1. CORPORATE INFORMATION

The Company was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 6 September 2000. The Company and its subsidiaries (the "Group") are mainly engaged in the gold and copper mining business and geological studies.

The registered office and principal place of business of the Company is located at 1 Zijin Road, Shanghang County, Fujian Province, the PRC.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtained control and continue to be consolidated until the date that such control ceases.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED IFRSs

The following new and revised IFRSs affect the Group and are adopted for the first time for the current year's financial statements:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	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
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of IASs 2, 8, 10, 16, 17, 19, 21, 24, 27, 28, 31, 32, 33, 38, 39 and IFRS2 and 5 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

IAS 1 'Presentation of Financial Statements'

IAS 1 (revised) has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates and jointly-controlled entities was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of IAS 1 (revised), the Group's share of the post-acquisition results of associates and jointly-controlled entities is presented net of the Group's share of tax attributable to associates and jointly-controlled entities.

IFRS 3 'Business Combinations' and IAS 36 'Impairment of Assets'

The adoption of IFRS 3 and IAS 36 (revised) has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005.

The transitional provisions of IFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amount of the accumulated amortisation by RMB3,454,000 with a corresponding entry to goodwill.

2.2 IMPACT OF NEW AND REVISED IFRSs *(continued)*

IAS 27 'Consolidated and Separate Financial Statements'

In prior years, the interests in associates in the Company's financial statements were accounted by the equity method. Upon the adoption of IAS 27 (revised), investments in associates that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 should be accounted for either at cost or in accordance with IAS 39. The effects of the above changes have resulted in a decrease in net profit of the Company by RMB14,131,000 for the year ended 31 December 2004 and a reduction in retained profits as at 31 December 2003 and 2004 by RMB1,479,000 and RMB15,610,000, respectively. It also results in a reduction in interests in associates and reserves of the Company by RMB17,406,000 as at 31 December 2004.

The Group has not applied the following IFRS and IFRIC Interpretation that have been issued but are not yet effective. Unless otherwise stated, these IFRS and IFRIC are effective for annual periods beginning on or after 1 January 2006:

IAS 1 (Amendment)	Capital Disclosures
IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 (Amendment)	Net Investment in a Foreign Operation
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 & IFRS 4 (Amendments)	Financial Guarantee Contracts
IFRSs 1 & 6 (Amendment)	First-time Adoption of IFRSs and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC - Int 4	Determining whether an Arrangement contains a Lease
IFRIC - Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC - Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC - Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC - Int 8	Scope of IFRS 2

The Group has commenced its assessment of the impact of these standards and interpretation but it is not yet in a position to state whether these standards and interpretation would have a material impact on its results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of it's board of directors;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities are included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. The reporting dates of the associates and the Group are identical and adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition for which the agreement date is on or after 31 March 2004 is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of IFRSs have required the Group to eliminate at 31 March 2004 the carrying amount of accumulated amortisation with a corresponding adjustment to the cost of goodwill.

Excess over the cost of business combinations *(applicable to business combinations for which the agreement date is on or after 31 March 2004)*

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of fixed assets are as follows:

Buildings	8 - 35 years
Electricity generation plant	8 - 45 years
Leasehold improvements	5 years
Plant, machinery and equipment	5 -15 years
Furniture and fixtures	4 -10 years
Motor vehicles	6 years

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Also included in property, plant and equipment are mining assets which comprise the open-pit platform, leaching piles, mine shafts and buildings located at the mining sites. Depreciation is provided to write off the cost of the open-pit platform, leaching piles and mine shafts using the units of production method based on the estimated proven and probable mineral reserves. The buildings located at the mining sites are depreciated on the straight-line basis between 7 to 10 years.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents buildings, mining structures, various plant and equipment and other fixed assets under construction and pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Long term deferred assets

Long term deferred assets are stated at cost less accumulated amortisation and any impairment losses. Long term deferred assets include exploration and development costs and land compensation costs.

Exploration and development costs include expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and development costs are capitalised and written off on the straight-line basis over the estimated useful life of 3 to 10 years. If any project is abandoned during the development stage, the total expenditure thereon will be written off.

Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. Such costs are written off on the straight-line basis over their estimated useful lives of 10 years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Mining rights

Mining rights, including exploration rights and development rights, are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on the straight-line basis over their estimated useful lives of 5 to 20 years. The useful lives of the mining rights are reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mines. Mining rights are written off to the income statement if the mining property is abandoned.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. The land use rights are amortised on the straight-line basis over unexpired period of the rights.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (applicable to the year ended 31 December 2005) *(continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments (applicable to the year ended 31 December 2005)

The Group enters into derivative financial instruments such as future commodity contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, goodwill and non-current assets/ disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	–	purchase cost on a first-in, first-out basis;
Finished goods and work in progress	–	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest-bearing loans and borrowing

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Trade payables and other payables

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) processing income, when the relevant service is rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) rental income, on a time proportion basis over the lease terms; and

(e) dividend income, when the shareholders' right to receive payment has been established.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

PRC corporate income tax is provided at rates applicable to enterprises in the PRC on the Company and its subsidiaries' income for financial reporting purposes, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable rights exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Retirement benefits

The companies comprising the Group that were established in the PRC participate in a defined retirement contribution plan managed by the local municipal government in the PRC in which they operate. The relevant authorities of the local municipal government in the PRC undertake the retirement obligations of the Group's employees. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contribution payable is charged as an expense to the income statement as and when incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment loss for property, plant and equipment is recognized for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best information available to reflect the amount that obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(b) Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Income tax

The Group is subject to income taxes in various regions within the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters are different from the amounts originally recorded, the differences will impact the income tax and tax provisions in the period in which the differences realise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(d) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable mine reserve quantity and capitalised costs of mining assets. The capitalised cost of mining rights are depreciated over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines on the units of production method.

