



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 2005

Financial results

Turnover	+101.38% to RMB3,036,215,000
Gross profit	+78.66% to RMB1,472,776,000
Gross profit margin	48.51% as compared with 54.68% for Year 2004
Net profit attributable to shareholders	+68.49% to RMB703,637,000

Operating performance

Production of gold	+60.67% to 20,961 kg or 673,917 ounces
including: gold produced from mines	+24.83% to 15,266 kg or 490,817 ounces
Sales of gold	+57.48% to 21,047 kg or 676,682 ounces
Average selling price of gold	+8.79% to RMB119.25/g or RMB3,701.26/ounces
Production of copper (concentrates and copper cathodes)	+1.47 times, to 19,896 tonnes
Sales of copper (concentrates and copper cathodes)	+5.18 times, to 18,192 tonnes
Production of iron concentrates	+12.46 times, to 350,000 tonnes
Sales of ironconcentrates	+17.66 times, to 335,000 tonnes

Highlights

Proposed conversion of surplus reserve funds into additional share capital, and offering additional 10 ordinary shares for each 10 ordinary shares held by each shareholder;

Proposed a final dividend of RMB0.08 per Share, representing a payout ratio of 59.76%;

Achieved a general growth in efficiency indices, maintained its leading position in the gold industry;

Expanded its business by leveraging resources, with newly-added resources outstripping consumption;

Recorded reserves of gold resources of 375 tonnes, copper of 6.25 million tonnes, zinc of 660,000 tonnes, molybdenum of 214,800 tonnes, tin of 100,200 tonnes, and iron ores of 226 million tones, respectively, in terms of equity.

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 (collectively referred to the “Group”) for the year ended 31 December 2005. This Announcement is published in Chinese and English versions. If there are discrepancies between the Chinese and English versions, the Chinese version shall prevail.

Consolidated income statement

For the year ended 31 December 2005

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Turnover	3,036,215	1,507,679
Operating costs	<u>(1,563,439)</u>	<u>(683,333)</u>
Gross profit	1,472,776	824,346
Other income and revenue	27,811	20,805
Selling and distribution costs	(66,058)	(10,319)
Administrative expenses	(244,885)	(167,579)
Other operating costs	(68,488)	(39,766)
Finance costs	(18,437)	(5,836)
Share of profit of an associate	<u>31,173</u>	<u>15,034</u>
Profit before tax	1,133,892	636,685
Income tax	<u>(263,829)</u>	<u>(178,816)</u>
Profit for the year	<u><u>870,063</u></u>	<u><u>457,869</u></u>
Attributable to:		
Equity holders of the Parent	703,637	417,619
Minority interests	<u>166,426</u>	<u>40,250</u>
	<u><u>870,063</u></u>	<u><u>457,869</u></u>
Proposed final dividend	<u><u>420,522</u></u>	<u><u>262,826</u></u>
Earnings per Share attributable to equity holders of the Parent	<u><u>RMB0.13</u></u>	<u><u>RMB0.08</u></u>

Consolidated balance sheet*As at 31 December 2005*

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	2,394,982	1,371,398
Land use rights	54,583	15,503
Long term deferred assets	211,765	108,792
Prepayments	85,059	70,820
Intangible assets	530,163	419,266
Goodwill	65,665	15,767
Share of interests in an associate	361,754	50,313
Share of interests in joint ventures	5,295	7,040
Available-for-sale investment assets	<u>90,928</u>	<u>19,990</u>
	<u>3,800,194</u>	<u>2,078,889</u>
CURRENT ASSETS		
Inventories	302,584	194,558
Prepayments, deposits and other receivables	243,615	56,223
Trade receivables	61,668	7,834
Bill receivables	7,693	700
Due from related parties	—	2,707
Financial assets at fair value through profit or loss	6,100	12,766
Pledged cash	23,688	23,688
Cash and cash equivalents	<u>1,029,836</u>	<u>888,747</u>
	<u>1,675,184</u>	<u>1,187,223</u>
CURRENT LIABILITIES		
Accrued liabilities and other payables	413,596	253,391
Trade payables	213,165	139,418
Current portion of interest-bearing bank loans	630,627	45,000
Government grants	10,693	1,693
Current portion of other long term loans	—	1,000
Tax payable	215,718	104,203
Derivative financial instruments	<u>10,287</u>	<u>—</u>
	<u>1,494,086</u>	<u>544,705</u>
NET CURRENT ASSETS	<u>181,098</u>	<u>642,518</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,981,292</u>	<u>2,721,407</u>

