

The Directors of the Company (“Directors”) hereby submit the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRIMARY BUSINESS

The Company is principally engaged in the exploration, mining, processing, refining and sale of gold and non-ferrous metals and other mineral resources in the PRC, and is a large mining conglomerate primarily engaged in the production of gold and non-ferrous metals. The Company produces mainly gold bullions of 99.99% and 99.95% purity under the “ZIJIN” brand, and copper cathodes, copper concentrates and iron concentrates. Currently, the sales of gold products represent over 92% of the income of its key business.

Details regarding the key business of the Company’s subsidiaries and an associate are set out in notes 18, 19 and 20 of the financial statements.

OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 49 to 109.

USE OF THE PROCEEDS

The net proceeds arising from the Initial Public Offering of the Company’s Shares in Hong Kong in December 2003 was approximately RMB1,205,748,000 by issued 400,544,000 shares H Share. The Company used RMB642.395 million (or 53.27%) of the proceeds by the end of 2004.

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

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

* The Zijinshan Copper Mine Development Project and Gold Containing Solid Waste Project were originally funded by the Company’s bank borrowings, and a total of RMB121.19 million of such bank borrowings were repaid by the proceeds.

Report of the Directors

Note 1

Zijinshan copper mine was planned to use RMB198 million to build plants to process 10,000t/d copper ore and produce 13,000 tonnes copper cathodes per annum. It originally planned to be funded RMB85 million from the proceeds and the rest of investment would come from Company's internal source. The construction was started in May 2002, and it will be in operation by the end of 2005.

Note 2

It was a project which uses advanced technology to collect gold from 0.3-0.7g/t gold containing solid waste, and it aimed to utilise the waste and protect the environment. It combined the solutions of permanent dumping of the waste and the protection and management of the environment of the mine. The project can handle the waste 6.12 million tonnes per annum and produce 1700 kg gold. The total investment of the project was RMB168 million which was totally funded by the proceeds. The construction was started in March 2003 and the main plant has been completed and in operation.

Note 3

During the year, the Company increased RMB26.8 million investment in Hunchun Zijin and Hunchun Zijin's registered capital reached RMB50 million with unchanged shareholding. In 2004, the Company increased RMB64.065 million investment in Xiamen Zijin, and its registered capital reached RMB80 million and the Company's shareholding increased to 96.3%.

Note 4

During the year, the Company contributed RMB7.2 million to explore mineral deposits in the northern part of Litong mine, Ganzi, Sichuan with the cooperation of Sichuan Geological and Mining Exploration Bureau Exploration Team. The Company contributed RMB72 million to control Deerni copper mine in Qinghai. The Company contributed RMB71.41 million to form Xinjiang Zijin, and Xinjiang Zijin acquired shareholding of Xinjiang Jinbao in order to control Mongku iron mine and acquire the exploration rights around the mine for development. The Company contributed RMB3.6 million to acquire Qitai Jinshangou gold mine, and RMB2.2 million to acquire Guizhou Huangping aluminum, and Qinglong coal mine exploration right.

Note 5

During the year, the Company contributed RMB82.16 million to acquire mining right and exploration right of the South-east section of Zijinshan gold and copper mines, and total exploration right 3.47 square km and total mining right 0.28 square km in Ermiaogou gold-copper mine, Longjiangting copper mine, Xinwuxia gold-copper mine.

The Company repaid aggregately RMB218 million loan which reduced the financial cost to the Company.

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 the Company and 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.