(e) Provision for obsolete inventories

The management reviews the condition of inventories of the Group and provides provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at each balance sheet date and makes provision for obsolete items. Management reassesses the estimation on each of the balance sheet date.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns.

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

	2005 *RMB'000*	2004 *RMB'000*
Revenue		
Sale of gold bullions	**2,403,434**	1,396,048
Sale of gold concentrates	**96,688**	56,445
Sale of copper concentrates	**400,667**	37,319
Sale of copper cathodes	**37,809**	20,392
Sale of iron concentrates	**111,272**	6,027
Others	**18,904**	2,417
Less: Sales taxes and levies (note)	**(32,559)**	(10,969)
	3,036,215	1,507,679
Other income		
Bank interest income	**10,659**	11,761
Rental income	**2,955**	807
Processing income	**503**	371
Dividend income	**—**	6
Others	**10,612**	4,998
	24,729	17,943
Gains		
Exchange gains	**1,562**	423
Gain on disposal of 16% equity interests 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 over the cost of a business combination recognised in the income statement	**—**	44
	3,082	2,862
	27,811	20,805

Note: The 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 analysis is presented.

5. FINANCE COSTS

	Group	
	2005	2004
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**41,542**	12,673
Less: Interest capitalised as construction in progress	**(23,105)**	(6,837)
	18,437	5,836

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 5.022% to 6.684% (2004: 5.184% to 6.696%) per annum.

6. PROFIT BEFORE TAX

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

	Notes	2005 *RMB'000*	2004 *RMB'000*
Cost of inventories sold		**1,524,378**	650,235
Amortisation of land use rights	14	**580**	543
Amortisation of long term deferred assets	15	**9,071**	6,465
Amortisation of intangible assets	17	**17,952**	13,297
Provision for land restoration and rehabilitation costs	34	**11,458**	12,793
		1,563,439	683,333
Depreciation (note (i))	13	**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 (note 7)):			
Salaries and other staff costs (note (ii))		**158,958**	115,496
Retirement benefits – defined contribution fund (note (iii))		**10,252**	3,629
		169,210	119,125
Provision for inventory obsolescence		**471**	493
Provision for bad and doubtful 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 *	18	**—**	1,845
Loss on disposal of subsidiaries *	38(b)	**4,879**	—
Loss on deemed disposal of equity interests in subsidiaries *		**—**	13
Fair value loss on derivative financial instruments *	33	**10,287**	—
Impairment provision for intangible assets *	17	**6,857**	—
Write-back of impairment provision on property, plant and equipment*	13	**—**	(94)

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

6. PROFIT BEFORE TAX *(continued)*

Notes:

(i) Depreciation 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 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 11% to 25% (2004: 16% to 24%) of the prior 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.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005 ***RMB'000***	2004 *RMB'000*
Fees	**310**	306
Other emoluments:		
Salaries, allowances and benefits in kind	**6,240**	2,261
Discretionary bonuses	**4,704**	3,630
Pension scheme contributions	**9**	17
	11,263	6,214

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

There was no emolument paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

7. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees payable to the independent non-executive directors during the year is as follow:

	2005 *RMB'000*	2004 *RMB'000*
Mr. Yao Lizhong	100	107
Mr. Yang Dali	106	114
Mr. Loong Ping Kwan	104	85
	310	306

(b) Executive directors and a non-executive director

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2005					
Executive directors:					
Mr. Chen Jinghe	—	2,281	1,653	—	3,934
Mr. Liu Xiaochu	—	589	757	—	1,346
Mr. Lan Fusheng	—	741	445	9	1,195
Mr. Rao Yimin	—	719	421	—	1,140
Mr. Luo Yingnan	—	1,810	1,428	—	3,238
Non-executive director:					
Mr. Ke Xiping	—	100	—	—	100
	—	6,240	4,704	9	10,953
2004					
Executive directors:					
Mr. Chen Jinghe	—	517	1,029	—	1,546
Mr. Liu Xiaochu	—	278	679	—	957
Mr. Lan Fusheng	—	447	399	9	855
Mr. Rao Yimin	—	429	393	—	822
Mr. Luo Yingnan	—	460	1,130	8	1,598
Non-executive director:					
Mr. Ke Xiping	—	130	—	—	130
	—	2,261	3,630	17	5,908

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included four (2004: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining one (2004: one) non-director, highest paid employee for the year are as follows:

	Group	
	2005	2004
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**583**	276
Discretionary bonuses	**1,937**	395
Pension scheme contributions	**7**	4
	2,527	675

The remuneration of the non-director, highest paid employee during the year ended 31 December 2005 fell within the band of HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB2,080,000 to RMB2,600,000). There was no arrangement under which the non-director, highest paid employee waived or agreed to waive any remuneration during the year (2004: Nil).

