



Zijin Mining Group Co., Ltd.*

紫金礦業集團股份有限公司

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

(Stock code: 2899)

Annual Results Announcement for the year ended 31 December 2004

Financial results

Turnover	+43.5% to RMB1,507,679,000
Gross profit	+47% to RMB824,346,000
Gross profit margin	54.68% as compared to 53.38% for Year 2003
Net profit attributable to shareholders	+33% to RMB417,619,000

Operating performance

Mass of gold produced	+21.3% to 13,046 kg or 419,442 ounce
Mass of gold sold	+22.15% to 12,762 kg or 410,311 ounce
Average selling price of gold	+13.1% to RMB109.39 per gram or RMB3,402.35 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 RMB0.10 per share, representing a payout ratio of 62.5%
- Maintain reasonable profit by selecting low cutoff ores in high price market to prolong the service time of the mine
- Newly increased gold resources 65.6 tonnes and the total gold reserve reached 315 tonnes
- Sound financial position with a current ratio of 217.96% and trade receivables turnover of 1.24 day

The board of directors (the “Board”) of Zijin Mining Group 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 2004 as follows:

Consolidated income statement
For the year ended 31 December 2004

	<i>Notes</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Turnover	1	1,507,679	1,050,529
Cost of sales		<u>(683,333)</u>	<u>(489,770)</u>
Gross profit		824,346	560,759
Other revenue	1	20,805	3,975
Selling and distribution costs		(10,319)	(4,926)
Administrative expenses		(167,579)	(114,027)
Other operating costs		<u>(39,766)</u>	<u>(12,119)</u>
Profit from operating activities	2	627,487	433,662
Finance costs	3	(5,836)	(17,129)
Share of profit of an associate		<u>22,655</u>	<u>2,018</u>
Profit before tax		644,306	418,551
Tax	4	<u>(186,437)</u>	<u>(95,677)</u>
Profit before minority interests		457,869	322,874
Minority interests		<u>(40,250)</u>	<u>(8,968)</u>
Net profit from ordinary activities attributable to shareholders	5	<u>417,619</u>	<u>313,906</u>
Proposed final dividend	6	<u>262,826</u>	<u>197,120</u>
Earnings per share - basic	7	<u>RMB0.16</u>	<u>RMB0.16</u>

Consolidated balance sheet
As at 31 December 2004

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
NON-CURRENT ASSETS		
Fixed assets	1,371,398	876,249
Land use rights	15,503	15,236
Long term deferred assets	108,792	63,499
Prepayments	70,820	50,336
Intangible assets	419,266	117,213
Goodwill	15,767	14,520
Interests in an associate	50,313	10,990
Interests in jointly-controlled entities	7,040	—
Available-for-sale financial assets	<u>19,990</u>	<u>40</u>
	<u>2,078,889</u>	<u>1,148,083</u>
CURRENT ASSETS		
Inventories	194,558	121,624
Prepayments, deposits and other receivables	56,223	290,239
Trade receivables	7,834	2,373
Bill receivables	700	—
Due from related parties	2,707	4,141
Other financial assets	12,766	—
Pledged cash	23,688	14,475
Cash and cash equivalents	<u>888,747</u>	<u>1,114,466</u>
	<u>1,187,223</u>	<u>1,547,318</u>
CURRENT LIABILITIES		
Accrued liabilities and other payables	253,391	317,897
Trade payables	139,418	103,222
Current portion of interest-bearing bank loans	45,000	—
Short term bank loans	—	56,500
Government grants	1,693	553
Current portion of other long term loans	1,000	230
Tax payable	<u>104,203</u>	<u>28,031</u>
	<u>544,705</u>	<u>506,433</u>
NET CURRENT ASSETS	<u>642,518</u>	<u>1,040,885</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,721,407</u>	<u>2,188,968</u>