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	655,030	266,647
Provision for restoration, rehabilitation and environmental costs	37,628	26,170
Other long term payables	109,990	119,176
Total non-current liabilities	<u>802,648</u>	<u>411,993</u>
NET ASSETS	<u>3,178,644</u>	<u>2,309,414</u>
EQUITY		
Equity attributable to equity holders of the Parent		
Share capital	525,652	262,826
Reserves	<u>1,845,264</u>	<u>1,664,578</u>
	2,370,916	1,927,404
Minority interests	<u>807,728</u>	<u>382,010</u>
Total equity	<u><u>3,178,644</u></u>	<u><u>2,309,414</u></u>

Notes:

Effect of revised and new International Financial Reporting Standards (“IFRSs”)

The following new and revised standards have affected the financial position of the Group. The relevant standards, which were adopted and applied by the Group for the first time the accounting period of this year, are set out below:

- International Accounting Standard (“IAS”) 1 Presentation of Financial Statements;
- IAS 2 Inventories;
- IAS 8 Accounting Policies, changes in Accounting Estimates and Errors;
- IAS 10 Events occurring after the balance sheet date;
- IAS 16 Property, Plant and Equipment;
- IAS 17 Leases;
- IAS 19 Retirement Benefit Costs;
- IAS 21 The Effects of Changes in Foreign Exchange Rates;
- IAS 24 Related Party Disclosures;
- IAS 27 Consolidated and Separate Financial Statements;

- IAS 28 Accounting for Investments in Associates;
- IAS 31 Financial Reporting of Interests in Joint Ventures;
- IAS 32 Financial Instruments: Disclosure and Presentation;
- IAS 33 Earnings Per Share;
- IAS 36 Impairment of Assets;
- IAS 38 Intangible Assets;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations and
- IFRS 5 Non-current Assets held for Sale and Discontinued Operations.

The application of IASs 2, 8, 10, 16, 17, 19, 21, 24, 27, 28, 31, 32, 33, 38, 39 and IFRS 2 and 5 has no material effect on the presentation of accounting policies and financial statements of the Group and the Company.

IAS 1 “Presentation of Financial Statements”

IAS 1 has affected the presentation of minority interests, on the face of consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in the previous years, shares of tax attributable to associates and jointly-controlled entities were presented as a portion of the Group’s total taxation. The adoption of IAS 1 resulted in a deduction of shares of tax attributable to associates and jointly-controlled entities from shares of operating results attributable to associates and jointly-controlled entities merged into the Group.

IAS 3 “Business Combination” and IAS 36 “Impairment of Assets”

Following the adoption of IFRS 3 and IAS 36, the Group ceased to amortise goodwill for this year. With effect from 1 January 2005, goodwill has been tested annually for impairment at cash-generating unit level (unless an event occurs which requires goodwill to be tested more frequently).

In accordance with the transitional provisions of IFRS 3, the Group was required to make corresponding adjustments on 1 January 2005 to eliminate the accumulated amortisation of RMB3,454,000 with a corresponding adjustment to increase the carrying amount of goodwill.

1. Turnover, other revenue and gains

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

An analysis of turnover, other revenue and gains is as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover:		
Sale of gold bullions (金錠)	2,403,434	1,396,048
Sale of gold concentrates (金精礦)	96,688	56,445
Sale of copper concentrates (銅精礦)	400,667	37,319
Sale of copper cathodes (陰極礦)	37,809	20,392
Sale of iron concentrates (鐵精礦)	111,272	6,027
Others	18,904	2,417
Less: Sales taxes and levies (note)	<u>(32,559)</u>	<u>(10,969)</u>
	<u>3,036,215</u>	<u>1,507,679</u>
Other revenue:		
Interest income	10,659	11,761
Rental income	2,955	807
Processing income	503	371
Dividend income	—	6
Others	<u>10,612</u>	<u>4,998</u>
	<u>24,729</u>	<u>17,943</u>
Gains:		
Exchange gains, net	1,562	423
Gain on disposal of 16% equity interest in a subsidiary	—	9
Gain on deemed disposal of equity interests in subsidiaries	—	143
Gain on disposal of financial assets at fair value through profit or loss	1,520	2,243
Excess of costs over cost of business combination recognised in income statement	<u>—</u>	<u>44</u>
	<u>3,082</u>	<u>2,862</u>
	<u>27,811</u>	<u>20,805</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 only, i.e. the business of gold and metal mining and geological exploration and development studies in the PRC. Accordingly, no business segment information is presented. Since the Group's revenues are primarily generated in the PRC and its assets are mainly located in the PRC, no geographical segment data is presented.