There was no emolument paid by the Group to the non-director, highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

9. INCOME TAX EXPENSES

	2005	2004
	RMB'000	*RMB'000*
Group:		
Current – Hong Kong	**—**	—
– Mainland China	**277,867**	191,460
Overprovision in prior years (note (ii))	**(14,038)**	(12,644)
	263,829	178,816

9. INCOME TAX EXPENSES *(continued)*

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 the 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 located in the western region of Mainland 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 region.

Xiamen Zijin is taxed at a preferential tax rate of 15% since its operation as it was established in the Xiamen Special Economic Zone.

Pursuant to "Ha Di Shui Han [2005] No. 80" issued by the local tax bureau of Habahe County, Xinjiang Ashel is exempted from corporate income tax for a five-year period from 1 January 2005 to 31 December 2009. In addition, Xinjiang Ashele was granted a tax concession at a preferential rate of 15% from 2010 onwards.

Pursuant to "Xin Di Shui Han [2005] No. 522" issued by the local tax bureau of Uigur Municipality, Xinjiang Jinbao is exempted from corporate income tax from 1 January 2004 to 31 December 2006.

Pursuant to "Pan Guo Shui Han [2005] No. 59" issued by the state tax bureau of Panlong District in Kunming, Yunnan Huaxi is exempted from corporate income tax from 1 January 2004 to 31 December 2006 and was granted a tax concession of 50% reduction for the year ended 31 December 2007 and 2008.

(ii) Pursuant to "Ji Guo Shui Fa [2005] No. 43" issued by the state tax bureau of Jilin Province on 8 May 2005, Hunchun Zijin was exempted from corporate income tax for the year ended 31 December 2004. The tax expenses of RMB10,577,000 for the year ended 31 December 2004 was offset against the tax liabilities of Hunchun Zijin for the year ended 31 December 2005.

Pursuant to the approval dated 22 December 2005 by the state tax bureau of Longyan City in Fujian Province, Fujian Shanghang Jinshan Construction Engineering Company Limited ("Jinshan Construction") was granted a tax concession of 70% reduction for the year ended 2004 and 2005. Tax expenses of RMB3,461,000 were refunded to Jinshan Construction during the year.

Pursuant to "Ji Guo Shui Fa [2004] No. 290" issued by the Provincial Tax Bureau of Jilin Province, Hunchun Zijin was exempted from corporate income tax for the year 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 or before 2003 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 year amounting to RMB11,499,000 was written back during that year.

9. INCOME TAX EXPENSES *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company, its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2005 *RMB'000*	%	2004 *RMB'000* (Restated)	%
Profit before tax	1,133,892		636,685	
At the PRC statutory tax rate	374,184	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)
Profits attributable to 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	(14,038)	(1.24)	(12,644)	(1.99)
Tax charge at the Group's effective rate	263,829	23.27	178,816	28.09

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 and associates as the Group had 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.

The share of tax attributable to associates amounting to RMB13,074,000 (2004: RMB7,621,000), is included in ''Share of profits of associates'' on the face of the consolidated income statement.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit from ordinary activities attributable to equity holders of the parent for the year ended 31 December 2005 dealt with in the financial statements of the Company was RMB530,157,000 (2004: RMB356,572,000 (restated)) (note 37).

11. PROPOSED FINAL DIVIDEND

	2005 *RMB'000*	2004 *RMB'000*
Proposed final dividend – RMB0.08 (2004: RMB0.10) per ordinary share	**420,522**	262,826

At the shareholders' meeting on 31 May 2005, the directors declared a final dividend of RMB262,826,000 in respect of the year ended 31 December 2004.

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.

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 that under IFRSs.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

On 31 May 2005, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting (note 36). When calculating the earnings per share amount for the year ended 31 December 2004, the number of ordinary shares outstanding was adjusted as if the conversion of the Company's share premium to new shares had taken place on 1 January 2004.

