of 304% and trade receivables turnover of 0.8 day

The board of directors (the “Board”) of Fujian Zijin Mining Industry Co., Ltd. (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2003

	<i>Notes</i>	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Turnover	1	1,050,529	592,654
Cost of sales		<u>(482,853)</u>	<u>(301,278)</u>
Gross profit		567,676	291,376
Other revenue	1	3,975	1,994
Selling and distribution costs		(4,926)	(2,163)
Administrative expenses		(120,944)	(63,166)
Other operating costs		<u>(12,119)</u>	<u>(7,305)</u>
Profit from operating activities	2	433,662	220,736
Finance costs	3	(17,129)	(15,805)
Share of profit of an associate		<u>2,018</u>	<u>1,100</u>
Profit before tax		418,551	206,031
Tax	4	<u>(95,677)</u>	<u>(67,850)</u>
Profit before minority interests		322,874	138,181
Minority interests		<u>(8,968)</u>	<u>102</u>
Net profit from ordinary activities attributable to shareholders	5	<u>313,906</u>	<u>138,283</u>
Proposed final dividend	6	<u>197,120</u>	<u>95,000</u>
Earnings per share - basic and diluted		<u>RMB0.33</u>	<u>RMB0.15</u>

CONSOLIDATED BALANCE SHEET
As at 31 December 2003

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
NON-CURRENT ASSETS		
Fixed assets	876,249	545,794
Land use rights	15,236	12,006
Long term deferred assets	63,499	45,499
Intangible assets	117,213	78,507
Goodwill	14,520	16,766
Interests in an associate	10,990	9,463
Other investment	<u>40</u>	<u>40</u>
	<u>1,097,747</u>	<u>708,075</u>
CURRENT ASSETS		
Inventories	121,624	96,242
Prepayments, deposits and other receivables	340,575	46,542
Trade receivables	2,373	1,659
Due from related parties	4,141	892
Due from an associate	—	41
Tax recoverable	—	571
Pledged cash	14,475	2,000
Cash and cash equivalents	<u>1,114,466</u>	<u>153,339</u>
	<u>1,597,654</u>	<u>301,286</u>
CURRENT LIABILITIES		
Due to related parties	—	5,000
Accrued liabilities and other payables	322,130	81,822
Trade payables	103,222	76,680
Current portion of interest-bearing bank loans	—	12,000
Short term bank loans	56,500	38,200
Government grants	553	—
Current portion of other long term loans	230	30
Provision for land restoration and environmental costs	14,414	—
Tax payable	<u>28,031</u>	<u>179</u>
	<u>525,080</u>	<u>213,911</u>

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
NET CURRENT ASSETS	107,574	87,375
TOTAL ASSETS LESS CURRENT LIABILITIES	2,170,321	795,450
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	199,400	351,050
Other long term loans	1,000	200
Long term other payables	<u>42,141</u>	<u>42,141</u>
	<u>242,541</u>	<u>393,391</u>
MINORITY INTERESTS	221,418	120,707
	<u>1,706,362</u>	<u>281,352</u>
CAPITAL AND RESERVES		
Issued capital	131,413	95,000
Reserves	1,574,949	91,352
Proposed final dividend	<u>197,120</u>	<u>95,000</u>
	<u>1,509,242</u>	<u>281,352</u>

Notes:

1. **Turnover, other 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:

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Turnover:		
Sale of gold bullions	1,009,979	584,232
Sale of gold concentrates	11,972	—
Sale of iron concentrates	14,360	4,138
Sale of copper concentrates	5,820	—
Sale of copper cathodes	14,896	8,929
Others	524	—
Less: Sales taxes and levies	<u>(7,022)</u>	<u>(4,645)</u>
	<u>1,050,529</u>	<u>592,654</u>
Other revenue:		
Interest income	710	370
Rental income	338	142
Processing income	—	742
Dividend income from other investment	—	8
Others	<u>2,294</u>	<u>692</u>
	3,342	1,954
Gains:		
Exchange gains	445	—
Gain on deemed disposal of 8.325% equity interest in a subsidiary	148	—
Amortisation of negative goodwill	<u>40</u>	<u>40</u>
	<u>633</u>	<u>40</u>
	<u>3,975</u>	<u>1,994</u>

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 gold mining and geological studies in the PRC. Accordingly, no business segment information is presented. Turnover and profit generated from operating activities by the Group during the Relevant Period were mainly generated from gold mining business in the PRC with all the assets located in the PRC. Accordingly, no geographical segment data is presented.