2. Profit before tax

The Group's profit before tax is arrived after charging/(crediting) the following items:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	1,524,378	650,235
Amortisation of land use rights	580	543
Amortisation of long term deferred assets	9,071	6,465
Amortisation of intangible assets	17,952	13,297
Provision for land restoration and rehabilitation costs	<u>11,458</u>	<u>12,793</u>
	<u>1,563,439</u>	<u>683,333</u>
Depreciation (note (i))	139,918	101,099
Research and development expenditures	21,347	21,032
Minimum lease payments under operating leases on land and buildings	658	1,146
Auditors' remuneration	2,100	1,900
Staff costs (including directors' remuneration set out in note 6):		
Salaries and other staff costs (note (ii))	158,958	115,496
Retirement benefits - defined contribution fund (note (iii))	<u>10,252</u>	<u>3,629</u>
	<u>169,210</u>	<u>119,125</u>
Provision for inventory obsolescence	471	493
Provision for bad and doubtful trade receivables*	1,296	8,122
Loss on disposal of property, plant and equipment*	3,836	20,473
Donations*	30,966	8,269
Amortisation of goodwill*	—	1,845
Loss on disposal of equity interests in subsidiaries*	4,879	—
Loss on deemed disposal of equity interests in subsidiaries*	—	13
Loss on the changes of fair values of derivative financial instruments*	10,287	—
Provision for impairment of intangible assets*	6,867	—
Write-back of provision for impairment of property, plant and equipment*	<u>—</u>	<u>(94)</u>

* These items have been included under the section of "Other operating costs" in the consolidated income statement of the Group.

Notes:

- (i) Depreciation cost of approximately RMB118,039,000 was included in the cost of sales for the year ended 31 December 2005 (2004: RMB85,394,000).
- (ii) Staff costs of approximately RMB57,601,000 were included in the cost of sales for the year ended 31 December 2005 (2004: RMB45,200,000).

(iii) According to the relevant rules and regulations in the PRC, the Company and its subsidiaries participate in a defined contribution retirement plan. All employees are entitled to an annual pension which equals to a fixed proportion of the average basic salary amount within the geographical area of their last employment as at their retirement date. The Company and its subsidiaries are required to make contributions to the local social security bureau at rates ranging from 11% to 25% of the previous year's average basic salaries within the geographical area where the employees are employed by 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	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans wholly repayable within five years	41,542	12,673
Less: Amount capitalised as construction in progress	<u>(23,105)</u>	<u>(6,837)</u>
	<u>18,437</u>	<u>5,836</u>

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 5.02% to 6.68% per annum (2004: 5.148% to 6.696%).

4. Tax

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current - Hong Kong	—	—
- Mainland China	277,867	191,460
Overprovision in prior years	<u>(14,038)</u>	<u>(12,644)</u>
	<u>263,829</u>	<u>178,816</u>

Provision for Hong Kong profits tax has not been made as the Group had no assessable profits arising in Hong Kong during the year. Provision for the PRC corporate income tax has been made at a rate of 33% based on the taxable profits. Some of the subsidiaries of the Group enjoy tax exemptions and concessions prevailing in the place where the business operates.

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:

	2005		2004	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>1,133,892</u>		<u>636,685</u>	
At PRC statutory tax rate	374,185	33.0	210,106	33.0
Expenses not deductible for tax	16,085	1.42	9,403	1.48
Income not subject to tax	(286)	(0.02)	(60)	(0.01)
Share of loss/ (profit) of associates	(10,287)	(0.91)	(4,961)	(0.78)
Differential tax rate on the profit of certain subsidiaries	(83,187)	(7.34)	(18,157)	(2.85)
Reduction of income tax in respect of the tax benefit on locally purchased machinery	(18,642)	(1.64)	(4,871)	(0.76)
Overprovision in prior years	<u>(14,038)</u>	<u>(1.24)</u>	<u>(12,644)</u>	<u>(1.99)</u>
Tax charge at the Group's effective rate	<u>263,829</u>	<u>23.27</u>	<u>178,816</u>	<u>28.09</u>

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There were no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The tax of associates was RMB13,074,000 (2004: RMB7,621,000), which was included under "share of loss/ profit" in consolidated income statement.

5. Earnings per share attributable to the ordinary shareholders of the Parent

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the parent for the year of RMB703,637,000 (2004: RMB417,619,000) and the weighted average number of 5,256,523,640 ordinary shares (2004: 5,256,523,640 ordinary shares as adjusted) in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2005 and 2004 have not been disclosed as there were no potential dilutive ordinary shares issued during these years.

6. Proposed final dividend

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Proposed final dividend — RMB0.08 (2004: RMB0.10) per ordinary share	<u>420,522</u>	<u>262,826</u>

Note:

The proposed final dividend of RMB420,521,891 for the year ended 31 December 2005 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be convened on 18 May 2006.