The calculation of earnings per share amounts is based on the Group's net profit attributable to ordinary equity holders of the parent 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) 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 outstanding during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Electricity generation plant RMB'000	Mining assets RMB'000 (Note 1)	Leasehold improvements RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2005	84,208	31,221	674,080	8,263	323,821	16,803	25,743	563,991	1,728,130
Additions	2,676	2,892	40,772	—	60,115	8,852	17,984	957,144	1,090,435
Additions through business combination (note 38(a))	21,486	—	10,073	—	11,908	1,281	3,551	40,636	88,935
Transfer from/(to)	26,800	474	427,278	—	96,705	(1,129)	—	(550,128)	—
Disposals	(627)	—	(14,863)	(979)	(10,654)	(354)	(1,468)	—	(28,945)
Disposal of subsidiaries (note 38(b))	—	—	(3,942)	—	(38)	(15)	—	(141)	(4,136)
At 31 December 2005	134,543	34,587	1,133,398	7,284	481,857	25,438	45,810	1,011,502	2,874,419
Accumulated depreciation and impairment:									
At 1 January 2005	19,100	6,905	237,240	3,737	77,360	4,922	7,468	—	356,732
Charge for the year	4,204	1,767	81,842	1,881	41,648	3,644	4,932	—	139,918
Additions through business combination (note 38(a))	—	—	399	—	38	68	236	—	741
Disposals	(216)	—	(10,660)	(417)	(5,521)	(192)	(560)	—	(17,566)
Disposal of subsidiaries (note 38(b))	—	—	(386)	—	(1)	(1)	—	—	(388)
At 31 December 2005	23,088	8,672	308,435	5,201	113,524	8,441	12,076	—	479,437
Net book value:									
At 31 December 2005	111,455	25,915	824,963	2,083	368,333	16,997	33,734	1,011,502	2,394,982

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

	Buildings *RMB'000*	Electricity generation plant *RMB'000*	Mining assets *RMB'000* *(Note 1)*	Leasehold improvements *RMB'000*	Plant, machinery and equipment *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:									
At 1 January 2004	75,555	28,192	441,767	8,263	172,254	9,224	15,561	398,968	1,149,784
Additions	1,445	1,266	12,135	—	46,847	5,789	10,463	486,118	564,063
Additions through business combination (note 38(a))	1,154	—	3,091	—	2,751	235	10,353	44,647	62,231
Transfer from/(to)	6,087	1,781	250,106	—	106,229	1,539	—	(365,742)	—
Reclassifications	—	—	203	—	1,283	222	(1,708)	—	—
Disposals	(33)	(18)	(33,222)	—	(5,543)	(206)	(8,926)	—	(47,948)
At 31 December 2004	84,208	31,221	674,080	8,263	323,821	16,803	25,743	563,991	1,728,130
Accumulated depreciation and impairment:									
At 1 January 2004	15,172	5,394	189,494	2,058	53,314	2,871	5,232	—	273,535
Charge for the year	3,865	1,522	63,393	1,679	25,384	2,081	3,175	—	101,099
Impairment	—	—	—	6	—	—	—	—	6
Additions through business combination (note 38(a))	72	—	160	—	604	86	1,341	—	2,263
Reclassifications	—	—	61	—	117	43	(221)	—	—
Reversal of impairment upon disposal during the year recognised in the income statement	—	—	—	—	(94)	—	—	—	(94)
Disposals	(9)	(11)	(15,868)	—	(1,965)	(159)	(2,059)	—	(20,071)
At 31 December 2004	19,100	6,905	237,240	3,737	77,360	4,922	7,468	—	356,732
Net book value:									
At 31 December 2004	65,108	24,316	436,840	4,526	246,461	11,881	18,275	563,991	1,371,398

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Buildings	Electricity generation plant	Mining assets	Leasehold improvements	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note 2)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2005	56,092	26,908	476,756	8,263	151,524	9,926	13,067	132,858	875,394
Additions	72	3	415	—	15,831	4,321	4,966	181,210	206,818
Transfer from/(to)	586	158	126,593	—	59,369	—	—	(186,706)	—
Transfer to a subsidiary	—	—	—	—	(31)	(4)	—	—	(35)
Disposals	(627)	—	(12,435)	(979)	(6,521)	(115)	(470)	—	(21,147)
At 31 December 2005	56,123	27,069	591,329	7,284	220,172	14,128	17,563	127,362	1,061,030
Accumulated depreciation and impairment:									
At 1 January 2005	17,974	6,779	226,602	3,737	61,024	3,840	4,987	—	324,943
Charge for the year	1,727	1,349	55,570	1,881	15,369	2,058	2,164	—	80,118
Transfer to a subsidiary	—	—	—	—	(30)	(3)	—	—	(33)
Disposals	(216)	—	(10,228)	(417)	(5,191)	(121)	(402)	—	(16,575)
At 31 December 2005	19,485	8,128	271,944	5,201	71,172	5,774	6,749	—	388,453
Net book value:									
At 31 December 2005	36,638	18,941	319,385	2,083	149,000	8,354	10,814	127,362	672,577

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company *(continued)*

	Buildings RMB'000	Electricity generation plant RMB'000	Mining assets RMB'000 (Note 2)	Leasehold improvements RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2004	52,063	26,926	412,109	8,263	130,962	6,751	9,274	93,271	739,619
Additions	812	—	32	—	17,806	3,322	4,231	148,643	174,846
Transfer from/(to)	3,250	—	97,837	—	7,969	—	—	(109,056)	—
Reclassifications	—	—	—	—	(100)	21	79	—	—
Transfer to a subsidiary	(26)	—	—	—	(85)	—	—	—	(111)
Disposals	(7)	(18)	(33,222)	—	(5,028)	(168)	(517)	—	(38,960)
At 31 December 2004	56,092	26,908	476,756	8,263	151,524	9,926	13,067	132,858	875,394
Accumulated depreciation and impairment:									
At 1 January 2004	15,009	5,382	185,685	2,058	47,703	2,544	4,322	—	262,703
Charge for the year	2,974	1,408	56,785	1,679	15,290	1,424	1,137	—	80,697
Reclassifications	—	—	—	—	(29)	23	6	—	—
Transfer to a subsidiary	(8)	—	—	—	(81)	—	—	—	(89)
Reversal of impairment upon disposal during the year recognised in the income statement	—	—	—	—	(94)	—	—	—	(94)
Disposals	(1)	(11)	(15,868)	—	(1,765)	(151)	(478)	—	(18,274)
At 31 December 2004	17,974	6,779	226,602	3,737	61,024	3,840	4,987	—	324,943
Net book value:									
At 31 December 2004	38,118	20,129	250,154	4,526	90,500	6,086	8,080	132,858	550,451