2. Profit from operating activities

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

	2003 RMB'000	2002 RMB'000
Depreciation (<i>note (i)</i>)	89,313	64,627
Amortisation of land use rights*	305	147
Amortisation of long term deferred assets*	3,500	2,641
Amortisation of intangible assets*	3,112	2,761
Research expenditures	9,309	5,044
Minimum lease payments under operating leases on land and buildings	362	355
Auditors' remuneration	856	400
Staff costs (including directors', supervisors' and senior executives' emoluments as shown in note 6)		
Salaries and other staff costs (<i>note (ii)</i>)	53,818	26,169
Retirement benefits - defined contribution fund (<i>note (iii)</i>)	<u>3,742</u>	<u>3,608</u>
	<u>57,560</u>	<u>29,777</u>
Provision for/(write-back of) inventory obsolescence	(143)	59
Provision for bad and doubtful trade receivables**	179	8
Provision for/(write-back of) bad and doubtful other receivables**	1,095	(1,512)
Provision for restoration, rehabilitation and environmental costs	14,414	—
Write back of loss on guaranteed bank loans**	—	(14)
Loss on disposal of fixed assets**	2,613	4,105
Donations**	5,885	4,609
Amortisation of goodwill**	1,613	—
Loss on disposal of 2% equity interest in a subsidiary**	164	—
Write-back of impairment of fixed assets**	<u>(149)</u>	<u>—</u>

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

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

Notes:

- (i) Depreciation cost of approximately RMB80,080,000 was included in the cost of sales for the year ended 31 December 2003 (2002: RMB60,230,000).
- (ii) Staff costs of approximately RMB25,626,000 were included in the cost of sales for the year ended 31 December 2003 (2002: RMB13,904,000).
- (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 18% 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.

3. Finance costs

	Group	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Interest paid on bank loans repayable within five years	22,677	21,400
Less: Amount capitalised as construction in progress	<u>(5,548)</u>	<u>(5,595)</u>
	<u>17,129</u>	<u>15,805</u>

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 2.18% to 7.84% per annum (2002: 5.18% to 10.53%).

4. Tax

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current		
— Hong Kong	—	—
— Mainland China	137,025	67,398
Overprovision in prior year (note (ii))	<u>(42,077)</u>	—
	94,948	67,398
Share of tax attributable to an associate	<u>729</u>	<u>452</u>
	<u>95,677</u>	<u>67,850</u>

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 No. 47” issued by the State Council of the PRC as well as the separate approvals granted by the local tax department at the end of 2003, two subsidiaries of the Group located in the western region of China (namely Guizhou Zijin and Hunchun Zijin) were 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 2003 for a ten-year period to 31 December 2010 as long as the two subsidiaries continue to engage in qualified operations in their respective regions. As Guizhou Zijin and Hunchun Zijin commenced operation in 2003, no overprovision for tax payable were drawn for the year ended 31 December 2002.

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 an approval document issued by the local tax authority of Shanghang County in 2003, the Company is taxed at a preferential rate of 15% with retroactive effect from 1 January 2000 to 31 December 2001 as the Company is classified as a “high-tech” enterprise in its province for tax purposes. As confirmed by the local tax authority of Shanghang County on 10 February 2004, the excessive tax paid in relation to the two years ended 31 December 2001 would offset against the tax liabilities of the Company as at 31 December 2003. Accordingly, tax expense amounting to RMB34,133,000 in aggregate was written back during the year.

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 2002 or before and an approval from the local tax bureau to reduce income tax liabilities was obtained in 2003. An overprovision of tax payable in relation to such deduction amounting to RMB7,944,000 was written back during the year.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and its subsidiaries 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:

	2003		2002	
	RMB'000	%	RMB'000	%
Profit before tax	<u>418,551</u>		<u>206,031</u>	
At PRC statutory tax rate	138,122	33.0	67,990	33.0
Expenses not deductible for tax	4,304	1.03	421	0.20
Assessible items	(130)	(0.03)	(517)	(0.25)
Differential tax rate on the profit of certain subsidiaries	(4,542)	(1.09)	(44)	(0.02)
Overprovision in prior years	<u>(42,077)</u>	<u>(10.05)</u>	<u>—</u>	<u>—</u>
Tax charge at the Group's effective rate	<u>95,677</u>	<u>22.86</u>	<u>67,850</u>	<u>32.93</u>

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and an associate as the Group has 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.

5. Net profit from ordinary activities attributable to shareholders

Net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was RMB306,031,000 (2002: RMB137,877,000).

6. Proposed final dividend

	2003	2002
	RMB'000	RMB'000
Proposed final dividend, RMB0.15 (2002: RMB1) per ordinary share	<u>197,120</u>	<u>95,000</u>

Note:

At the general meetings held on 18 May 2003 and 1 November 2003, the shareholders declared an aggregate dividend of RMB95,000,000 in respect of the year ended 31 December 2003.

In respect of dividends, the amount in the Company and its subsidiaries may be legally distributed by way of dividends which is determined pursuant to the profit reflected in the statutory financial statements prepared in accordance with the PRC GAAP. The profit is different from that reflected under this report which is prepared in accordance with the International Financial Reporting Standards. Directors distribute dividends pursuant to the lower of the profit determined under the PRC GAAP and International Financial Reporting Standards.