ESTABLISHMENT OF SUBSIDIARIES

1. On 18 February 2004, Sichuan Ganzi Zijin Mining Company Limited was established with a registered capital of RMB12 million. Of which the Company contributed RMB7.2 million and accounted for 60% of shares. Sichuan Geological and Mining Exploration Bureau Exploration Team contributed RMB 4.8 million and accounted for 40% of shares. After the establishment of the company, it will conduct risk exploration as to the northern section of Ganji-Litong gold and copper ore belt in Sichuan.
2. In April 2004, the Company contributed RMB30 million to acquire the new shares of Xinjiang Jinbao Mining Company Limited and accounted for 60% of shares. It allows the company to develop and explore 3.6 million tonnes iron deposit in Mongku iron mine.
3. On 30 April 2004, Fujian Zijin Investment Company Limited was established with registered capital of RMB100 million. The Company contributed RMB95 million and accounted for 95% of shares. Xiamen Zijin contributed RMB5 million and accounted for 5% of shares. The company mainly focused on the non-mining business and risk exploration projects.
4. On 17 May 2004, the Company contributed RMB72 million to acquired new shares of Qinghai West Copper Mining Company Limited and accounted for 60% of shares and its registered capital is RMB120 million. Sanxi Renlong Mining Company Limited contributed RMB40.2 million and accounted for 33.5% shares. The Labour Union of Zijin contributed RMB7.8 million and accounted for 6.5% of shares. The subsidiary is mainly responsible to develop Deerni Copper and Cobalt mine in Qinghai.
5. On 17 May 2004, the Group's subsidiary – Xiamen Zijin Science and Technology Company Limited contributed RMB1.4099 million to acquire 49.47% of Wuhan Dida Nano Rare Earth Materials Development Company Limited from Wuhan Telecom Industrial Company Limited, and the Company also contributed RMB43,600 to acquire 1.53% of Wuhan Dida Nano Rare Earth Materials Development Company Limited from Wuhan Dida High Tech Industrial Group Limited. The total capital contribution is RMB1,453,600 for 51% of shares of Wuhan Dida Nano Rare Earth Materials Development Company Limited. The investment is mainly for the research and development of nano rare earth materials.
6. On 13 May 2004, the Group's subsidiary – Xiamen Zijin Science and Technology Company Limited contributed RMB3.2 million to acquire 51% of shares of Hubei Gedian Dida Nano Technologies Development Company Limited from Sinopec Dianqiangui Petroleum Exploration Bureau. The investment is mainly for the research and development of nano compound materials.
7. On 18 May 2004, the Group's subsidiary – Fujian Zijin Investment Company Limited invested RMB24.5 million to acquire 49% of Fujian Shanghang County Ting River Hydro-electricity Limited. It will build 2 power stations including a 12,000 kw hydro-power station, and a 10,000 kw hydro-power station at Ting River at the bottom of Zijin Mountain to guarantee the power supply to Zijinshan Copper mine.

Report of the Directors

8. On 5 July 2004, Fujian Zijin Investment Company Limited, Shanghang Gutian Construction and Development Company Limited and Longyan City Gutian Tourism Development Company Limited, invested in and established Fujian Province Shanghang County Ganlong Railway Construction and Development Company Limited. The total registered capital is RMB10 million. Fujian Zijin Investment Company Limited contributed RMB8 million and accounted for 80% of shares. Shanghang County Gutian Construction and Development Company Limited contributed RMB1.5 million and accounted for 15% of shares. Longyan City Gutian Tourism Development Company Limited contributed RMB0.5 million and accounted for 5% of shares. The company will mainly invest and construct warehouses and depots at newly constructed Gutian Railway Station of Ganlong Railway and will engage in logistic business.
9. On 9 August 2004, Xinjiang Zijin Mining Company Limited was established in Urumqi, Xinjiang. Its registered capital is RMB100 million. The Company contributed RMB68 million and accounted for 68% of shares, and China Metallurgy Xibei Bureau contributed RMB32 million and accounted for 32% of shares. The company is mainly to co-ordinate the Group's investment and risk exploration in Xinjiang.
10. On 3 September 2004, Fujian Zijin Copper Company Limited was established and its registered capital is RMB105 million. Shanghai Boai Investment Company Limited contributed RMB35.7 million and accounted for 34% of shares, Hong Kong Hung Fung Holdings Company Limited contributed RMB34.65 million and accounted for 33% of shares, Fujian Zijin Investment Company Limited contributed RMB31.5 million and accounted for 30% of shares, Xiamen Zijin Science and Technology Company Limited contributed RMB2.1 million and accounted for 2% of shares, and Shanghai Baisun Industrial Company Limited contributed RMB1.05 million and accounted for 1% of shares. The main business of the company would be the production and development of high density copper based alloy folding plate. The project is under construction.
11. On 3 November 2004, Gold Mountains (HK) International Mining Company Limited was established in Hong Kong. As a wholly-owned subsidiary, the company would be a window company and a foreign investment vessel of the Company for the collection and analysis of information of international mining market and financial markets. Its establishment co-ordinates with our Beijing company for the foundation of Zijin's international business.
12. On 22 November 2005, Bayannaer Zijin Non-ferrous Metal Company Limited was established in Bayannaer District, Inner Mongolia, and its registered capital is RMB250 million. The Company contributed RMB150 million and accounted for 60% of shares, Gansu Jiangxin Industrial Company Limited contributed RMB75 million and accounted for 30% of shares, Gansu Yate Investment Company Limited contributed RMB25 million and accounted for 10% of shares. The initial capital injection is RMB25 million, and the balance of capital will be injected in 2005. The company will build a 100,000 t/y zinc refinery plant in Bayannaer District.