As at 31 December 2005, equipment with a net book value of RMB238,000 (2004: RMB346,000) was pledged to a bank for a bank loan granted to a subsidiary (note 31).

Note 1: Included in the balance of the Group are building structures located in the gold mines with a net book value of RMB159,500,000 (2004: RMB23,715,000) in respect of which the Group did not obtain the relevant land use rights as at 31 December 2005.

Note 2: Included in the balance of the Company are building structures located in the gold mines with a net book value of RMB77,391,000 (2004: RMB20,651,000) in respect of which the Company did not obtain the relevant land use rights as at 31 December 2005.

14. LAND USE RIGHTS

	Group	Company
	RMB'000	*RMB'000*
Cost:		
At 1 January 2005	19,634	12,323
Additions	39,660	22,322
At 31 December 2005	**59,294**	**34,645**
Accumulated amortisation and impairment:		
At 1 January 2005	4,131	3,861
Additions	580	271
At 31 December 2005	**4,711**	**4,132**
Net book value:		
At 31 December 2005	**54,583**	**30,513**
Cost:		
At 1 January 2004	18,824	12,323
Additions	810	—
At 31 December 2004	19,634	12,323
Accumulated amortisation and impairment:		
At beginning of year	3,588	3,552
Provided during the year	543	309
At 31 December 2004	4,131	3,861
Net book value:		
At 31 December 2004	15,503	8,462

The land use rights are situated in the PRC and are held under long term leases.

15. LONG TERM DEFERRED ASSETS

Group

	Exploration and development costs *RMB'000*	Land compensation costs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2005	25,992	94,332	3,590	123,914
Additions	66,475	40,317	5,252	112,044
At 31 December 2005	**92,467**	**134,649**	**8,842**	**235,958**
Accumulated amortisation and impairment:				
At 1 January 2005	3,911	9,601	1,610	15,122
Provided during the year	1,152	7,414	505	9,071
At 31 December 2005	**5,063**	**17,015**	**2,115**	**24,193**
Net book value:				
At 31 December 2005	**87,404**	**117,634**	**6,727**	**211,765**
Cost:				
At 1 January 2004	10,238	61,918	—	72,156
Additions	15,754	32,414	3,590	51,758
At 31 December 2004	25,992	94,332	3,590	123,914
Accumulated amortisation and impairment:				
At 1 January 2004	2,304	6,353	—	8,657
Provided during the year	1,607	3,248	1,610	6,465
At 31 December 2004	3,911	9,601	1,610	15,122
Net book value:				
At 31 December 2004	22,081	84,731	1,980	108,792

15. LONG TERM DEFERRED ASSETS *(continued)*

Company

	Land compensation costs	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2005	79,856	—	79,856
Additions	37,160	2,200	39,360
At 31 December 2005	**117,016**	**2,200**	**119,216**
Accumulated amortisation and impairment:			
At 1 January 2005	9,193	—	9,193
Provided during the year	6,555	37	6,592
At 31 December 2005	**15,748**	**37**	**15,785**
Net book value:			
At 31 December 2005	**101,268**	**2,163**	**103,431**
Cost:			
At 1 January 2004	61,072	—	61,072
Additions	18,784	—	18,784
At 31 December 2004	79,856	—	79,856
Accumulated amortisation and impairment:			
At 1 January 2004	6,290	—	6,290
Provided during the year	2,903	—	2,903
At 31 December 2004	9,193	—	9,193
Net book value:			
At 31 December 2004	70,663	—	70,663

16. PREPAYMENTS

Included in the balance of the Group are mainly prepayments for purchases of mining and exploration rights of RMB53,061,000 (2004: RMB45,440,000), and land use rights of RMB31,715,000 (2004: RMB22,665,000). The certificates of mining and exploration rights and land use rights were not obtained as at 31 December 2005.

Included in the balance of the Company are prepayments for purchases of mining and exploration rights of RMB1,981,000 (2004: RMB3,360,000), and land use rights of RMB7,489,000 (2004: RMB9,489,000). The certificates of mining and exploration rights and land use rights were not obtained as at 31 December 2005.