7. Earnings per share

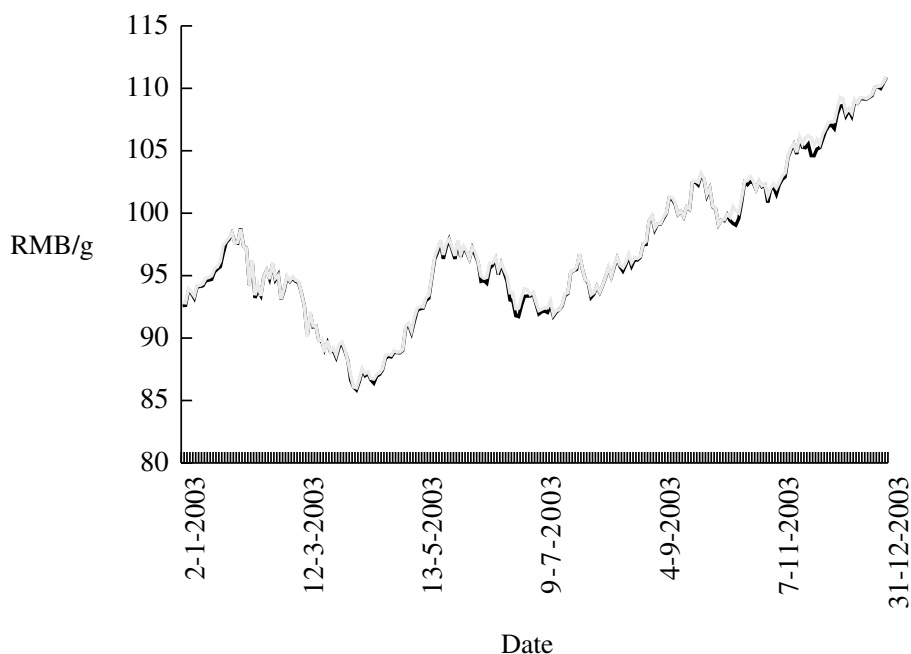
The calculation of earnings per share is based on the Group's net profit attributable to shareholders of RMB313,906,000 (2002: RMB138,283,000) and the weighted average number of 958,197,838 ordinary shares (2002: 950,000,000 ordinary shares) in issue during the year, as if the sub-division of the Company's shares from one Domestic Share of nominal value of RMB1.00 each to ten Domestic Shares of RMB0.1 each, had taken place on 1 January 2002.

Diluted earnings per share amount for the year ended 31 December 2003 and 2002 have not been disclosed as there were no potential dilutive ordinary shares outstanding during the years.

MARKET REVIEW

The world gold market was volatile in 2003. The prices of the international gold market at the beginning and end of the year were US\$347.8/ounce and US\$415.4/ounce respectively, with an increase of 19.4% for the whole year. While the exchange rate of the Euro to US dollar continued to rise, the position of the US currency experienced increasing challenges. The US war on Iraq as well as the frequent terrorists' attacks after the war enhanced the advantage of gold as a risk haven. The changes in international political and economic conditions resulted in increase in both investment and physical demands for gold, which strongly supported the gold price appreciation. The gold price in the PRC benefited from the establishment and commencement of trading of the Shanghai Gold Exchange in October 2002 and kept its pace of growth with the international gold price simultaneously.

Chart on Gold Price Movement in the PRC in 2003



OPERATION OVERVIEW

1. Breakthrough in productivity

By leveraging on the excellent organization structure and improved management of the Zijinshan Gold Mine and the gold refinery, the Group's gold production of Zijinshan Gold Mine for the year reached 9,887 kg which exceeded the annual production plan with respect to all performance indicators.

The operation of Phase I of Guizhou Shuiyindong Gold Mine commenced successfully during the year. It produced a total of 562.26 kg of gold and recorded a sales income of RMB55.02 million during the year.

Jilin Hunchun Gold-Copper Mine achieved positive investment returns during the year, 224,000 tonnes of ores were processed, producing 180 kg of gold and 577 tonnes of copper, and realising sales income of RMB17.79 million.

288,000 tonnes of ores were processed from Paodaoling Gold Mine, producing 112 kg of gold, and realising sales income of RMB11.16 million.

Xinjiang Ashele Copper Mine completed infrastructure investments of RMB106.0 million in the year. Drainage engineering works have been fully completed, and site selection for plants, and construction of well tower for the main and auxiliary wells have been completed on schedule. 60,027 cbm of well and tunnels were dugged and 4,643 cbm of concrete supports were completed. The construction of modern mine is expected to be completed and put into production in 2004.

Construction of Zijinshan Copper Mine has been formally commenced, with initial design plans completed and civil engineering of well and tunnel commencing in full force.

Construction of infrastructures such as water, electricity, roads and housing, at Jiuzhaigou Caodi Gold Mine was also completed. Upon the completion of the project origination and preparation of feasibility report, we have achieved a solid foundation for the completion of phase I engineering by June 2004.

Xiamen Zijin Technology Building was completed in 2003 during the period of "8th September Trade Forum". Preparation works for the construction of Precious Metal Research Institute and Mineral Products Testing Center were fundamentally completed.