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	266,647	199,400
Other long term loans	—	1,000
Provision for restoration, rehabilitation and environmental costs	26,170	14,414
Long term other payables	<u>119,176</u>	<u>46,374</u>
	<u>411,993</u>	<u>261,188</u>
MINORITY INTERESTS		
	<u>382,010</u>	<u>221,418</u>
	<u><u>1,927,404</u></u>	<u><u>1,706,362</u></u>
CAPITAL AND RESERVES		
Issued capital	262,826	131,413
Reserves	1,401,752	1,377,829
Proposed final dividend	<u>262,826</u>	<u>197,120</u>
	<u><u>1,927,404</u></u>	<u><u>1,706,362</u></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:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Turnover:		
Sale of gold bullions (金錠)	1,396,048	1,009,979
Sale of gold concentrates (金精礦)	56,445	11,972
Sale of copper concentrates (銅精礦)	37,319	5,820
Sale of copper cathodes (陰極銅)	20,392	14,896
Sale of iron concentrates (鐵精礦)	6,027	14,360
Others	2,417	524
Less: Sales taxes and levies	<u>(10,969)</u>	<u>(7,022)</u>
	<u><u>1,507,679</u></u>	<u><u>1,050,529</u></u>
Other revenue:		
Interest income	11,761	710
Rental income	807	338
Processing income	371	—
Dividend income	6	—
Others	<u>4,998</u>	<u>2,294</u>
	<u><u>17,943</u></u>	<u><u>3,342</u></u>

	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Gains:		
Exchange gains	423	445
Gain on disposal of 16% equity interest in a subsidiary	9	—
Gain on deemed disposal of equity interests in subsidiaries	143	148
Gain on disposal of other financial assets	2,243	—
Negative goodwill recognised	<u>44</u>	<u>40</u>
	<u>2,862</u>	<u>633</u>
	<u>20,805</u>	<u>3,975</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 and copper mining and geological studies in the PRC. Accordingly, no business segment information is presented. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are mainly located in the PRC. Accordingly, no geographical segment data is presented.

2. Profit from operating activities

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

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

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

Notes:

- (i) Depreciation cost of approximately RMB85,394,000 was included in the cost of sales for the year ended 31 December 2004 (2003: RMB80,080,000).
- (ii) Staff costs of approximately RMB45,200,000 were included in the cost of sales for the year ended 31 December 2004 (2003: RMB25,626,000).
- (iii) According to the relevant rules and regulations of the PRC, the Company and its subsidiaries participate in a defined contribution retirement plan. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Company and its subsidiaries are required to make contributions to the local social security bureau at rates ranging from 16% to 24% of the previous year's average basic salaries within the geographical area where the employees are under employment with the Company and its subsidiaries. The Company and its subsidiaries have no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

3. **Finance costs**

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

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

4. **Tax**

	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current		
- Hong Kong	—	—
- Mainland China	191,460	137,025
Overprovision in prior years (note (ii))	<u>(12,644)</u>	<u>(42,077)</u>
	178,816	94,948
Share of tax attributable to associates	<u>7,621</u>	<u>729</u>
	<u>186,437</u>	<u>95,677</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 [2002] No. 47” issued by the State Council of the PRC and “Qian Di Shui Han [2003] No. 317” issued by the local tax bureau of Guizhou Province, Guizhou Zijin Mining Company Limited located in the western region of China was granted a tax concession to pay PRC income tax at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations in specified regions with retroactive effect from 1 January 2001 for a 10 year period to 31 December 2010 as long as the subsidiary continues to engage in qualified operations in its respective regions.

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

- (ii) Pursuant to “Ji Guo Shui Fa [2004] No.290” issued by the Provincial Tax Bureau of Jilin Province, Hunchun Zijin Mining Company Limited was exempted from corporate income tax (“CIT”) for the year ended 31 December 2003. The tax expenses of RMB1,145,000 for the year ended 31 December 2003 were offset against the tax liabilities of the Group for the year ended 31 December 2004.

Pursuant to relevant PRC tax regulations and subject to the approval of the local tax authority, the Company can claim an additional deduction when calculating the income tax provision if machinery was purchased locally. Such machinery was purchased in 2003 or before (2003: 2002 or before) and an approval from the local tax bureau to reduce income tax liabilities was obtained in 2004. An overprovision of tax payable in relation to such deduction for the previous years amounting to RMB11,499,000 (2003: RMB7,944,000) was written back during the year.

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:

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

At 31 December 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group 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.

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

5. Net profit from ordinary activities attributable to shareholders

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

6. Proposed final dividend

	2004	2003
	RMB'000	RMB'000
Proposed final — RMB0.10 (2003: RMB0.15) per ordinary share	<u>262,826</u>	<u>197,120</u>

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

The proposed final dividend of RMB262,826,182 for the year ended 31 December 2004 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

7. Earnings per share

On 28 May 2004, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting. When calculating the earnings per share for the year ended 31 December 2003, the number of ordinary shares outstanding has been adjusted as if the conversion of the Company's share premium to new shares had taken place on 1 January 2003.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2004, the gold market continued the trend in 2003, and the gold price generally stayed at high position. The world gold price inflated 6% in 2004. The net consumption demand increased by 7% over 2003. In China, the gold price inflated from the beginning of 2004 RMB110.8 per gram to RMB118 per gram by the end of the year (the lowest price is RMB100.88 per gram), increased 6.6%. The trends of gold price in the domestic market and international market were almost the same, but the price performance in the domestic market was slightly stronger than the international market.