13. On 3 August 2004, the Group entered into an agreement with Luanchuan County Government of Henan Province and Luanchuan Sanqiang Muwu Co., Ltd, Luanchuan Dadongpo Muwu Mining Co., Ltd. in respect of jointly development of Luanchuan Nannihu Molybdenum Mine. The parties proposed to contribute RMB65 million into Luanchuan Sanqiang MuWu Company Limited and have investment holding over the company, so as to develop the mineral resources of Luanchuan Mannihu Molybdenum Mine. Because of the surged price of Molybdenum and the local authority could not solve the mining right problem, this project had no progress at the moment.
14. On 5 August 2004, Fujian Zijin Investment Company Limited (“Zijin Investment”), a subsidiary of the Company, entered into a joint venture contract with Gold Fields Fujian BVI Ltd. a company established in the British Virgin Islands by Jintian Company, for the establishment of Fujian Jitian Zijin Mining Limited Company. It is intended that the registered address of the company will be in Shanghang County, Fujian Province. Zijin Investment and Gold Fields Fujian BVI Ltd. will invest US\$333,000 and US\$500,000 respectively and account for 40% and 60% equity interests in Fujian Jitian Zijin Mining Limited Company. Upon the establishment of the company, it is intended to engage in the exploration, mining, processing, refining. Domestic sales and exports of gold, copper, mining by-products, and other products related to mining in Fujian Province. The company is now filing for registration. Progress on the establishment of the joint venture will be promptly updated and disclosed.

SOLD SHARES OF SUBSIDIARIES

On 23 April 2004, the Company sold all the shares of Fujian Shangdang Jinshan Construction Engineering Company Limited (“Jinshan Construction”) (80% shareholding). 64% of shareholding was sold to Xiamen Zijin Science and Technology Company Limited, 10% of shareholding was sold to Shanghang County Chilun Industrial and Trading Company Limited, and 6% of shareholding was sold to Shanghang County Huafai Mine Enterprise Company Limited. After all these transactions, the Company did not hold shares of Jinshan Contruaction directly.

On 23 September 2004, the Company sold all the shares of Xinjiang Jinbao Mining Company Limited (60% shareholding) to another subsidiary Xinjiang Zijin Mining Company Limited. After the Transaction, the Company did not hold shares of Xinjiang Jinbao Mining Company Limited directly.

FINAL DIVIDEND

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 RMB0.1 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 62.9%.

Report of the Directors

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 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 2005 to 27 May 2005 (both days inclusive). Final dividends and additional new ordinary shares will be paid on 23 June 2005 to holders of H Shares whose name appear on the H share register of members of the Company at the close of business on 3 May 2005 (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 prices of the conversion of RMB to HK\$ announced by the People's Bank of China one calendar week preceding 10 May 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.

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2004 are set out in note 36 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

According to the articles of association of the Company, the reserves available for distribution are based on the lower of the Company's profits determined under PRC accounting standards and regulations and IFRS.

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the statutory surplus reserve and public welfare fund.

As at 31 December 2004, the Company's reserves available for distribution (before proposed final dividend of RMB262,826,182) were approximately RMB381,025,000 (2003: RMB270,804,000).

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group for the year ended 31 December 2004 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2004 are set out in note 35 to the financial statements.

DONATIONS

During the year 2004, donations made by the Company was RMB8.27 million.

BANK LOANS

Details of the Group's bank loans are set out in notes 30 to 31 to the financial statements.

TAXATION

The corporate income tax rate of the Company is 33%, details of which are set out in note 8 to the financial statements.

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.

FINANCIAL HIGHLIGHTS

The financial highlights of the Group are set out in pages 4 to 5 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 25 June 2004, the Company issued 1,314,130,910 new shares by conversion of reserve fund, which included 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. Details regarding the issue of new shares are set out in note 35 to the financial statements.

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 2004.

Report of the Directors

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 28 June 2003.

As at the date of this report, the Company has not granted or agree to grant any option to its Directors or Supervisors or to the employees of the Company or its subsidiaries.

MAJOR SUPPLIERS AND CUSTOMERS

Transactions of the Company's gold products were conducted and settled through the Shanghai Gold Exchange. Information about the ultimate customer is unknown.

The Company's total purchases from the five largest suppliers and the largest supplier amounted to RMB86,520,819 and RMB49,247,422 respectively, representing 57.03%, 32.46% of the total purchases respectively. All transactions between the Company and the related suppliers were entered into under normal commercial terms.

As far as the Directors are aware, none of the Directors, Supervisors and their respective associates (as defined in the Listing Rules of the Stock Exchange ("Listing Rules")) has any interest in the above five largest suppliers in the year 2004.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company respectively. All these contracts will be ended on the date of AGM in 2006.

Pursuant to article 92 of the Articles of Association, the terms for Directors will be for three years, (commencing from the date of its appointment or re-appointment) subject to re-appointment. Under the Company Law of the PRC, the term of appointment for supervisors are also for three years, and subject to re-appointment. Remuneration of Directors and Supervisors can be amended at Annual General Meetings.