In respect of resources exploration, Zijinshan Gold Mine has completed acquisition of the south-eastern section of the mine, with additional mining areas of 0.2805 sq. km., and exploration areas of 1.91 sq. km. Registered exploration rights at Guizhou Shuiyindong Gold Mine amounted to 237 sq. km in total, where newly discovered resources were identified in geological prospecting. Newly registered exploration rights at Hunchun Gold-Copper Mine amounted to 207 sq. km. in total. New proven resources

in the peripherals of Paodaoling Gold Mine amounted to 580,000 tonnes, with gold metals of 1,546 kg. Exploration projects at Tibet Mayoumu Gold Mine, Sichuan Shimian Platinum Mine, Tongling Jiaochong Gold Mine, Kaiyang Alumyte Mine are progressing steadily.

2. Remarkable results achieved upon technology inputs

The “open pit mining and steep slope stabilisation study in Zijinshan Gold Mine” is an advanced mine construction method of infrastructure stripping and production stripping researched by the cooperation of the Company with Maanshan Mining Research Institute. It was awarded Science and Technology Grade I Award by the China Gold Association.

Research on Biological metallurgy technology and engineering research project, a major subject of the State Tenth-Five Plan for Key Projects, was completed. Results derived from the scientific researches were assessed and inspected by authorities under the Ministry of Science and Technology in December last year.

The “Thermal Chemical Pre-Oxidation Process By Normal Pressure — The New Cyaniding Technique”, with proprietary intellectual property rights owned by the Group on its own, successfully commenced industrialised production at Guizhou Shuiyindong Gold Mine, which improved the conventional refining method in the PRC that refractory gold ore cannot be refined.

3. Exploring underutilized resources and minimize wastage through systematic management

The Group reinforced fundamental management from financial aspect so as to improve its performance as a whole. Management expenses and mining costs were reduced with an enhanced rate of resources utilization. Ore-processing cycle was shortened so as to improve technical economic indicators. Average cut-off grades of the Zijinshan Gold Mine reached 0.87 g/t in 2003, and the recovery rate in ore processing was up to 83.4%.

By capitalizing on the Company’s credibility and financial products in accordance with the domestic financial environment, finance costs dropped accordingly.

4. Environment protection and safety, ecological tours

In conformity with the principle of “Development with protection”, we have implemented strict control measures over safety, environment protection and ecological rehabilitation issues. There has been no casualty incident occurred during the year. Indicators on environment protection were attained. The “Gold Tour” ecological tour has formed its preliminary scale.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's management hereby presents the discussion and analysis on the operating results for the year 2003:

Operating results

In 2003, the Company's management have executed various resolutions passed on the shareholders meetings and Board meetings in every respect, and capitalise on the rise in gold prices, with well-organised production planning, realising sales income of RMB1,050.5 million during the year, an increase of RMB457.9 million, or 77.3% over the previous year.

For the year ended 31st December, 2003, the Group's turnover was mainly derived from sale of gold bullion, copper cathodes, gold concentrates, copper concentrates and iron concentrates. Turnover refers to the total sales amount after deducting sales tax and levies.

The table below sets out details of sales by products for the two years ended 31st December, 2002 and 2003:

Product	2003			2002		
	Unit price	Volume/	Amount/ RMB'000	Unit price	Volume/	Amount/ RMB'000
Gold	RMB96.7/g	10,448kg	1,009,979	RMB80.9/g	7,225kg	584,232
Gold concentrates	RMB66.7/g	179.62kg	11,972	—	—	—
Iron concentrates	RMB267/t	53,706.67t	14,360	RMB168/t	24,615t	4,138
Copper concentrates	RMB10,084/t	577.129t	5,820	—	—	—
Copper cathodes	RMB15,054/t	989.52t	14,896	RMB13,009/t	686.36t	8,929
Others	—	—	524	—	—	—
Less: Sales tax & levies	—	—	(7,022)	—	—	(4,645)
Total	—	—	<u>1,050,529</u>	—	—	<u>592,654</u>

The Group's turnover in 2003 increased by 77.26% over 2002, which was attributable to commencement of production by Hunchun Zijin and Guizhou Zijin in March and June 2003 respectively. Comprehensive utilisation project of solid tailings of the gold mines have also been partially put into operation, thereby enabling a significant growth in the production of gold. Another important factor was the significant increase in the prices of gold and copper cathodes as illustrated from the above table.

An analysis of gross profit and gross profit margin

As a mining enterprise, the Group's cost of sales mainly includes blasting cost, ore transportation cost, raw materials, utilities, salaries and depreciation on fixed assets. Cost of sales in 2003 was RMB482.85 million, representing an increase of approximately 60.27% as compared to RMB301.28 million in 2002, which was mainly attributable to the increase in the output. The table below sets out details of the gross profit margin for the two years ended 31st December, 2002 and 2003.