In accordance with the Articles of Association of the Company, the profit after tax of the Company for the purpose of profit distribution is based on the lower of the profit attributable to shareholders determined under PRC accounting standards and IFRSs.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2005, there existed the problem of double deficits arising from the increase in interest rates of the dollar and dollar devaluation. The enhancement in inflation driven by the upsurge in international energy prices, the bullish market of international metal commodity markets, the own monetary nature and the nature as an investment instrument of gold were leading factors in driving the rise in gold prices. Demands in spot markets under the commodity nature of gold, international geographical politics, upheavals in economic conditions, as well as confidence crisis to the world monetary system continued to push up gold prices. In 2005, the closing price of No. 1 Gold on the Shanghai Gold Exchange was RMB133.55/g, up 13.1% from the closing price in 2004. The closing price of international spot gold was US\$517.20/ounce, up 18.08% from the closing price in 2004. Market prices of copper also increased significantly.

INDUSTRIAL POSITION

According to the statistics of the China Gold Association, in 2005, gold production in the PRC amounted to 224.05 tonnes, including 178.556 tonnes of mine produced gold. The Group produced 20.961 tonnes of gold, including 15.266 tonnes of mine produced gold, representing approximately 9.36% of the total gold output in the PRC, and 8.55% of mine produced gold. Gold enterprises in the PRC recorded a total profit of RMB4,036.2 million. Profits (net of product profits other than gold) recorded by the Group was RMB903.53 million, representing 22.39% of the total profit recorded by the gold industry in the PRC and 2.6 times of the average profits in the industry.

BUSINESS OVERVIEW

I. Maintaining a high speed growing trend, with an overall growth in all economic indices

1. In 2005, the Group produced 20,961 kg (673,917.11 ounces) of gold (15,266 kg mine gold, 5,695 kg refinery plant refined gold), a growth of 60.67% over the previous year, of which, 11,489 kg (369,382.84 ounces) were produced at Zijinshan Gold Mine, 2,509 kg (80,666.86 ounces) were produced at Shuiyindong Gold Mine, 1,024 kg (32,922.62 ounces) were produced at Hunchun Gold and Copper Mine), and 4,897 kg (157,443.45 ounces) were produced at Luoyang Yinhui Refinery Plant.

Copper output was 19,869 tonnes, a growth of 1.47 times over the previous year, of which 15,115 tonnes were produced at Ashele Copper Mine, 3,588 tonnes at Hunchun Gold and Copper Mine, 1,166 tonnes at Zijinshan Copper Mine.

Additional iron concentrates amounted to 350,000 tonnes (Xinjiang Mengku Iron Mine), representing a growth of 12.46 times over the previous year.

Additional zinc metal amounted to 1,418 tonnes (Ashele and Yunnan Huaxi).

2. As at the end of 2005, the Group recorded sales income of RMB3,036,215,000, an increase of 101.38% over the previous year, and total profit of RMB1,133,892,000, an increase of 78.09% over the previous year, with combined after-tax profit of RMB703,637,000, an increase of 68.49% over the previous year.

The total assets of the Group amounted to RMB5,475,378,000, a growth of 67.6% over the previous year, and net assets amounted to RMB3,178,644,000, a growth of 37.6% over the previous year.

II. Rapid expansion in the investment scale, accelerated progress in project construction

In 2005, the production scale of Zijinshan Gold and Copper Mine was further expanded and the mine continued to maintain its position as the production and profit centre of the Group. Significant growth has been achieved in both production scale and economic efficiency for Shuiyindong Gold Mine, Hunchun Gold and Copper Mine, Makeng Iron Mine. The newly constructed (acquired) Ashele Copper Mine, Mengku Iron Mine, Dongliu Hydropower Station, Luoyang Yinhui Gold Refinery Plant commenced operation, and the enterprises have become important production and profit yielding mines (enterprises), making important contributions for the realization of the Group's production and operation targets in 2005.

Reconstruction and expansion of Zijinshan Gold and Copper Mine and construction of Deerni Copper Mine in Qinghai, Bayannaer Zinc Smelting Factory, Dongkeng Gold Mine in Guangdong, Tongling Jiaochong Rich Metal Mine, Shanghang High Precision

Copper Plate and Belt Plant have been accelerated, and the newly added production enterprises such as Dongping Gold Mine in Hebei, Yixingzai Gold Mine in Shanxi and Zinc-lead Mine in Ulatehou will become new growth points for the Group's expansion of production scale and enhancement of economic efficiency in 2006.