Save as disclosed above, there are no service contracts (excluding contracts expiring or terminable by the Company within one year without payment of compensation other than statutory compensation) between the Company and any of the Directors or Supervisors.

ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Annual Remuneration

Details are set out in note 6 and 7 to the financial statements.

Procedures and basis for determination of remuneration

Pursuant to the Articles of Association of the Company, procedures for determination of remuneration of directors and supervisors shall be subject to consideration and approval in general meeting, whereas remuneration of senior officers shall be considered and approved by the Board. The remuneration of the Company's directors, supervisors and senior management is determined according to the resolutions passed at the general meeting/by the Board, service contracts of directors, and the improvement in the Company's operating results for the year.

DIRECTORS AND SUPERVISORS

During the year and up to the date of this report, the terms of the existing Directors and Supervisors are:

EXECUTIVE DIRECTORS:

TERMS

Chen Jinghe	3 years from his re-appointment on 28 June 2003
Liu Xiaochu	3 years from his re-appointment on 28 June 2003
Luo Yingnan	3 years from his re-appointment on 28 June 2003
Lan Fusheng	3 years from his re-appointment on 28 June 2003
Rao Yimin	3 years from his re-appointment on 28 June 2003

NON-EXECUTIVE DIRECTORS:

Ke Xiping	3 years from his re-appointment on 28 June 2003
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INDEPENDENT NON-EXECUTIVE DIRECTORS:

Yang Dali	3 years from his re-appointment on 28 June 2003
Yao Lizhong	3 years from his re-appointment on 28 June 2003
Loong Ping Kwan	3 years from his appointment on 15 August 2003

SUPERVISORS:

Zeng Qingxiang	3 years from his re-appointment on 28 June 2003
Xu Qiang	3 years from his re-appointment on 28 June 2003
Lan Liying	3 years from her re-appointment on 28 June 2003

Report of the Directors

BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biography of directors, supervisors and senior management are set out in pages 17 to 20 in this report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save for the service contracts of directors and supervisors as disclosed above, there were no contracts of significance to which the Company or its subsidiaries was a party and in which a director or supervisor of the Company had a material interest, either directly or indirectly, subsisting at the end of the year or at any time during the year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE ISSUED SHARES OF THE COMPANY

As at 31 December 2004, the interests and short positions of directors, supervisors and chief executive in the share capital of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(a) Shareholdings of directors, supervisors or chief executive in the Company as at 31 December 2004:

Director	Number of Domestic Shares/amount of equity interests held	Nature of interests	Long/short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Ke Xiping	228,000,000 (note 1)	Company	Long	12.48%	8.67%
Chen Jinghe	10,000,000 (note 2)	Personal	Long	0.54%	0.38%

(b) Shareholding of Directors, supervisors or chief executive in the Company's subsidiaries as at 31 December 2004:

Directors/ Supervisors	Name of subsidiaries	Amount of equity interests held	Nature of interests	Long/short positions	Proximate percentage of shareholding in the registered capital
Chen Jinghe	Jiuzhaigou Zijin (note 3)	50,000 (note 4)	Personal	Long	0.13%
Liu Xiaochu	Jiuzhaigou Zijin	50,000 (note 4)	Personal	Long	0.13%
Luo Yingnan	Jiuzhaigou Zijin	50,000 (note 4)	Personal	Long	0.13%
Lan Fusheng	Jiuzhaigou Zijin	50,000 (note 4)	Personal	Long	0.13%
Rao Yimin	Jiuzhaigou Zijin	50,000 (note 4)	Personal	Long	0.13%
Zeng Qingxiang	Jiuzhaigou Zijin	50,000 (note 4)	Personal	Long	0.13%
Lan Liying	Jiuzhaigou Zijin	25,000 (note 5)	Personal	Long	0.06%

Report of the Directors

Notes:

- (1) Xiamen Hengxing Industrial Company Limited holds 95,000,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhudu Engineering Company Limited (which is holding 133,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 228,000,000 Domestic Shares in the Company. Mr. Ke Xiping owns 73.21% interest in Xiamen Hengxing Industrial Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such Shares.
- (2) On 12 July 2004, Fujian Xinhudu Department Store Company Limited and Shanghang County Jinshan Trading Company Limited, the shareholders of the Company, agreed to transfer 4,000,000 domestic shares and 6,000,000 domestic shares they held, to Mr. Chen Jinghe (a Director) respectively. Mr. Chen Jinghe personally holds the above 10,000,000 domestic shares.
- (3) Sichuan Jiuzhaigou Zijin Mining Company Limited (“Jiuzhaigou Zijin”) is a subsidiary in which the Company beneficially owns 60%.
- (4) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB50,000 as an agent for and on behalf of each of Mr. Chen Jinghe, Mr. Liu Xiaochu, Mr. Luo Yingnan, Mr. Lan Fusheng, Mr. Rao Yimin and Mr. Zeng Qingxiang.
- (5) The Committee of Labour Union of the Company owns 15% of the total registered capital of Jiuzhaigou Zijin on behalf of approximately 830 members. Among which, it holds an equity interest of RMB25,000 as an agent for and on behalf of Ms. Lan Liying.