Product	2003 %	2002 %
Gold	55.16	50.4
Gold concentrates	40.3	—
Iron concentrates	12.26	5.1
Copper concentrates	34.05	—
Copper cathodes	15.8	16.6
Others	100	—
Total	<u>54.04</u>	<u>49.2</u>

The Group's overall gross profit margin increased from 49.16% in 2002 to 54.04% in 2003, which was mainly attributable to the increase in the selling price of gold. In 2003, structures of product portfolio were adjusted. However, sales income from gold products accounted for 95.5% of the total sales income, while the proportion of turnover from gold concentrates and copper concentrates with lower gross profit margins represented only 1.68%. The selling price of gold increased from RMB80.9/g in 2002 to RMB96.7/g in 2003, which was mainly attributable to the increase in international gold price. Average unit production cost of gold increased from RMB41.2/g in 2002 to RMB42.8/g in 2003, and consolidated costs of ore were RMB38.51/g in 2002 and 2003, which did not appear to be volatile to a significant extent.

Selling and distribution costs

The Group's selling and distribution costs increased by 127.74% from RMB2.16 million in 2002 to RMB4.93 million in 2003, which was mainly attributable to the increase in transportation and insurance fees, handling fees in gold transactions.

Administration expenses

The Group's administration expenses in 2003 amounted to RMB120.94 million, representing an increase of 91.3% over RMB63.17 million in 2002. The increase was mainly attributable to (i) the operating expenses upon the establishment of seven subsidiaries in Sichuan, Jilin Hunchun, Tibet, Anhui Tongling, Shanghang successively in 2003, (ii) Guizhou Zijin commenced production in June 2003, causing increase in the management personnel and expenses, and (iii) increase in the R&D cost to enhance the development of the newly-established subsidiaries of the Group.

Finance costs

The Group's finance costs in 2003 was RMB17.13 million, an increase of 8.38% over RMB15.81 million in 2002, which was mainly attributable to the increase in part of the bank loans upon the establishment of eight new subsidiaries of the Group.

Working capital and source of funds

As at 31st December, 2003, the Group's cash and cash equivalents increased by RMB961.13 million from the previous year to RMB1,114.47 million, an increase of over 6 times in the previous year.

During the year, cash in-flow generated from the Group's operation activities amounted to RMB476.38 million, an increase of RMB222.64 million (or increase of 87.7%) over the previous year. The main reasons for the increase in the cash-flow generated from the Group's operation activities were due to (i) increase in the sales quantities and selling price of gold during the year, and (ii) some of the projects of the Group commenced production during the year which increased the sales incomes of copper cathodes, copper concentrates, gold concentrates, iron concentrates.

During the year, net cash out-flow generated from the Group's investment activities amounted to RMB471.07 million, an increase of RMB279.95 million (or increase of 146.48%) over the previous year. The main reasons for the increase in the cash out-flow generated from the Group's operation activities were that the Group increased its external investments during the year, and established seven subsidiaries successively. At the same time, the Group also increased its investments in the fixed assets of subsidiaries, technical enhancement and construction of low ore-grade systems to Zijinshan Gold Mine, and increase in the investment to Zijinshan Copper Mine, resulting in considerable increase in the capital expenditures in 2003 compared with previous year.

During the year, net cash in-flow generated from the Group's financing activities amounted to RMB955.83 million, an increase of RMB890.85 million (or increase of 1,370.9%) over the previous year. The main reasons for the significant increase in the net cash in-flow generated from the Group's financing activities were the proceeds received from the listing of H shares on The Stock Exchange of Hong Kong Limited in December 2003, and the cash invested by the minority shareholders during the establishment of subsidiaries.

As at 31st December, 2003, the Group's total borrowings amounted to RMB255.9 million (31st December, 2002: RMB401.25 million). Of these, amount repayable within one year was approximately RMB56.5 million, amount repayable within one to five years was approximately RMB174.6 million, and amount repayable over five years was RMB24.8 million. All the bank borrowings bear interest rates between 2.88% to 6.7% (2002: 2.88% to 8.07%).

The Group's working capital requirements and capital expenditures are expected to be financed from the proceeds of its public offering and internal resources. The Group also possesses substantial amount of uncommitted short-term loan facilities provided by its major banks.

Profits attributable to shareholders and earnings per Share

The Group's profits attributable to shareholders as at 31st December, 2003 was approximately RMB313.91 million, representing an increase of 127% over approximately RMB138.28 million in 2002, and an increase of 12.1% compared with the profit forecast of RMB280.0 million contained in the prospectus of the Company dated 11th December, 2003.

For the year ended 31st December, 2003, the Group's earnings per Share (basic) was RMB0.33, an increase of 120% over the previous year. Earnings per Share in 2002 was RMB0.15.