During the reporting period, the PRC's and global economy grew quickly and the demand of major mineral raw materials increased rapidly. The prices of mineral products surged substantially due to the conflicts between the demand and supply.

During the reporting period, the average selling price of the Company's gold was RMB109.39/g, representing an increase of 13.1% when compared with that of the corresponding period in 2003.

OPERATION OVERVIEW

Enlarge Production Scale and Increase Efficiency

Zijinshan Gold Mine continued to be the main production and profit centre of the Group. In 2004, it produced 10,663kg of gold (342,826 troy ounce), representing an increase of 7.8% when compared with that of the previous year.

Guizhou Shuiyindong Gold Mine's operation was smooth and produced 1,457kg of gold (46,844 troy ounce) in 2004, representing an increase of 159.13% when compared with that of the previous year. It became a group's important profit centre with growth. Following commencement of the phase two of the technological improvement project in the second half of next year, it is expected that the productivity capacity of the mine will further increase.

Hunchun Zijin's 4000t/d ore-processing plant was built and in operation in August 2004. The total ore process capacity of the mine reached 5000t/d (with the old system). In 2004, the mine produced copper concentrate consisting of 618kg gold (19,869 troy ounce) and 2,264 tonnes of copper. Hunchun Zijin became the largest low grade primary gold processing mine in China.

Ashele Copper Mine completed infrastructure investments of RMB136.39 million, with the aggregate investments of RMB402.39 million. The mine substantially completed construction and successfully underwent trial production. It produced 4,798 tonnes of copper concentrates with copper reaching 823 tonnes. It is expected to become a new profit centre with growth in 2005.

Jiuzhaigou Caodi Gold Mine finished its first phase construction of infrastructures. The mining, processing, and refining systems have commenced trial operation.

Paodaoling Gold Mine's production facilities primary ore were in operation, and it successfully co-ordinated the production of oxidized gold ore and primary gold ore.

Xinjiang Mengku Iron Mine which was merged and under the shareholding control of the Group at the beginning of 2004 achieved instant results in the year it was invested and commenced operation based on the original foundation of the mine. A ore-processing system of 4,000 t/d underwent trial production partially. It produced 26,000 tonnes of iron concentrates in that year.

Anhui Tongling Jiaochong Gold Mine has increased the speed of infrastructure construction. The newly acquired and controlled De érne Copper Mine has finished initial phase of development. The newly invested 100,000 tonnes zinc refinery plant in Inner Mongolia has successfully started the initial phase of development.

Zijinshan copper mine speeded up the construction in mining, crush, and transportation systems, and the test on the mining underground was successful.

Fujian Zijin Investment Co., Ltd. invested and obtained actual progresses in copper manufacturing plant, electricity plant, ore processing chemical plants, standard factory construction, and mine explorations.

In 2004, the Group set up an International Department, and formed a window company in Hong Kong. At the beginning of 2005, Zijin International Mining Co., Ltd. has been set up in Beijing. All these new developments could build various links with overseas mining markets and speed up the preparation work for participation in the competitive international mining market.

Effective Increase in Reserve by Explorations

By the end of 2004, the Group obtained 29 new mine exploration rights, covering 706.68 square km which might have reserves of gold, copper, iron, molybdenum, lead, zinc, coal, and aluminum. The Group has obtained 14 mining rights in total which covers 26.3136 square km. The accumulated mine exploration rights are 59 which covers 1,612.7 square km.

After additional mine explorations at the peripheral zones of Zijinshan Gold Mine, about 20.6 tonnes of gold and 9,740 tonnes of copper new reserve have been found. It firstly achieved new found reserve exceeding the consumption of resource. By the end of 2004, Zijinshan Gold Mine had 162 tonnes of gold reserve at 0.3g/t grade or above, and 173 tonnes at 0.2g/t grade or above.

Guizhou Shuiyindong Gold Mine passed an audit by National Mineral Reserve Assessment Centre and reported 56.62 tonnes (newly increased reserve of 34.86 tonnes) gold reserve at average 10.95g/t grade. The technological improvement and expansion project built a solid resources foundation. The explorations at the peripheral of gold mine also made new progress.

Sichuan Jiuzhaigou Caodi Gold Mine became a large gold mine and confirmed 36.576 tonnes of gold reserve, which included newly found additional reserve of 10.156 tonnes in 2004. A good prospect in finding additional reserve is expected to at the mine and its peripherals.