17. INTANGIBLE ASSETS

Group

	Mining rights *RMB'000*	Trading rights in Shanghai Gold Exchange *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2005	442,497	500	748	443,745
Additions	140,161	1,500	3,820	145,481
Disposals	(13,360)	—	—	(13,360)
At 31 December 2005	**569,298**	**2,000**	**4,568**	**575,866**
Accumulated amortisation and impairment:				
At 1 January 2005	23,899	100	480	24,479
Provided for the year	17,809	67	76	17,952
Disposals	(3,585)	—	—	(3,585)
Impairment	6,857	—	—	6,857
At 31 December 2005	**44,980**	**167**	**556**	**45,703**
Net book value:				
31 December 2005	**524,318**	**1,833**	**4,012**	**530,163**
Cost:				
At 1 January 2004	127,895	500	—	128,395
Additions	314,602	—	748	315,350
At 31 December 2004	442,497	500	748	443,745
Accumulated amortisation and impairment:				
At 1 January 2004	11,132	50	—	11,182
Provided for the year	12,767	50	480	13,297
At 31 December 2004	23,899	100	480	24,479
Net book value:				
31 December 2004	418,598	400	268	419,266

17. INTANGIBLE ASSETS *(continued)*

Company

	Mining rights	Trading right in Shanghai Gold Exchange	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2005	173,828	500	—	174,328
Additions	—	—	652	652
At 31 December 2005	**173,828**	**500**	**652**	**174,980**
Accumulated amortisation and impairment:				
At 1 January 2005	13,595	100	—	13,695
Provided for the year	8,242	50	—	8,292
At 31 December 2005	**21,837**	**150**	**—**	**21,987**
Net book value:				
31 December 2005	**151,991**	**350**	**652**	**152,993**
Cost:				
At 1 January 2004	36,720	500	—	37,220
Additions	137,108	—	—	137,108
At 31 December 2004	173,828	500	—	174,328
Accumulated amortisation and impairment:				
At 1 January 2004	8,400	50	—	8,450
Provided for the year	5,195	50	—	5,245
At 31 December 2004	13,595	100	—	13,695
Net book value:				
31 December 2004	160,233	400	—	160,633

18. GOODWILL

Group

	RMB'000
31 December 2005	
At 1 January 2005:	
Cost (gross carrying amount) as previously stated	19,221
Elimination of accumulated amortisation on adoption of IFRS 3	(3,454)
	15,767
At 1 January 2005:	
Accumulated amortisation as previously stated	3,454
Elimination of accumulated amortisation on adoption of IFRS 3	(3,454)
	—
Cost at 1 January 2005	15,767
Acquisition of subsidiaries (note 38(a))	41,370
Acquisition of further interests in a subsidiary from a minority shareholder	8,528
Cost and carrying amount at 31 December 2005	**65,665**
31 December 2004	
At 1 January 2004:	
Cost	16,133
Accumulated amortisation	(1,613)
Net carrying amount	14,520
At 31 December 2004:	
Cost (gross carrying amount)	19,221
Accumulated amortisation	(3,454)
Net carrying amount	15,767
Cost at 1 January 2004, net of accumulated amortisation	14,520
Acquisition of subsidiaries (note 38(a))	3,088
Amortisation provided during the year	(1,841)
At 31 December 2004	15,767

18. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units of the respective subsidiaries.

The recoverable amounts of these subsidiaries have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by senior management. The discount rate applied to cash flow projections is 5.58% (2004: 5.5%). No growth rate has been projected beyond the three-year period.

Key assumptions were used in the value in use calculation of the subsidiaries for 31 December 2005 and 31 December 2004. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and expected market development.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year. The values assigned to key assumptions are consistent with external information sources.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2005 *RMB'000*	2004 *RMB'000*
Unlisted shares, at cost	**1,282,545**	585,156
Due from/(to) subsidiaries	**2,723**	(3,705)
Loans to subsidiaries	**66,711**	157,000
	1,351,979	738,451
Impairment	**(16,000)**	—
	1,335,979	738,451

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

The loans to subsidiaries are unsecured and bear interest at rates ranging from nil to 5.58% (2004: 5.58% to 6.336%) per annum and repayable according to the repayment schedules stipulated in the loan agreements.

19. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
		RMB'000	*Direct*	*Indirect*	
Guizhou Zijin Mining Company Limited ("Guizhou Zijin")	PRC	60,000	51%	4.8%	Gold mining and geological studies
Xiamen Zijin Science and Technology Company Limited ("Xiamen Zijin")	PRC	80,000	96.3%	—	Geological studies and provision of mining technique consultancy services
Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele")	PRC	250,000	51%	—	Copper mining and geological studies
Hunchun Zijin Mining Company Limited ("Hunchun Zijin")	PRC	50,000	75.4%	6.5%	Gold mining and geological studies
Tongling Zijin Mining Company Limited ("Tongling Zijin")	PRC	34,280	51%	—	Gold mining and geological studies
Fujian Zijin Copper Company Limited ("Zijin Copper")	PRC	129,000	—	51%	Manufacture and sale of copper alloy
Fujian Shanghang Jinshan Construction Engineering Company Limited ("Jinshan Construction")	PRC	20,000	—	61.6%	Construction works
Tibet Jindi Mining Company Limited ("Tibet Jindi")	PRC	30,000	51%	1%	Gold mining and geological studies
Sichuan Jiuzhaigou Zijin Mining Company Limited ("Jiuzhaigou Zijin")	PRC	40,000	60%	—	Gold mining and geological studies