While continuing to strengthen the development of projects in the PRC, the Group realized a breakthrough to zero in overseas projects as symbolized by its investments in the Pinnacle Mines Ltd. in Canada (加拿大頂峰礦業) and joint exploration of the Mwetaung Nickel Mine in Burma, which was a big step forward in its control strategy of overseas resources.

III. Substantial increment in resources occupation, significant enhancement in development strength

In 2005, the Group has obtained 89 additional mine exploration rights, covering an area of 3,752.49 sq. km., 2 new mining rights, covering an area of 5.4987 sq. km. As at the end of 2005, the Group has a total of 144 mine exploration rights, with mining rights covering an area of 5,231.92 sq. km. (of which 39 rights belong to the Group, with an area of 1,853.25 sq. km; 54 rights belong to Huaxi Company, with an area of 2,044.96 sq. km; 12 rights belong to Bayannaer, with an area of 666.25 sq. km.), and involving 14 mine species, such as gold, copper, lead, zinc, iron, molybdenum, silver, wolfram, manganese, cobalt, nickel, coal, sulfur, aluminum, 17 mining rights covering an area of 32.3355 sq. km.. The Group's total mining rights cover an area of 5,264.2555 sq. km., an increase of 3.2 times as compared with that as at end of 2004.

Efforts in risk exploration and complementary exploration in respect of additional reserves have been significantly enhanced. In 2005, 78 geologic exploration projects have been commenced (including 4 exploration projects, 11 detailed prospecting projects, 26 general prospecting projects, 32 pre-prospecting projects, 5 special prospecting projects), with accumulated exploration fees of over RMB66.48 million.

As at the end of 2005, the Group has a total of 375 tonnes of gold metal (ore) resources, 6.25 million tonnes of copper, 214,800 tonnes of molybdenum, 660,000 tonnes of zinc, 100,200 tonnes of tin, 226 million tonnes of iron ore, and 400 million tonnes of coal (calculated in terms of equity for holding companies not under absolute control).

IV. Outstanding results in scientific research

In 2005, the Company insisted in production application oriented scientific research. Important progress was made in the experiments related to the research of ore dressing technology for Xinjiang Ashele Copper and Zinc Mine and Qinghai Deerni Copper Mine. The achievements made have been adopted by production construction entities, and resources recovery rates in Ashele Copper Mine have been further enhanced, with outstanding economic effectiveness achieved.

The "research and industrial application of bio-leaching technology of Zijinshan Copper Mine" project has been accredited with China Non-Ferrous Metal Industrial Scientific Technology 1st Prize.

The “research and industrial application of chemical catalyzing and oxidation pre-treatment under normal pressure of Guizhou Shuiyindong Refractory Gold Mine” project has been accredited with China Non-Ferrous Metal Industrial Scientific Technology 1st Prize.

The “research on the safe and highly effective operation in Zijinshan open pit drifting wells” has been accredited with China Non-Ferrous Metal Industrial Scientific Technology 2nd Prize.

The Group’s strength in scientific research has won extensive recognition, and has been recognized as a “National Grade Corporate Research and Development Centre” in 2005.

The Group’s senior technical personnel in the areas of geology, mining, ore dressing and wet metallurgy have continued to concentrate and their capabilities have further strengthened and have been capable of completing research and development and plan design with high difficulty regarding mines in accordance with high standards.

V. New achievements in safe environmental protection efforts

Zijinshan Gold and Copper Mine has passed provincial assessments in safe production, and was accredited as a Class A Mine. The Guizhou Zijin and Xinjiang Ashele passed the acceptance inspection of safe production systems and obtained the “Safe Production Permits” respectively. The Ashele Copper Mine environmental protection project has successfully passed the acceptance inspection by the State Environmental Protection Bureau. After being awarded “The National Industrial and Tourism Model Site”, the Zijinshan mining area was again listed as the first batch of “National Mine Parks”, fully reflecting the role of Zijinshan Gold Mine as a “Sign Pole” and a model for environmental protection.

OPERATING RESULTS

In 2005, the management fully and seriously implemented various resolutions passed at the shareholders' meetings and by the Board, and utilised the favorable opportunity of rising gold prices, carefully organized production, recorded a sales income of RMB3,036.22 million in the year, an increase of RMB1,528.54 million, or 101.38% over the previous year.