Guizhou Huajiangbeixie Coal Mine is the first risk-taking exploration of the Company in anthracite coal, with mine area of 34 square km. Its reserve reaches more than 60 million tonnes. It might become the first coal mine base of the Group. After an earth surface survey, a good prospect of mine reserve is expected in Guizhou Qinglong Yangzhai Coal Mine.

In respect of resources exploration in 2004, the Group gained newly found reserve of gold 65.6 tonnes, copper 9,740 tonnes and coal 60 million tonnes. The major gold mines like Zijinshan, Shuiyindong, and Hunchun achieved the new found gold reserve larger than the consumption.

By the end of 2004, the Company controlled reserve of 315 tonnes of gold, 3.45 million tonnes of copper, 600,000 tonnes of zinc, and 187.89 million tonnes of iron.

OPERATING RESULTS

In 2004, the Company's management have sincerely executed various resolutions passed in the shareholders meetings and Board meetings in every respect, and capitalised on the rise in gold prices, with well-organised production planning, realising sales income of RMB1,507.68 million during the year, an increase of RMB457.15 million, or 43.52% over the previous year.

The table below sets out details of sales by products for the two years ended 31 December, 2003 and 2004:

Product	Unit price	2004		Unit price	2003	
		Volume	Amount/ RMB'000		Volume	Amount/ RMB'000
Gold	RMB109.39/g	12,762kg	1,396,048	RMB96.7/g	10,448kg	1,009,979
Gold concentrates	RMB93.54/g	603.4kg	56,445	RMB66.7/g	179.62kg	11,972
Iron concentrates	RMB335.75/t	17,950.8t	6,027	RMB267/t	53,706.67t	14,360
Copper concentrates	RMB17,839/t	2,092t	37,319	RMB10,084/t	577.129t	5,820
Copper cathodes	RMB23,980/t	850.34t	20,392	RMB15,054/t	989.52t	14,896
Others	—	—	2,417	—	—	524
Less: Sales tax & levies	—	—	(10,969)	—	—	(7,022)
Total	—	—	1,507,679	—	—	1,050,529

Note: The sale of Gold consisted of 817.1kg assignment refinery

The Group's turnover in 2004 increased by 43.52% over 2003, which was mainly attributable to the full range production at Guizhou Zijin and Hunchun Zijin. Comprehensive utilisation project of solid tailings of the gold mines have also been partially put into operation, thereby enabling a significant growth by 21.31% in the production of gold. Another important factor was the significant increase in the prices of gold by 13.1% and copper cathodes by 59.29% and iron concentrates by 25.75% as illustrated from the above table.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group mainly involved in mine development. The Group's cost of sales mainly includes mining, processing, and refining costs, ore transportation cost, raw materials consumption, utilities expenses, salaries and depreciation on fixed assets. The table below sets out details of the gross profit margin for the two years ended 31 December, 2003 and 2004.

Product	2004	2003
	%	%
Gold	56.4	55.16
Gold concentrates	37.9	40.3
Iron concentrates	47.24	12.26
Copper concentrates	48	34.05
Copper cathodes	44.4	15.8
Others	—	100
Total	54.68	53.38

The Group's overall gross profit margin increased slightly from 53.38% in 2003 to 54.68% in 2004, which was mainly attributable to the decisions of the Board utilizing the low cutoff ores in the increase of the selling price of gold that maintained the profits and promoted the utility of resources and prolonged the service time of the mines. During the reporting period, the average cutoff of Zijinshan Gold Mine decreased from 0.815 gram per tonnes in 2003 to 0.707 gram per tonnes. Based on the same recovery rate, the processing cost of the ore per tonnes decreased, but the cost of gold production per gram has a moderate increase. About 91.93% of sales income was generated from sales of gold products in 2004. The sale of the gold concentrate and copper concentrate accounted for 6.17% of total sales. The selling price of gold increased from RMB96.7/g in 2003 to RMB109.39/g in 2004. Average unit production cost of gold increased from RMB42.8/g in 2003 to RMB43.4/g in 2004.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs increased by 109.48% from RMB4.93 million in 2003 to RMB10.32 million in 2004, which was mainly attributable to (1) the promotion on sales of gold bullions, and Group's advertisement fees, (2) the increase of sale volume of gold, and the increase in transportation and insurance fees, handling fees in gold transactions.