Taxation

Income taxes of the Group for 2003 and 2002 are as set out in the table below:

The Group	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
PRC Corporate Income Tax	137,025	67,398
Provision in prior year	(42,077)	—
Income tax of an associate	<u>729</u>	<u>452</u>
	<u>95,677</u>	<u>67,850</u>

No provision for Hong Kong income tax was provided, as the Group did not derive any taxable profits in Hong Kong for both 2003 and 2002. The Group's PRC Corporate Income Tax were provided at a rate of 33% on assessable profit, except for the Group's two subsidiaries in the Western region (Guizhou Zijin and Hunchun Zijin) and Xiamen Zijin which was established in the Special Zone which were subject to a preferential tax rate of 15% in accordance with the relevant tax laws in the PRC.

OUTLOOK

I. Operation environment

It is expected that the global economy will recover. Under the impact of international political situation, international economic policies and changes in the structure of international monetary system, the attractiveness of gold as a special commodity remains. Sustained and steady growth in the economy of the PRC facilitated the expansion of the gold market in the PRC horizontally and vertically. According to the relevant data, gold consumption per capita in the PRC was only 0.16 g in 2002, not only far less than 1.42 g in US, but also far less than the average level of 0.7 g in the world. Upon the gradual opening of the gold market, investments in gold will become a common topic. A spree for gold consumption is rapidly emerging on a brand new platform, and will bring a golden opportunity to the development of gold industry.

Global copper price has reversed its long-term downward trend, and is currently picking up. Global steel price has been maintained at a relatively high level, and will be extremely beneficial to the development of the two copper mines of the Group.

Upon the development of economy in the PRC, the conventional industrial sectors are receiving more and more attention. Resources utilization per capita in the PRC remains in a low level as compared with that of the international market. At present, there is an increasing reliance on overseas for the supply of mineral resources such as petroleum, iron, copper, nickel, etc. Undersupply of raw mineral materials created a favourable environment for the Group as a resources production enterprise.

II. Business Strategies

1. Expansion of gold production capacity

The Group will make good use of the proceeds. By accomplishing the gold-bearing solid tailings and environment improvement projects at the Zijinshan Gold Mine, the Group will enhance the utilization rate of resources by lowering the ore cut-off grades.

Phase II engineering construction of Guizhou Shuiyindong Gold Mine will accelerate and form a production capacity of 600-800 t/d in the year.

The construction of ore-processing plant of 4,000 t/d at Hunchun Gold Mine will be completed during the year, and form a production capacity.

The construction of ore-processing plant of primary ore at Anhui Paodaoling Gold Mine will be completed, and form a production capacity of 600 t/d.

Phase I engineering construction at Sichuan Caodi Gold Mine will be completed during the year, and commence production as soon as possible.

Construction of combined stripping and mining at Tongling Jiaochong Gold Mine will be accelerated. Efforts will be devoted to complete construction and commence operation by 2004.

2. More efforts will be devoted to develop copper mines and other metal mineral resources

Progress for the construction of Xinjiang Ashele Copper Mine will be accelerated, so as to ensure the completion and commencement of operation during the year with production capacity of 4,000 t/d.

Construction of Zijinshan Copper Mine shall be carefully organized. Various coordination activities shall be handled properly, so as to complete construction and commence trial production by the end of the year.

3. Actively participate in the development of gold and other mineral resources in the Western part of the PRC

The concept on the management of resources will be strengthened. More efforts will be devoted to the development of new projects and monitoring of risks. We will capitalize on the opportunities arising from the Great Development of the West (西部大開發) and the

Surviving of old industrial base in the Northeast (振興東北老工業基地) by the Central Government, and realise control over resources and expertise on gold and other metals and non-ferrous metals through various different means such as acquisitions, mergers, investment by participation, acquisition of controlling interests, registration and tenders.

4. Promote technological innovations

More resources will be allocated to technological developments. Technical services to the production, technical reform and construction projects of the mines will be improved upon the activities of the Mining Industry Design Institute and Xiamen Zijin. We will accelerate optimisation of mining techniques, reduce and control indices of ore-depletion rates, enhance the level of resources utilisation, increase the strength in the research of new techniques such as chemical pre-oxidation, pressure pre-oxidation, bio pre-oxidation, and successfully make it to be applicable refractory gold mines and other mineral species, and form production capacity. Emphasis will also be placed in the research of leading technologies for material science, so as to lay new technical foundation for the further development of the Company.

SUPPLEMENTAL INFORMATION

Final dividend

The Board of Directors proposed to distribute a final dividend for 2003 at the Company's board meeting convened on 3 April 2004:

As audited by Ernst & Young, the Company's net profit for the year ended 31st December, 2003 prepared under International Financial Reporting Standards was RMB313,906,000. The Board of Directors proposed to pay dividends of RMB0.15 per Share in cash on the basis of 1,314,130,910 shares in issue of the Company at the end of 2003. The pay-out ratio is 45.45%.

Issue of new shares by conversion

Apart from the proposed final dividend aforesaid, on 3 April 2004, the Board of Directors also proposed to convert an amount of RMB131,413,091 in the Company's surplus reserve fund into 1,314,130,910 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.