Save as disclosed above, none of the Directors, supervisors and the chief executive or their associates has any interest in the securities of the Company or its associated company (as defined in the SFO) during the year. None of the directors, supervisors and the chief executive or their spouse or children under the age of 18 years is holding any option to subscribe securities of the Company, or has exercised any such option.

Save as disclosed above, no arrangement has been entered into between the Company or its holding company or its subsidiaries during any time in the year, which will allow the Directors, supervisors or chief executive of the Company to be benefited by acquiring the shares or debentures of the Company or other body corporates.

SHAREHOLDING STRUCTURE

1. Change of issued shares

1.1 On 28 May 2004, the proposal of “Conversion of Reserve Funds into Capital” was passed in the AGM of 2003. Based on 1,314,130,910 issued shares by the end of 2003, the Company issued new shares to the shareholders on 1 to 1 basis at nominal value of RMB0.1 each.

The distribution of new shares was completed on 25 June 2004 and the new H Shares were started to trade on 28 June 2004 in the Stock Exchange.

As at 31 December 2004, the Company issued 2,628,261,820 ordinary shares at nominal value of RMB0.1 each.

Unit: share

	31 December 2004	31 December 2003
Domestic Shares	1,827,173,820	913,586,910
H Shares	801,088,000	400,544,000
Total Shares	2,628,261,820	1,314,130,910

1.2 On 12 July 2004, Fujian Xinhua Department Store Company Limited and Shanghang County Jinshan Trading Company Limited, the shareholders of the Company, agreed to transfer 4,000,000 domestic shares and 6,000,000 domestic shares they held, to Mr. Chen Jinghe (a Director) respectively. Mr. Chen Jinghe’s interest has been reported and disclosed accordingly.

Report of the Directors

2. The Status of Major Shareholders

As at 31 December, 2004, the Company has a total of 1,263 shareholders, of which 1,254 are holders of H Shares and 9 are holders of Domestic Shares.

The shareholdings of the Company's top ten shareholders as at 31 December, 2004 are as follows:

Shareholders' Names	Number of Shares held	Class of Shares	Proximate percentage of shareholding in the registered capital
1. Minxi Xinghang State-owned Assets Investment Co., Ltd.	842,180,424	Domestic Shares	32.04%
2. HKSCC Nominees Limited (Note 1)	793,257,800	H Shares	30.18%
3. Xinhudu Industrial Co. Ltd. (Note 2)	345,800,000	Domestic Shares	13.16%
4. Shanghang County Jinshan Trading Co., Ltd.	336,190,000	Domestic Shares	12.79%
5. Fujian Xinhudu Engineering Company Limited (Note 2)	133,000,000	Domestic Shares	5.06%
6. Xiamen Hengxing Industrial Co., Ltd. (Note 3)	95,000,000	Domestic Shares	3.61%
7. Fujian Gold Group Co., Ltd.	30,143,042	Domestic Shares	1.15%
8. Fujian Xinhudu Department Store Co., Ltd. (Note 2)	28,737,000	Domestic Shares	1.09%
9. Chen Jinghe	10,000,000	Domestic Shares	0.38%
10. Fujian Minxi Geologist	6,123,354	Domestic Shares	0.23%

Notes:

- (1) HKSCC Nominees Limited is holding 793,257,800 H Shares in the Company as a nominee, representing 30.18% of the Company's Shares in issue. HKSCC Nominees Limited is a member of the Central Clearing and Settlement System, which carries out securities registration and trust business for customers.
- (2) Xinhudu Industrial Company Limited, Fujian Xinhudu Engineering Company Limited and Fujian Xinhudu Department Store Company Limited are connected with each other. Xinhudu Industrial Company Limited holds 51% in Shanghang County Huadu Construction Engineering Company Limited and holds 64.54% in Fujian Xinhudu Department Store Company Limited.
- (3) Xiamen Hengxing Industrial Company Limited holds 49% in Fujian Xinhudu Engineering Company Limited.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2004, the interests and short positions of substantial shareholders (other than directors, supervisors and the chief executives of the Company) in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Names of shareholders	Class of shares	Number of Shares/equity interest held	Proximate percentage of shareholding in the registered of capital	Proximate percentage of shareholding in Domestic Shares	Proximate percentage of shareholding in H Shares	Long/Short Position
Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Share	842,180,424	32.04%	46.09%	—	Long
Xinhuadu Industrial Company Limited	Domestic Shares	507,537,000 (Note 1)	19.31%	27.78%	—	Long
Chen Fashu	Domestic Shares (Note 2)	507,537,000	19.31%	27.78%	—	Long
Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	336,190,000	12.79%	18.40%	—	Long
Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	228,000,000 (Note 3)	8.67%	12.48%	—	Long
Ke Xiping	Domestic Shares (Note 4)	228,000,000	8.67%	12.48%	—	Long
Fujian Xinhuadu Engineering Company Limited	Domestic Shares	133,000,000	5.06%	7.28%	—	Long
HKSCC Nominees Ltd.	H Shares	793,257,800	30.18%	—	99.02%	—

Report of the Directors

Notes:

- (1) Xinhua Industrial Company Limited holds 345,800,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhua Engineering Company Limited (which holds 133,000,000 Domestic Shares in the Company), and holds 64.54% in Fujian Xinhua Department Store Company Limited (which holds 28,737,000 Domestic Shares in the Company). Therefore, under Section 316 of the SFO, Xinhua Industrial Company Limited is interested in 507,537,000 Domestic Shares in the Company.
- (2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhua Industrial Company Limited, therefore, under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 507,537,000 Domestic Shares in the Company.
- (3) Xiamen Hengxing Industrial Company Limited holds 95,000,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhua Engineering Company Limited (which holds 133,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 228,000,000 Domestic Shares in the Company.
- (4) Mr. Ke Xiping holds 73.21% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xi Ping is deemed to be interested in 228,000,000 Domestic Shares in the Company.

Save as disclosed above, as far as the Directors, Supervisors and chief executive are aware, as at 31 December 2004, there are no interest or short position of other parties in the shares or related securities of the Company which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE PLEDGED

On 26 July 2004 and 14 September 2004, Fujian Xinhua Engineering Company Limited pledged the Company's Domestic Shares 244,280,000 and 101,520,000 to XingYe Bank (Tungjie Branch, Fuzhou) as security of loans RMB80 million and RMB40 million respectively. The loan periods were 26 July 2004 to 26 July 2005, and 14 September 2004 to 20 July 2005. All these pledged Domestic Shares have been registered as security and also informed the Stock Exchange.

Save as disclosed above, as at 31 December 2004, no shares of any of the shareholders holding 5% or more in the Company have been pledged on are under lock-up.

CONNECTED TRANSACTIONS

Connected transactions entered into by the Group for the year ended 31 December 2004 are set out in note 38 to the financial statements. Certain of these transactions constitute connected transactions/ ongoing connected transactions under the Listing Rules at the time when such transactions were entered into, and which are required to be disclosed under rule 14A.45 of the Listing Rules. Such transactions/ongoing connected transactions are summarised as follows:

Contracted Parties	Relationship with the Company	Contract Date	Nature of Transaction	Combined Consideration (RMB'000)		Under the applicable Listing Rules at the time
				2004	2003	
1. Purchases of materials from Connected Parties						
Shanghang County Jinshan Trading Company Limited	Shareholder of the Company	The respective occurrence dates of each transaction	Purchase of construction materials	53	915	Rule 14.31(2) (note 1)
Xinjiang Non-ferrous Metals Group Material Company	Shareholder of Ashele	The respective occurrence dates of each transaction	Purchase of mining facilities	316	0	Rule 14.31(2) (note 1)
Aletai Kaiyun Mining Company Limited	Company controlled by a shareholder of Ashele	The respective occurrence dates of each transaction	Purchase of construction materials	130	0	Rule 14.31(2) (note 1)
2. Services provided by Connected Parties						
Fujian Xinhua Engineering Company Limited	A shareholder of the Company	November 2002	Stripping works	86,226	97,093	Rule 14A.35 (note 2 and 2A)
Fujian Shanghang Hongyang Mine Engineering Company Limited	A shareholder of two subsidiaries	April 2002 April 2003	Stripping works	67,526	72,290	Rule 14A.35 (note 2 and 2B)
Guizhou Bureau of Geology & Mineral Resources Geological Team 105	Guizhou Zijin shareholder	February 2003	Geologic exploration services	450	80	Rule 14A.31(2) (note 1)
Shanghang Fuxin Mining Engineering Company	Anhui Zijin shareholder	January 2004	Construction services	485	0	Rule 14A.31(2) (note 1)
Sichuan Geologist Exploration Team	Ganzi Zijin shareholder	March 2004	Geologic exploration services	491	0	Rule 14A.31(2) (note 1)
Tibet Autonomous Region Geologic Minerals Exploration & Development Bureau Dire Geothermal Geologic Team	Tibet Jindi shareholder	December 2003	Geologic exploration services	2,500	0	Rule 14A.32 (note 3)