ADMINISTRATION EXPENSES

The Group's administration expenses in 2004 amounted to RMB167.58 million, representing an increase of 46.96% over RMB114.03 million in 2003. The increase was mainly attributable to (i) the formation expenses upon the establishment of six subsidiaries and seven sub-subsidiaries in Sichuan, Xinjiang, Qinghai etc. in 2004, and (ii) the enhancement in the research and development and the cost increased by RMB11.72 million.

FINANCE COSTS

The Group's finance costs in 2004 was RMB5.84 million, a decrease of 65.9% over RMB17.13 million in 2003, which was mainly attributable to the decrease of loan interests upon repayment of bank loans.

WORKING CAPITAL AND SOURCE OF FUNDS

As at 31 December, 2004, the Group's cash and cash equivalents was RMB888.75 million, decreased by RMB225.72 million or 20.25% over previous year.

During the year, net cash in-flow generated from the Group's operating activities amounted to RMB576.77 million, an increase of RMB100.39 million or 21.07% over the previous year. The main reasons for the increase in the cash-flow generated from the Group's operating activities were increase in the sales quantities and sales income of gold amounted RMB386.07 million during the year, and some of the projects of the holding company commenced production during the year which increased RMB73.14 million sales incomes of copper cathodes, copper concentrates, gold concentrates and iron concentrates.

During the year, net cash out-flow generated from the Group's investment activities amounted to RMB925.96 million, an increase of RMB454.89 million or 96.56% over the previous year. The main reasons for the increase in the cash out-flow generated from the Group's investment activities were that the Group increased its external investments during the year, acquired and established six subsidiaries and seven sub-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 for Zijinshan Gold Mine, and increase in the investment to Zijinshan Copper Mine, resulting in considerable increase in the capital expenditures in 2004 compared with previous year.

During the year, net cash in-flow generated from the Group's financing activities amounted to RMB60.48 million, a decrease of RMB895.35 million or 93.67% over the previous year. The main reasons for the significant decrease in the net cash in-flow generated from the Group's financing activities were the proceeds received from the Company's Initial Public Offer last year, and only received the cash from the exercise of an over-allotment option in 2004.

As at 31 December, 2004, the Group's total borrowings amounted to RMB311.65 million (31 December, 2003: RMB199.4 million). Of these, amount repayable within one year to two-year was approximately RMB85.05 million, amount repayable within two to five years was approximately RMB226.6 million, and no loan was repayable over five years. All the bank borrowings bore interest rates between 2.88% to 6.7% (2003: 2.88% to 6.7%). The borrowings from financial institutions were mainly for the Group's subsidiaries.

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 31 December, 2004 was approximately RMB417.62 million, representing an increase of 33.04% over approximately RMB313.91 million in 2003.

For the year ended 31 December, 2004, the Group's earnings per Share (basic) was RMB0.16, and it was more or less as the same of last year. The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB417,619,000 (2003: RMB313,906,000) and the weighted average number of 2,628,261,820 ordinary shares (2003: 1,916,395,676 ordinary shares) in issue during the year.

TAXATION

Income taxes of the Group for 2004 and 2003 are as set out in the table below:

The Group

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
PRC Corporate Income Tax	191,460	137,025
Provision in prior year	<u>(12,644)</u>	<u>(42,077)</u>
	<u>178,816</u>	<u>94,948</u>
Income tax of an associate	<u>7,621</u>	<u>729</u>
	<u><u>186,437</u></u>	<u><u>95,677</u></u>

No provision for Hong Kong profit tax was provided, as the Group did not derive any taxable profits in Hong Kong for both 2004 and 2003. 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 of the PRC (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.

USE OF THE PROCEEDS

The net proceeds arising from issuing 400,544,000 H Shares in 2003 was approximately RMB1,205,748,000. The Company applied RMB642,395,000 (or 53.27%) of the proceeds as of 31st December, 2004.

The table below sets out details of the use of the proceeds.

Project	<i>RMB'000</i>					Completion Percentage	Note
	Planned Injection	Last Year Injection	This Year Injection	Accumulated Injection			
1. Zijinshan copper Mine Development	85,000	*23,360	70,040	93,400		109.88%	
2. Gold-containing Solid Waste	168,800	*97,830	24,890	122,720		72.7%	
3. Investment in Subsidiaries	100,000		90,865	90,865		90.87%	
4. Acquisition of Mines in central & Western China	150,000		156,410	156,410		104.27%	
5. Acquisition of Mining rights Around Zijinshan	80,000		82,160	82,160		102.7%	
6. Loan repayment		161,400	56,630	218,030			

The Directors considered that the raise of the proceeds exceeded the expectation and it should be prudently used. In the original investment plan of Zijinshan copper mine, the total planned investment was RMB198 million, and RMB85 million would be financed by the proceeds, and the rest would be financed by the Company's financial arrangement. It has been changed that the mine was totally financed by the proceeds. The use of the proceeds tended to invest in acquisition of resources, and it was regarded as a standing point of the Company to gain a continuous development. The early repayment of the loans funded by Company's cash is in the best interests of its shareholders as a whole. The Directors sincerely consider any effective and efficient ways of using the proceeds to maximize the returns to the shareholders.