The H share register of the Company will be closed from 28 April 2004 to 27 May 2004 (both days inclusive). Final dividends and additional new ordinary shares will be paid on 25 June 2004 to holders of H Shares whose name appear on the H share register of members of the Company at the close of business on 27 April 2004 (being the record date).

For the distribution of dividends, dividends for domestic shares will be distributed and paid in RMB, while dividends for H Shares will be declared in RMB but paid in Hong Kong dollars (conversion of RMB to HK\$ shall be calculated on the average price of the middle price of the conversion of RMB to HK\$ announced by the People's Bank of China one calendar week preceding 25 June 2004).

Proposed distribution of final dividends and conversion are subject to the approval at the annual general meeting to be held on 28 May 2004.

Pre-emptive rights

According to the articles of association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

Annual general meeting and closure of register

The H share register of the Company will be closed from 28 April 2004 to 27 May 2004 (both dates inclusive), during which no transfer of shares will be registered. Holders of H Shares whose names appear on the H share register of members of the Company on 27 April 2004 (being the record date) are entitled to attend the annual general meeting of the Company to be convened in Hanzhou and to final dividends and new ordinary shares to be issued pursuant to the conversion plan.

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2003.

Proposed change of name of the Company

The board of directors have proposed to change the name of the Company to “紫金礦業集團股份有限公司 (Zijin Mining Group Co., Ltd.)”, subject to the approval of the Shareholders at the AGM. The Board considers that the change of the Company's name will (i) facilitate the business development of the Company and its subsidiaries as their business is no longer confined to Fujian Province and (ii) more accurately reflect the status of the Company as a conglomerate with subsidiaries and associate companies under its umbrella.

Proposed amendments to the articles of association of the Company

In view of (i) the proposal for the issue of new shares from the reserve fund which will result in a change in the registered share capital and share capital structure of the Company; (ii) the proposed change to the investment authorisation of the Directors by increasing the limit for the application of the Company's assets for investment from 10% to 20% of the net assets as audited for the most recent financial period, subject to full compliance with the applicable laws and rules and regulations, under Article 94 of the Articles of Association of the Company, as well as the Listing Rules of Hong Kong Stock Exchange as amended from time to time and relevant laws and regulations in order to enable the Company to be more flexible in seeking investment opportunities; and (iii) certain amendments made to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) relating to corporate governance issues effective from 31 March 2004. The board of directors have proposed to amend the Articles of Association, details of which are set out in the announcement to be published separately as soon as possible.

Audit committee

The audit committee of the Company consists of the two independent non-executive directors, namely Mr. Yang Dali, Mr. Yao Lizhong and the non-executive director, Mr. Ke Xiping in accordance with the requirements of the Code of Best Practice (“Code of Best Practice”), as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. An audit committee meeting was held on 2 April 2004 to review the Group’s annual report and provide advice and recommendations to the Board.

Compliance with the Code of Best Practice under the Listing Rules

To the best knowledge of the Directors, the Company has complied with the Code of Best Practice under the Listing Rules during the year under review.

Publication of annual results on the Stock Exchange’s website

All information required by paragraphs 45(1) to 45(3) of appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

By order of the board
Fujian Zijin Mining Industry Co., Ltd.
Chen Jinghe
Chairman

Hong Kong, 6 April, 2004

NOTICE OF 2003 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting (“AGM”) of Fujian Zijin Mining Industry Co., Ltd. (the “Company”) for the year ended 31 December, 2003 will be held at 9:00 a.m. on 28 May, 2004 at the conference room on the 1st floor of the Company’s office building at Shanghang County, Fujian Province, the PRC to consider, approve and authorise the following businesses:

ORDINARY RESOLUTIONS

1. to consider and approve:
 - 1.1 Report of the Board of Directors of the Company for 2003
 - 1.2 Report of Supervisory Committee of the Company for 2003
 - 1.3 audited financial statements and Report of the international auditors for the year ended 31 December, 2003;
2. to consider and approve the profit distribution proposal of the Company and the relevant declaration and payment of a final dividend for the year ended 31 December, 2003;
3. to approve the remuneration of the Directors and Supervisors of the Company for the year ending 31 December, 2003;
4. to consider and approve the annual remuneration proposal of the Directors and Supervisors of the Company for the year ended 31 December, 2004;
5. to consider and approve, the reappointment of Ernst & Young Hua Ming and Ernst & Young as the Company’s domestic and international auditors respectively for the year ending 31 December, 2004, and to authorise the Board of Directors to determine their remuneration;

SPECIAL RESOLUTIONS

To consider and if thought fit, to pass the following, as special resolutions:

6. to consider and approve:

There be granted to the Board of Directors of the Company, an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares. Such unconditional general mandate can be exercised once or more than once during the Relevant Period, subject to the following conditions:

- (a) such mandate shall not extend beyond the Relevant Period save that the Board of Directors of the Company may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;