Report of the Directors

Contracted Parties	Relationship with the Company	Contract Date	Nature of Transaction	Combined Consideration (RMB'000)		Under the applicable Listing Rules at the time
				2004	2003	
Fuyun Jinbao Transportation Company	Company controlled by a shareholder of Xinjiang Jinbao	July 2004	Transportation services	3,661	0	Rule 14A.32 (note 3)
Xinjiang Aletai Zhenan Blast Limited	Company controlled by a shareholder of Ashele	July 2002	Construction services	839	845	Rule 14A.31(2) (note 1)
Xinjiang Non-ferrous Gold Construction Co	Company controlled by a shareholder of Ashele	May 2002	Construction services	761	1,282	Rule 14A.31(2) (note 1)
Xinjiang No-ferrous Metals Industry Engineering Quality Control Team	Company controlled by a shareholder of Ashele	October 2002	Supervisory services on construction projects	50	114	Rule 14A.31(2) (note 1)

3. Financial assistance provided to Connected Parties

Hunchun Gold and Copper Mining Co., Ltd.	A shareholder of Hunchun Zijin		Loan	2,512	2,905	Rule 14A.66(2) (note 4)
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4. Transfer of equity interests and assets to Connected Parties

Fuyun Jinbao Transportation Company	Company controlled by a shareholder of Xinjiang Jinbao	July 2004	Transfer of facilities	5,000	0	Rule 14A.32 (note 3)
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Note 1: Pursuant to Rule 14A.31(2) of the Listing Rules, such connected transactions have been conducted on normal commercial terms where each of the percentage ratios based on scale testing was less than 0.1%, and the total consideration was less than HK\$1,000,000. It was a connected transaction, exempt from the reporting, announcement and independent shareholders' approval requirements.

Note 2: Non-exempt connected transaction which has applied for a waiver. The Directors confirmed that: 1. such connected transactions has been or will continue to be conducted under normal and general business operations of the Group; 2. under normal commercial terms which are fair and reasonable and in the overall interests of shareholders; 3. Pursuant to rule 14A.31 of the Listing Rules, it will be subject to reporting, announcement and independent shareholders' approval requirements.

2A: For the three financial years ending 31 December 2005, the annual cap being the total value of transaction shall not exceed the higher of 20.9% of the total costs of sales of the Group or RMB105,000,000. The annual cap has been determined by reference to the Group's historical figures based on the relevant contract agreements, and on the possible increase in the Group's production scope in future.

2B: For the three financial years ending 31 December 2005, the annual cap being the total value of transaction shall not exceed the higher of 15.6% of the total costs of sales of the Group or RMB80,000,000. The annual cap has been determined by reference to the Group's historical figures based on the relevant contract agreements, and on the possible increase in the Group's production scope in future.

Note 3: Pursuant to Rule 14A.32 of the Listing Rules, such connected transactions have been conducted on normal commercial terms where each of the percentage ratios based on scale testing was less than 2.5%. It was a connected transaction, exempt from the reporting, announcement and independent shareholders' approval requirements.

Note 4: Non-exempt connected transaction which has applied for a waiver from independent shareholders' approval requirement. Pursuant to Rule 14A.66(2), the financial assistance provided by the listed issuer not in the ordinary and usual course of business but on normal commercial terms where each of the percentage ratios based on scale testing was less than 2.5%. It will be subject to reporting and announcement requirements but can be exempted from obtaining independent shareholders' approval.

For the three financial years ending 31 December 2005, the relevant loan facilities shall not exceed the amounts of the continuation or renewal of the existing loan facilities (being RMB3,500,000). Such annual cap has been determined with reference to the relevant agreements.

In respect of the connected transactions mentioned in note 2 and note 4, the Company has obtained the transaction waivers for the three financial years ending 31 December 2005. The details of the transactions mentioned above shall be disclosed in the annual reports and accounts of the Company in compliance with the relevant requirements of the Listing Rules.