* Since the zijinshan copper Mine Development was funded by the Company's financial arrangement, a total of RMB121.19 million of Gold-containing solid waste projects was repaid by the proceeds.

PROSPECT AND OUTLOOK

Business Environment

Based on the forecast of the International Monetary Fund (IMF), the global economy will continue to grow in 2005. The PRC economy will maintain faster rate of development than the rest of the world, but its growth pace will slow down under the macro-economic control measures. Under the changes in international politics, economy and monetary system, the glamour of gold as a special commodity remains. The weak US dollar policy leads to higher investment sentiment in gold. It is expected that the international gold market in 2005 will be operating on a high price level with fluctuating and uprising characteristics. The changes in the growth rate of the world economy will have substantial impact on the development of the global industrial basic metal industry. The prices of major mineral raw materials will still be on a high level. Growth in demands will cause competition in the control of mining resources to be more intensified, and cost for obtaining mining sites will be increasing significantly.

BUSINESS STRATEGIES

1. To strengthen management for projects in operation

Zijinshan Gold mine will continue to play its role as a profit center, strengthen cost control, enhance utilisation rate of resources, and suitably increasing the production of gold under the new progress in mine exploration and increase in reserves.

Ashele Copper-Zinc Mine aims to achieve production yield, raising well mining capacity, and recovery rate in ore processing and the ore grades of copper and zinc concentrates, and to make appropriate contributions for the profit growth of the group company by capitalising on the favorable opportunities of the current high standing copper prices.

The phase 2 of the expansion project of the Guizhou Shuiyindong Gold Mine will be completed during the year, and will further optimize the process, enhance ore processing volume, realising a significant growth in gold production and profits.

Huichun Company will not only realize steady production, but also devote to construction of the copper mine wet smelting plant, and strive to complete construction and commerce trial production during the year.

Xinjiang Mongku Iron Mine aims to achieve production yield and realise the planned profits at the earliest possible, and also strengthen exploration work is to the mining site and the peripheral mining areas so as to increase the reserve.

We will achieve the target production level of Anhui Paodaoling Gold Mine at the earliest possible, increase the efforts in resources exploration, and enhance the protection level of resources.

2. To accelerate the progress as to projects under construction

The Zijin Copper Mine construction project will proceed in full swing, so as to ensure that production will commence at the end of 2005.

We will increase our efforts in the geologic exploration to Jiuzhaigou Caodi Gold Mine, striving to have a greater breakthrough in the control of resources, at the same time making overall planning on the development of the mine, upgrade the first phase construction works of the mine, and organise production under safety guarantee and environmental production.

We will accelerate the construction of Anhui Tongling Jiaochong Gold Mine and aim at finishing the infrastructural project by the first half of next year.

Construction of infrastructure of Deerni copper mines in Qinghai begins. It is planned that the main project will complete by the end of the year and the whole project will be completed by the end of 2006 for production.

Bayannaer Zinc Smelting Factory in Inner Mongolia will complete construction of main project during the year.

3. To devote more efforts in risk exploration and development of new projects

It is expected that new mines, prospective areas with mining resources and prospective development projects will be obtained through various ways and methods, including acquisition, contribution, participation in restructuring of state-owned enterprises and registration of mining right in new areas.

The scale of geologic and mine exploration in Zijinshan Gold Mine, Shuiyindong Gold Mine, Caodi Gold Mine, Hunchun Gold Copper Mine, Ashele Copper Mine, Deerni Copper Mine, Xinjiang Mongku Iron Mine and in the peripheral areas and Ganzili Tang will be enhanced, striving to have new progress and breakthrough.

We will speed up survey on foreign resources and preparation for initial stage of project for materializing development in overseas mining investment.

We will adopt the resource expansion strategies to enrich resource reserve. We will further broaden the field of mining industry. Place high importance on the exploration and control on ore species such as nickel, platinum, molybdenum, iron, aluminium, lead, zinc, tin and coal in addition to non-ferrous metals such as gold and copper. At the same time, we will develop and make use of the technology and expertise reserves, and carry out project researches for the construction of non-ferrous metal bases in the coastal regions by leveraging on the coastal ports, markets and expertise advantages as well as capitalising on overseas resources, and seek for opportunities to carry out construction.