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
		RMB'000	*Direct*	*Indirect*	
Qinghai West Copper Mining Company Limited ("Qinghai West")	PRC	120,000	60%	—	Copper mining and geological studies
Xinjiang Jinbao Mining Company Limited * ("Xinjiang Jinbao")	PRC	50,000	—	40.8%	Iron mining and geological studies
Sichuan Ganzi Zijin Mining Company Limited ("Ganzi Zijin")	PRC	20,000	60%	—	Gold mining and geological studies
Fujian Zijin Investment Company Limited ("Zijin Investment")	PRC	150,000	96.7%	3.2%	Investment holding
Bayannaoer Zijin Non- ferrous Metal Company Limited ("Bayannaoer Zijin")	PRC	192,500/ 250,000	77.92%	—	Refinery of zinc
Zijin (International) Mining Company Limited ("Zijin International ")	PRC	50,000	95%	4.8%	Geological studies
Luoyang Yinhui Gold Refinery Company Limited ("Luoyang Yinhui")	PRC	100,000	70%	—	Gold and silver smelting and geological studies
Yunnan Huaxi Mining Company Limited ("Yunnan Huaxi")	PRC	50,000	53%	—	Geological studies
Henan Jinda Mining Company Limited ("Henan Jinda")	PRC	229,866	56.5%	—	Geological studies

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
		RMB'000	*Direct*	*Indirect*	
Xinyi Baoyuan Mine Company Limited ("Xinyi Baoyuan")	PRC	80,000	80%	—	Stannum mining
Guangdong Xinyi Dongkeng Gold Mine Company Limited ("Guangdong Xinyi")	PRC	20,000	80%	—	Gold mining and smelting

* Xinjiang Jinbao is a subsidiary of a non-wholly-owned subsidiary of the Company and accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

The statutory audited financial statements of the above subsidiaries, prepared in accordance with PRC GAAP, were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
				(Restated)
Unlisted shares, at cost	**—**	—	**275,610**	8,299
Share of net assets	**361,754**	50,313	**—**	—
	361,754	50,313	**275,610**	8,299

20. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Fujian Makeng Mining Company Limited (formerly known as "Fujian Longyan Makeng Mining Company LImited")	Ordinary shares of RMB1 each	PRC	31.5%	Iron mining and geological studies
Fujian Shanghang Ting River Hydro-electricity Limited	Ordinary shares of RMB1 each	PRC	49%	Electricity generation
Tibet Yulong Copper Joint Stock Company Limited	Ordinary shares of RMB1 each	PRC	39%	Copper mining and geological studies
Wuping County Zijin Hydro Power Company Limited	Ordinary shares of RMB1 each	PRC	38%	Electricity generation and investment holding

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The financial statements of the above associates are coterminous with those of the Group.

20. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	Group	
	2005	2004
	RMB'000	*RMB'000*
Share of net assets of associates:		
Current assets	**277,644**	49,431
Non-current assets	**328,035**	73,307
Current liabilities	**(150,013)**	(30,188)
Non-current liabilities	**(93,912)**	(42,237)
Net assets	**361,754**	50,313
Share of the associates' revenue and profits:		
Revenue	**81,551**	34,775
Profits	**31,173**	15,034

The statutory audited financial statements of the above associates, prepared in accordance with PRC GAAP, were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	RMB'000	*RMB'000*
Share of net assets	**5,295**	7,040

Particulars of the jointly-controlled entities are as follows:

Name	Place of incorporation/ registration and operations	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Guizhou New Henken Minerals Inc	PRC	20%	20%	20%	Gold mining and geological studies
Kingbao Mining Limited	Hong Kong	50%	50%	50%	Dormant

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	Group	
	2005	2004
	RMB'000	*RMB'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**4,184**	7,071
Non-current assets	**1,211**	605
Current liabilities	**(100)**	(636)
Net assets	**5,295**	7,040

These jointly-controlled entities do not contribute any revenue and profits after tax to the Group for the current and prior years.

The statutory audited financial statements of the above companies, prepared in accordance with PRC GAAP, were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investment, at fair value	**13,760**	—	**—**	—
Unlisted equity investments, at cost	**77,168**	19,990	**49,850**	19,890
	90,928	19,990	**49,850**	19,890

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity securities cannot be reliably measured and such securities are stated at cost less any impairment losses.

23. INVENTORIES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials and consumable supplies	**87,966**	47,631	**25,436**	17,830
Work in progress	**148,124**	84,703	**127,186**	72,740
Finished goods	**66,494**	62,224	**36,056**	43,746
	302,584	194,558	**188,678**	134,316

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

Included in the balance of the Group is a loan advanced to an associate of RMB7,144,000 (2004: Nil) which is unsecured, bears interest at a rate of 8.37% per annum and has no fixed terms of repayment (note 39(i)(g)).