Report of the Directors

Accordingly, it is confirmed by the Directors that :

- (a) The connected parties in the above connected transactions have undertaken to the Company and the Stock Exchange to provide adequate access for the inspection of the relevant books and records, in order to review the above connected transactions and prepare the relevant reports;
- (b) The Company has undertaken to the Stock Exchange, if it is aware or has reasons to believe that the Independent Non-executive Directors and/or auditors are unable to confirm that the relevant transactions comply with the Listing Rules and the restrictions under the waiver conditions, it shall immediately notify the Stock Exchange. The Company may have to comply with the disclosure and independent shareholders' approval obligation, or make correction based on the instructions of the Listing Division of the Stock Exchange.
- (c) Independent directors of the Group has confirmed that all the connected transactions of the Group or its subsidiaries involved in the year 2004 were:
 - 1. entered into in the ordinary and usual course of business of the Group or its subsidiaries;
 - 2. entered into on normal commercial terms; or where no comparisons are available, then under terms which are fair and reasonable to the shareholders of the Company;
 - 3. entered into under the terms of the agreement governing such transactions; or where no such agreement is available, under terms not inferior from those available from or to independent third parties.
- (d) The Group's auditors have reviewed the transactions (details of which are set out in note 38 to the financial statements), and confirmed to the Board that:
 - 1. The transactions have been approved by the Board;
 - 2. Terms of the agreement of the relevant transactions are attached to the connected transactions;
 - 3. The aggregated amounts of the transactions have not exceeded the respective annual caps as set out in Note 2 and Note 4 above.

MANAGEMENT CONTRACTS

There was no management and administrative contracts relating to the business as a whole or any principal operations of the Company entered into by the Company or existing for the year ended 31 December 2004.

MAJOR LITIGATION, ARBITRATION

The Company has no major litigation, arbitration during the reporting period.

ACQUISITIONS, DISPOSALS AND MERGERS

Asset acquisition

On 5 July 2004, Fujian Zijin Investment Company Limited, which the Group has equity interests, entered into a transfer contract with Guizhou Province Huangping County Xinda Mining Company Limited (貴州省黃平縣興達礦業有限公司), to acquire the entire assets of Xinda Mining Company Limited at a consideration of RMB4.5 million. The acquisition included the mining right of aluminium ore in Huangping County Wangjiazhai, covering an area of 0.8997sq. km, and the mining right covering an area of 5.78 sq. km, under application. The aluminium reserve in the ore amounts to about 3.48 million tonnes.

EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2005, Xinhua Industrial Company Limited pledged 133,000,000 shares and 28,737,000 shares of the Company owned by its controlling subsidiaries Fujian Xinhua Engineering Co Ltd. and Fujian Xinhua Department Store Company Limited to Fuzhou East Road Branch of Industrial Bank Co. Ltd. as a collateral for RMB50 million credit facility granted. The pledge period started from 1 January 2005 to 1 January 2006. The portion of shares have been registered for equity pledge in domestic share custodian unit. We have notified and filed to the Stock Exchange.

Details of the other events after the Balance Sheet date of the Group are set out in note 43 of the financial report.

Report of the Directors

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 meeting of the Audit Committee was held on 5 April 2004 to review the Group’s annual report and provide advice and recommendations to the Board.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

To the best knowledge of the Directors, the Company has complied with the paragraph 14 of Appendix 14 of the Code of Best Practice (replaced by C.3 of the Code on Corporate Governance Practices starting from 1 January 2005) under the Listing Rules.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the 2003 annual general meeting of the Company held on 28 May 2004, resolutions on amendments of the Articles of Association of the Company were passed. Details of the amendments are set out in the Notice of Annual General Meeting sent to the shareholders on 8 April 2004 and the relevant announcement published on the Standard on the same date.

Relevant approval for the above amendments to the Articles of Association has obtained from the relevant authority on 16 June 2004.

CHANGE OF COMPANY NAME

Upon filing for the change in registration for industrial and commercial entities at the Industry and Commerce Administration of Fujian Province by the Company on 16 June 2004, the Company name has been changed from Fujian Zijin Mining Industry Co., Ltd. to Zijin Mining Group Co., Ltd. The registered address has been changed from 277 Beihuan Road, Shanghang County, Fujian Province, PRC to 1 Zijin Road, Shanghang County, Fujian Province, PRC. The procedures for the change in registration at the Company Registry in Hong Kong was completed on 28 June 2004.

CHANGE OF COMPANY SECRETARY AND APPOINTMENT OF QUALIFIED ACCOUNTANT

On 1 December 2004, Mr. Wang Yuanheng has resigned as the Company Secretary. The Board of Directors appointed Mr. Fan Cheung Man as the Company Secretary and Qualified Accountant. Mr. Fan is currently an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. The Company has published an announcement on this issue on the website of the Stock Exchange and the Standard.

AUDITORS

In the Annual General Meeting to be held, the Company will submit a resolution for the reappointment of Ernst & Young Hua Ming and Ernst & Young as the domestic and international auditors of the Company for the year 2005 respectively.

On behalf of the Board

Chen Jinghe

Chairman

Fujian, the PRC

7 April, 2005