4. To achieve technological advancement for supporting and safeguarding corporate development

More investment will be made to technology projects. Through conducting development with the bases at the Mine Refining Institute, Xiamen Zijin Science and Technology Co. and Post-doctorate research activities, technological innovation capability will be enhanced, and technological management system will be upgraded.

We adhere to the direction of focusing on application of science and research on production. We will expedite the optimization of mining techniques, reduce and control depletion rate of ores, reduce cutoff, enhance the utilisation rate of resources and technological advancement for low-grade refractory ores. We will strengthen communication, connection and cooperation with science and search institutes, schools and universities to maintain our leading position in hydrometallurgy in China.

In the light of the conditions of the mining resources controlled by the Company, we will attach great importance on the reform of metallurgic material technology, and extend industrial chain to refining materials.

In accordance with the current situation and the future needs in the Company's business development, we will enhance the efforts in the training and recruitment of expertise, enhance the quality and level of senior management, set up a perfect staff remuneration and performance appraisal system, and provide good personnel foundation for the corporate development.

SUPPLEMENTAL INFORMATION

Final dividend

The Board of Directors proposed to distribute a final dividend for 2004 at the Company's board meeting convened on 7 April 2005:

As audited by Ernst & Young, the Company's net profit for the year ended 31 December 2004 prepared under International Financial Reporting Standards was RMB417,619,000. The Board of Directors proposed to pay dividends of RMB0.10 per Share in cash on the basis of 2,628,261,820 Shares in issue of the Company at the end of 2004. The pay-out ratio is 62.5%.

Issue of new shares by conversion

Apart from the proposed final dividend aforesaid, on 7 April 2005, the Board of Directors also proposed to convert an amount of RMB262,826,182 in the Company's share premium into 2,628,261,820 Shares of RMB0.1 each, and to issue 10 additional new ordinary shares by the conversion of every 10 Ordinary Shares on the basis of 2,628,261,820 Shares in issue at the end of 2004 to shareholders.

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 prices of the conversion of RMB to HK\$ one calendar week preceding 23 June 2005).

Proposed distribution of final dividends and conversion of share premium into new shares are subject to the approval at the annual general meeting to be held on 31 May 2005 (Tuesday).

PRE-EMPTIVE RIGHTS

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

Annual general meeting and closure of register

The H share register of the Company will be closed from 28 April 2005 (Thursday) to 27 May 2005 (Friday) (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 at the close of business on 3 May 2005 (Tuesday, 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

On 25 June 2004, the Company issued 1,314,130,910 new shares by transfer of surplus reserve fund. Among which 400,544,000 H Shares commenced its listing on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 28 June 2004.

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities as of 31 December 2004.

Audit Committee

The audit committee of the Company consists of 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 5 April 2005 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) (inclusive) 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
Zijin Mining Group Co., Ltd.
Chen Jinghe
Chairman

Hong Kong, 7 April 2005

NOTICE OF 2004 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting (“AGM”) of Zijin Mining Group Co., Ltd. (the “Company”) for the year ended 31 December, 2004 will be held at 10:00 a.m. on 31 May, 2005, Tuesday, 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 2004
 - 1.2 Report of Supervisory Committee of the Company for 2004
 - 1.3 consolidated audited financial statements and Report of the international auditors of the Company for the year ended 31 December, 2004;
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, 2004;
3. to consider and approve the remuneration of the Directors and Supervisors for the year ended 31 December 2004;
4. to consider and approve the annual remuneration proposal of the Directors and Supervisors of the Company for the year ended 31 December, 2005;
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, 2005, and to authorise the Board of Directors to determine their remuneration;
6. to consider and approve the proposal of conversion of the Company into a joint stock limited company with foreign investment;

SPECIAL RESOLUTIONS

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

An amount of RMB262,826,182 in the Company’s surplus reserve fund will be converted into 2,628,261,820 shares of RMB0.1 each and to issue 10 additional new ordinary shares by the conversion of every 10 Ordinary Shares on the basis of 2,628,261,820 shares in issue at the end of 2004 to shareholders.