The table below sets out the sales by products for the two years ended 31 December 2004 and 2005:

Product	Unit price	2005		Unit price	2004	
		Volume	Amount/ RMB'000		Volume	Amount/ RMB'000
Gold	119.25/g	20,155 kg	2,403,434	109.39/g	12,762 kg	1,396,048
Gold concentrates	108.37/g	892 kg	96,688	93.54/g	603.4 kg	56,445
Iron concentrates	332.13/t	335,013 t	111,272	335.75/t	17,950.8 t	6,027
Copper concentrates	23,476/t	17,067 t	400,667	17,839/t	2,092 t	37,319
Copper cathodes	33,608/t	1,125 t	37,809	23,980/t	850.34 t	20,392
Zinc concentrates	8,965/t	1,418 t	12,712			
Others			6,192			2,417
Less: Sales Tax and levies			(32,559)			(10,969)
Total			3,036,215			1,507,679

Note: The sales of gold include refined and processed gold of 5,679 kg

The Group's turnover in 2005 increased by 101.38% over 2004, which was mainly attributable to a further increase in the production of gold and copper at Zijinshan Gold Mine, the successive commencement of operation of Ashele Copper Mine and Xinjiang Jinbao Mine (Mengku Iron Mine) and increased production capacity of Guizhou Shuiyindong Gold Mine, which increased the operating income by RMB570.13 million, representing 37% of the total growth. Operating income of Luoyang Yinhui Gold Processing Enterprise increased by RMB625.70 million, representing 40% of the total growth. Increase in the operating income attributable to the increase in gold prices amounted to RMB202.41 million, representing 13% of the total growth.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group is mainly engaged in mine development. The Group's cost of sales mainly includes mining, processing, and refining costs, ore transportation cost, raw materials consumption, public management expenses, salaries and depreciation of fixed assets employed for production. The table below sets out details of the gross profit margin for the two years ended 31 December, 2004 and 2005.

Product	2005 %	2004 %
Gold (gold produced from mines)	66.02	60.73
Gold (processed refined gold)	0.51	1.24
Gold concentrates	51.51	37.9
Iron concentrates	59.32	47.24
Copper concentrates	62.88	48
Copper cathodes	50.63	44.4
Others	—	—
Total	48.51	54.68

The Group's overall gross profit margin decreased from 54.68% in 2004 to 48.51% in 2005, which was mainly attributable to the gold refining enterprise which the Company jointly established in Luoyang recording higher operating income and lower gross profit margin. The overall gross profit margin for mine production of the Group's other gold enterprises increased by 5.29%, and the gross profit margin for copper and iron also indicated a trend of substantial growth.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs increased by 540% from RMB10.32 million in 2004 to RMB66.06 million in 2005, which was mainly attributable to the increase in long distance transportation costs in the sales of copper concentrates in Xinjiang Ashele Copper Mine and sales of iron concentrates in Xinjiang Jinbao Mining Enterprise in 2005.

ADMINISTRATION EXPENSES

The Group's administration expenses in 2005 amounted to RMB244.89 million, representing an increase of 46.13% over RMB167.58 million in 2004. The increase was mainly attributable to the increase in administration expenses since the operation of Ashele Copper Mine and Xinjiang Jinbao Iron Mine, and the increase in initial expenses upon the establishment of new companies.

FINANCE COSTS

The Group's finance costs in 2005 amounted to RMB18.44 million, an increase of 215.75% over RMB5.84 million in 2004, which was mainly attributable to an increase in external investment and the fact that various subsidiaries were in the peak period of infrastructure construction, which increased interest expenses on bank loans.

WORKING CAPITAL AND CAPITAL RESOURCES

As at 31 December, 2005, the Group's cash and cash equivalents amounted to RMB1,005.8 million, an increase of RMB180.05 million, or 21.8% over the previous year.

During the year, net cash inflow generated from the Group's operating activities amounted to RMB1,114.82 million, an increase of RMB538.05 million or 93.29% over the previous year. The main reasons for the increase in the cash-flow generated from the Group's operating activities were the commissioning of Xinjiang Ashele Copper Mine and Xinjiang Jinbao Mining Enterprise (Mengku Iron Mine), an increase in the production capacity of Zijinshan Gold and Copper Mine and Guizhou Shuiyindong Gold Mine which increased product sales income, and an increase in gold and copper prices which increased the operating cash inflow.

During the year, net cash outflow generated from the Group's operating activities amounted to RMB1,743.59 million, an increase of RMB817.63 million or 88.3% over the previous year. The main reasons for the increase in investment activities were the Group's acquisition of stakes in Yulong Copper Mine in Tibet, Hunan Non-ferrous Company Limited, Xinjiang Xinxin Mining Industry Company Limited of RMB343.74 million and fixed asset investment of RMB1,219.03 million in property, plant, facilities and land in respect of construction projects such as the technical reform of Zijinshan Copper Mine, the production capacity expansion and technical reform of Shuiyindong Gold Mine, Hunchun Refinery Plant and Bayannaer Infrastructure.