- (b) the aggregate nominal amount of shares, whether Domestic Shares or H Shares, allotted issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Board of Directors of the Company pursuant to such mandate, shall not exceed:
- (i) 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue; and
 - (ii) 20 per cent of the aggregate nominal amount of H Shares of the Company in issue,
- in each case as of the date of passing this Resolution; and
- (c) the Board of Directors of the Company shall only exercise its power under such mandate in accordance with the Company Law of the People's Republic of China ("PRC") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;

For the purposes of this Resolution:

"Domestic Shares" means domestic invested shares in the share capital of the Company, of par value RMB 0.10 each, which are available for subscription in Renminbi by PRC investors and are fully-paid;

"H Shares" means the overseas listed foreign invested shares in the share capital of the Company with a par value RMB 0.10 each, and which are subscribed for and traded in Hong Kong Dollars;

"Relevant Period" means the period from the passing of this Resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this Resolution; or
- (b) the expiration of the 12-month period following the passing of this Resolution; or
- (c) the date on which the authority set out in this Resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting.

7. to consider and approve the proposal for change of Company's names:

The name of the Company be changed and registered as:

The registered Chinese name of the Company: 紫金礦業集團股份有限公司

The registered English name of the Company : Zijin Mining Group Co., Ltd.

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

An amount of RMB131,413,091 in the Company's surplus reserve fund will be converted into 1,314,130,910 shares of RMB0.1 each and on the basis of 1,314,130,910 shares in issue at the end of 2003, and the Company will issue additional new shares on the basis of 10 new shares for every 10 existing shares to shareholders.

9. to consider and approve the proposal regarding amendments to the Articles of Association

to consider and approve the necessary amendments made to the Company's Articles of Association pursuant to the issues aforesaid and the Listing Rules of the Hong Kong Stock Exchange on the main board, details of which will be published and announced in due course.

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

- (a) to approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection therewith;
- (b) to make such amendments to the Articles of Association of the Company as it thinks fit; and
- (c) to make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities.

11. to consider and approve proposals (if any) put forward at the meeting by any shareholder(s) holding 5 per cent or more of the shares carrying the right to vote at such meeting.

By order of the Board of Directors
Wang Yuanheng
Company Secretary

Fujian, the PRC, 6 April, 2004

Notes:

- (A) The Company's register of H Shares members will be closed from Wednesday, 28 April, 2004 to Thursday, 27 May, 2004 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares whose names appear on the register of members at the close of business on Tuesday, 27 April, 2004, upon the completion of the registration procedures, will be entitled to attend the AGM and to vote in the meeting. To be entitled to attend the AGM and to vote in the meeting, their instruments of transfer must be delivered to the Registrar of H Shares of the Company no later than 4:00 p.m. on Tuesday, 27 April, 2004.

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

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

- (B) Holders of H Shares and Domestic Shares who intend to attend the AGM, must complete and return the return slip in writing to the Board secretariat of the Company twenty days before the convening of the AGM, that is Saturday, 8 May, 2004.

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

277 Beihuan Road
Shanghang County
Fujian Province
The PRC
Tel: (86) 597 384 1468
Fax: (86) 597 384 1468

- (C) Holders of H Shares who has the right to attend and vote at the AGM are entitled to appoint one or more proxies (whether or not a member) to attend and vote on his behalf. Shareholders who appoint over one proxies, such proxies can only exercise their voting rights by way of polls. Shareholders who intend to appoint one or more proxies should first read the Company's 2003 annual report.
- (D) The instrument appointing a proxy must be writing under the hand of the appointor or his attorney duly authorised in writing. In the event that such instrument is signed by an attorney of the appointor, an authorisation that authorised such signatory shall be notarized.
- (E) To be valid, a form of proxy (or if it is signed by his attorney duly authorised in writing, then together with such power of attorney or other authority) must be deposited at the Company's Registrar of H Shares of the Company - Computershare Hong Kong Investor Services Limited no later than 24 hours before the specified time for the holding of the AGM. The address is: Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (F) Holders of H Shares who has the right to attend and vote at the AGM are entitled to appoint one or more proxies (whether or not a member) to attend and vote on his behalf. Notes (C) and (D) are also applicable for holders of Domestic Shares, but to be valid, the relevant proxy forms or other authorisation documents must be delivered to the Board secretariat of the Company 24 hours before the specified time for the holding of the AGM, its address is set out in Note (B) above.
- (G) If a proxy is appointed to attend the AGM on behalf of a shareholder, the proxy must indicate its identification and the authorisation instrument with the date of issue and duly signed by the proxy and its legal representative, and in the case of legal representative of legal person shareholders, such legal representative must indicate its own identification and effective document to identify its identity as legal representative. If a legal person shareholder appoints a company other than its legal representative to attend the AGM, such representative must indicate its own identification and the authorisation instrument bearing the company chop of the legal person shareholder and duly authorised by its legal representative.
- (H) The AGM is expected to be for half a day, and shareholders attending the AGM will be responsible for their own travelling and accommodation expenses.

Please also refer to the published version of this announcement in The Standard.