8. to consider and authorize the Board of Directors of the Company (among other thing):
- a) to issue, allot and deal with additional Shares, whether Domestic Shares or H Shares, which shall not exceed 20 per cent of the aggregate nominal amount of Domestic Shares or H Shares of the Company in issue as of the date of passing this Resolution, subject to obtaining approval from any government and / or regulatory authorities in accordance with the applicable laws; and
 - b) to amend the Articles of Association, if necessary, in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company Law of the People's Republic of China (as the same may be amended from time to time) and only if all necessary approvals from the relevant PRC government authorities are obtained; and
9. to consider and approved each of the proposed amendments to certain provisions of the Articles of Association of the Company, which is independent and shall not affect the validity of others;

9.1 In the view of combination of two mining permits of the Company into one,

9.1.1 The second paragraph of Article 10 of the Articles of Association be amended as:

“The principal scope of operations of the Company includes exploration, development (mining, selection and refining), design and research of solid mine (limited to type of mine with mining permit), design, manufacturing and sales of mineral products and ordinary machinery and facilities, retail sales of gold products; information technology services, industrial production data base, hydraulic power generation, production (subject to those with production permit) and sales (excluding hazardous chemical products) of chemical products, investment in hotels and mining projects, exporting self-produced products and technology, operation of raw material and auxiliary materials for its own production, importing apparatus and device, machinery and facilities, parts and components and technology (excluding commodity limited to Company's operation and prohibited importing or exporting), processing and “three incoming and one auxiliary” business. (The above business operation involves the provision on special projects of the State).”

9.2 In the view of the changes in domestic share capital of the Company in 2004, and subject to passing of the No. 6 resolution above, the Company's registered capital and capital structure will be changed.

9.2.1 The Article 16 of the Articles of Association be amended as:

“The existing share capital structure of the Company: The total issued ordinary share capital of the Company is 5,256,523,640 of nominal value of RMB0.1 each, including:

Minxi Xinghang State-owned Assets Investment Company Limited owns 1,684,360,848 Shares, representing 32.04% of the total issued ordinary share capital of the Company;

Xinhuadu Industrial Company Limited owns 691,600,000 Shares, representing 13.16% of the total issued ordinary share capital in issue of the Company;

Shanghang County Jinshan Trading Company Limited owns 672,380,000 Shares, representing 12.79% of the total issued ordinary share capital of the Company;

Fujian Xinhudu Engineering Company Limited owns 266,000,000 Shares, representing 5.06% of the total issued ordinary share capital of the Company;

Xiamen Hengxing Construction & Decoration Materials Company Limited owns 190,000,000 Shares, representing 3.62% of the total issued ordinary share capital of the Company;

Fujian Gold Group Company Limited owns 60,286,084 Shares, representing 1.15% of the total issued ordinary share capital of the Company;

Fujian Xinhudu Department Store Company Limited owns 57,474,000 Shares, representing 1.09% of the total issued ordinary share capital of the Company;

Mr. Chen Jinghe owns 20,000,000 Shares, representing 0.38% of the total issued ordinary share capital of the Company;

Fujian Minxi Zijin Mining Group Limited owns 12,246,708 Shares, representing 0.23% of the total issued ordinary share capital of the Company; and

Holders of the overseas listed foreign shares owns 1,602,176,000 Shares, representing 30.48% of the total issued ordinary share capital of the Company.”

9.2.2 The Article 19 of the Articles of Association be amended as:

“The registered capital of the Company is RMB525,652,364.”

10. with reference to the resolutions no. 6 to 9 above, the Board of Directors be authorised:
 - (a) to approve, execute and do, 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 resolutions (if any) raised by any shareholder holding 5% and above of the total number of Shares having voting rights on the general meeting.

By order of the Board of Directors
Fan Cheung Man
Company Secretary

Fujian, the PRC, 7 April, 2005

Notes:

- (A) The Company’s register of H Shares members will be closed from Thursday, 28 April, 2005 to Friday, 27 May, 2005 (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, 3 May, 2005, 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 Thursday, 28 April, 2005.

The address of the Hong Kong 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,
Wanchai,
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 Tuesday, 10 May, 2005.

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

1 Zijian Road
Shanghang County
Fujian Province
The PRC
Tel: (86) 597 384 1468 (86) 592 396 9662
Fax: (86) 592 396 9667

- (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 2004 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.

* *For identification purpose only*

As at the date of this statement, the Board of Directors of the Company comprises the following Directors:-

Non-Executive Directors:

Ke Xiping

Independent Non-executive Directors:

Yang Dali

Yao Lizhong

Loong Ping Kwan

Executive Directors:

Chen Jinghe (*Chairman*)

Liu Xiaochu

Luo Yingnan

Lan Fusheng

Rao Yimin

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