During the year, net cash inflow generated from the Group's financing activities amounted to RMB808.83 million, an increase of RMB748.35 million or 1,237% over the previous year, which was mainly due to more bank loans required for increasing external investment and investment in fixed assets.

As at 31 December 2005, the Group's total borrowings amounted to RMB1,285.66 million (31 December, 2004: RMB311.65 million) of which the amount repayable within one to two years was approximately RMB711.63 million, the amount repayable within two to five years was approximately RMB569.60 million, and the amount repayable in over five years was RMB4.43 million. All the bank borrowings bore interest rates between 2.55% to 6.696% (2004: 5.148% to 6.696%). The borrowings from financial institutions were mainly for the Group's holding subsidiaries.

The Group's daily capital requirements and capital expenditures were expected to be financed from its internal cashflow. The Group also possessed 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, 2005 were approximately RMB703.64 million, representing an increase of 68.49% over approximately RMB417.62 million in 2004.

For the year ended 31 December, 2005, the Group's earnings per Share (basic) was RMB0.13, an increase of 68.49% over the previous year. The calculation of earnings per Share was based on the Group's profit attributable to shareholders of RMB703.64 million (2004: RMB417.62 million) and the weighted average number of 5,256,523,640 Ordinary Shares (Adjusted in 2004: 5,256,523,640 Shares) in issue during the year.

TAXATION

Income taxes of the Group for 2005 and 2004 were set out in the table below:

The Group

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax	277,867	191,460
Over-provision in previous year	<u>(14,038)</u>	<u>(12,644)</u>
	<u>263,829</u>	<u>178,816</u>

No provision for Hong Kong profit tax was made, as the Group did not derive any taxable profits in Hong Kong for the year. The Group's PRC Enterprise Income Tax was provided at a rate of 33% on assessable profit, except for some of the Group's subsidiaries which were subject to preferential tax rates in accordance with the local tax policies in their places of domicile.

USE OF THE PROCEEDS

The net proceeds arising from issuing 400,544,000 H Shares in 2003 were approximately RMB1,205,748,000. As of 30 June, 2005, all the funds have been fully applied. Please see the texts of the Company's 2005 Interim Report and 2005 Annual Report for details.

PROSPECTS

Business environment

It is expected that there will be no material change in the overall market conditions in 2006, and prices of basic metals such as gold and copper will remain at a high level.

Zijin Mining Industry is currently in a very favorable period for development opportunities, with excellent market environment and conditions, with strong demand for products and a solid resources foundation. It has a sound shareholding structure and corporate management

system, increasingly mature capital operation capability, excellent management team and staff, strong technical and management innovation system and a distinct corporate culture, indicating that there will be greater development for Zijin Mining Industry to realize a leap forward to a higher level in the year to come and in future.

Business objectives

The Group plans to produce approximately 40 tonnes of gold in 2006, of which 20 tonnes are gold produced from mines, and 20 tonnes are refined and processed gold; approximately 32,000 tonnes of copper metal, 500,000 tonnes of iron concentrates. Please be noted that the said plan was made on the basis of the current market and the existing conditions of the Company. The Board may, pursuant to changes in circumstances, vary the production plan.

BUSINESS STRATEGIES

1 To accelerate construction of the Company's key projects and realize high speed development of scale and efficiency

In 2006, the Group will arrange 5 expansion and technical reform projects (joint exploration of Zijinshan Copper Mine, Guizhou Shuiyindong Gold Mine Phase 3 Project, the expansion of Hebei Dongping Gold Mine, the expansion of Xinjiang Mengku Iron Mine, and the construction of Yunnan Wuding Lead and Zinc Mine), 6 newly developed and accelerated construction projects (Tibet Yulongdong Copper Mine, Heilongjiang Duobaoshan Copper and Molybdenum Mine, Xinjiang Fuyun Reduction Iron Mine, Guangdong Xinyi Tin Mine, Shanghang Second Gold Refinery Plant, Longyan Makeng Iron Mine Phase II technical reform). Completion and operation of these projects will be important guarantees for the enhancement of the Company's competitiveness and realization of continued high speed development.

2 To increase the efforts in mergers and acquisitions regarding mineral resource type enterprises and further expand the Company's production capacity

Pursuant to its development strategy, the Company will increase its efforts in mergers and acquisitions regarding gold and non-ferrous metal enterprises so as to realize the rapid expansion of resource control and the rapid increase in production capacity. Besides, it will strengthen the research on important mining areas overseas and enter the overseas mining market mainly through mergers and acquisitions.

3 To further strengthen awareness about resources and realize the sustainable development of the enterprise

The Group will increase investment in exploration, strengthen comprehensive research in geologic exploration and prospecting, increase new resources producing sites with mining and development prospects through various effective ways, so as to increase reserves. At the same time, the Group will focus on the acquisition and cooperation of mining rights, and further upgrade the management system of mining rights so as to lay a solid resource foundation for the sustained and fast development of the Company.

4. **To place much emphasis on the nurturing and attraction of talents and to further improve the capability for technical innovation**

The Company will hire talents pursuant to its development strategic planning. In particular, the Company will nurture and attract talents with an international vision and operating capabilities so as to meet the Company's needs for talents in its development. Besides, it will increase the investment in science and technology and increase the scientific research capability of the Company's research institute of mining and metallurgy, and restructure the design company in which the Company owns a controlling stake to improve the design standard.

5. **To capture favorable opportunities, and raise further finance in due course**

In order to ensure the realization of the operating strategies and objectives, the Board considers that the Company should seriously research and study the changes and development in the local and overseas capital market and at the appropriate time may propose to raise further funds by making secondary issue of shares (including A or H Shares). This can also satisfy the Company's need for further funding for new development, improve the Company's share capital structure and increase the Company's strengths and competitive edges. It should be noted that the Company has not had any concrete plan for issuing shares, including the issue price, the issue amount and the use of funds. If the Company has any concrete proposal, thereafter a separate announcement will be issued pursuant to the Listing Rules. Investors should note that the further issuance of shares may or may not proceed and should exercise caution when dealing in shares of the Company.

SUPPLEMENTAL INFORMATION

Final dividend

The Board of Directors has proposed to pay a final dividend for 2005 at the Company's Board meeting convened on 29 March 2006:

As audited by Ernst & Young, the Company's net profit for the year ended 31 December 2005 prepared under IFRSs was RMB703,637,000. The Board of Directors has proposed to pay dividends of RMB0.08 per Share in cash on the basis of 5,256,523,640 Shares in issue of the Company as at the end of 2005. The pay-out ratio is 59.76%.

Capital Conversion

Apart from the above proposal for the declaration of a final dividend, on 29 March, 2005, the Board of Directors also proposed to convert a sum of RMB525,652,364 in the Company's reserve fund into 5,256,523,640 shares of a nominal value of RMB0.1 each. On the basis of the issued share capital of 5,256,523,640 shares as at the end of 2005, shareholders will be offered additional 10 ordinary shares for each 10 ordinary shares they hold.

For the distribution of dividends, dividends for holders of 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 into HK\$ shall be calculated on the average price of the medium prices of the conversion of RMB into HK\$ announced by Bank of China one calendar week preceding 18 May, 2006).

The proposed distribution of final dividends and capital conversion are subject to approval by shareholders at the Annual General Meeting to be held on 18 May 2006 (Thursday).

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 its existing shareholders in proportion to their shareholdings.

Annual general meeting and closure of register

The H share register of the Company will be closed from 18 April 2006 (Tuesday) to 17 May 2006 (Wednesday) (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 18 April 2006 (Tuesday, being the record date) are entitled to attend the Annual General Meeting of the Company to be convened on 18 May 2006 (Thursday) in Shanghang, Fujian and to receive the final dividends and additional ordinary shares to be issued pursuant to the capital conversion scheme.

Purchase, redemption or sale of listed securities of the Company

On 23 June 2005, the Company issued 2,628,261,820 new shares by transferring the surplus reserve fund. Of these new shares, 801,088,000 H Shares commenced its listing on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 27 June 2005.

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities as of 31 December 2005.

Corporate Governance Report

The Code of Best Practice set out in Appendix 14 of the Listing Rules has been superseded by the Code on Corporate Governance Practices (“CG Code”) which has come into effect for accounting periods commencing on or after 1 January 2005. The Corporate Governance Report of the Company is set out in its 2005 Annual Report. The Audit Committee of the

Board held a meeting on 28 March 2006 for the purpose of reviewing the annual report of the Group and to give advice and recommendations to the Board. Save as disclosed below, the Board acknowledges that the Company has complied with the CG Code without deviations for the year ended 31 December 2005:

The Group has established the Remuneration Committee in March, 2001 and members of the Remuneration Committee have been re-elected in accordance with the CG Code in December, 2005.

By order of the Board
Zijin Mining Group Co., Ltd.
Chen Jinghe
Chairman

Hong Kong, 30 March 2006

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Mr. Liu Xiaochu, Mr. Luo Yingnan, Mr. Lan Fusheng, and Mr. Rao Yimin as executive directors, Mr. Ke Xiping as non-executive director, and Messrs. Yang Dali, Yao Lizhong, and Loong Ping Kwan as independent non-executive directors.

** For identification purpose only*

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