25. TRADE RECEIVABLES

The sales of gold bullions are settled on the transaction date. The credit period on the sales of other products ranges from 30 to 120 days. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the respective due dates of the sales of goods, is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 4 months	**53,110**	7,170	**19,074**	3,900
Over 4 months but within 12 months	**7,493**	198	**436**	193
Over 1 year but within 2 years	**1,065**	165	**625**	20
Over 2 years	**—**	301	**—**	—
	61,668	7,834	**20,135**	4,113

26. DUE FROM RELATED PARTIES

		Group		Company	
	Notes	**2005**	2004	**2005**	2004
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due from minority shareholders:					
Zhenfeng Industrial Investment Limited	(i)	—	400	—	400
Hunchun Gold and Copper Mining Company Limited	(ii)	—	2,307	—	—
		—	2,707	—	400

Notes:

(i) The loan to Zhenfeng Industrial Investment Limited is unsecured, interest-free and has no fixed terms of repayment. The loan was fully repaid during the year.

(ii) The loan to Hunchun Gold and Copper Mining Company Limited is unsecured, interest-free and has no fixed terms of repayment. The loan was fully repaid during the year.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Company	
	Notes	**2005**	2004	**2005**	2004
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investments	(i)	**6,100**	—	—	—
Convertible corporate bonds, listed	(ii)	—	766	—	635
Corporate bonds, unlisted	(iii)	—	10,000	—	10,000
Loan note	(iv)	—	2,000	—	2,000
		6,100	12,766	—	12,635

Notes:

(i) The listed equity investments are carried at market value at 31 December 2005.

(ii) The listed convertible corporate bonds were carried at market value at 31 December 2004. Interest was earned at the rate of 1.2% per annum.

(iii) The unlisted corporate bonds will mature on 16 November 2014. Interest was earned at rate of 4.94% per annum.

(iv) The loan note was due on 13 October 2005. Interest was earned at a rate of 5.844% per annum.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**984,464**	827,747	**275,186**	641,627
Time deposits	**69,060**	84,688	**21,688**	64,688
	1,053,524	912,435	**296,874**	706,315
Less: Quality guarantee deposit pledged to a bank for gold bullions sold	**(2,000)**	(2,000)	**(2,000)**	(2,000)
Time deposit restricted for land restoration and environmental costs upon the closure of mines (note)	**(21,688)**	(21,688)	**(21,688)**	(21,688)
	(23,688)	(23,688)	**(23,688)**	(23,688)
Cash and cash equivalents in the consolidated balance sheet	**1,029,836**	888,747	**273,186**	682,627
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(24,035)**	(63,000)	**—**	(43,000)
Cash and cash equivalents in the consolidated cash flow statement	**1,005,801**	825,747	**273,186**	639,627

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month to one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

Note: As required by the Shanghang Municipal Government, the Company is required to pledge certain deposits to a bank which is restricted for land restoration and environmental costs upon the closure of mines. As at 31 December 2005, the Company has pledged bank deposits of RMB21,688,000 (2004: RMB21,688,000). The use of these bank deposits are subject to approval by the Shanghang Municipal Government. For the year ended 31 December 2005, the Company made a provision for land restoration and environmental costs amounting to RMB11,458,000 (2004: RMB12,793,000) (note 34). The shortfall of the pledged cash was deposited into the bank in February 2006.

29. ACCRUED LIABILITIES AND OTHER PAYABLES

Group and Company

Included in the balance of the Group and the Company is an amount payable to the Social Security Fund of RMB118,277,000 (2004: RMB120,575,000).

30. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**211,108**	131,633	**73,715**	61,026
Over 1 year but within 2 years	**1,074**	4,221	**105**	1,656
Over 2 years but within 3 years	**344**	3,033	**213**	3,028
Over 3 years	**639**	531	**527**	531
	213,165	139,418	**74,560**	66,241

Trade payables of the Group and the Company include trading balances due to the shareholders of RMB3,211,000 as at 31 December 2005 (2004: RMB4,545,000). The trade payables also include trading balances due to a minority shareholder of RMB12,273,000 as at 31 December 2005 (2004: RMB12,154,000). The balances due to the shareholders and the minority shareholder are unsecured, interest-free and repayable in accordance with normal commercial terms.

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

31. INTEREST-BEARING BANK LOANS

			Group		Company	
	Effective interest rate (%)	Maturity	2005 *RMB'000*	2004 *RMB'000*	2005 *RMB'000*	2004 *RMB'000*
Bank loans:						
Unsecured	2.55 - 6.696	2006 - 2010	1,167,410	149,400	569,400	149,400
Secured	4 - 5.58	2006 - 2008	118,247	162,247	—	—
Total bank loans			1,285,657	311,647	569,400	149,400
Total bank loans			1,285,657	311,647	569,400	149,400
Less: Amounts due within one year included under current liabilities	4 - 6.696	2006	(630,627)	(45,000)	(409,800)	(40,000)
Amounts due after one year			655,030	266,647	159,600	109,400
Bank loans repayable:						
Within one year	4 - 6.696	2006	630,627	45,000	409,800	40,000
In the second year	5.85 - 6.696	2007	81,000	40,047	—	29,800
In the third to fifth years, inclusive	5.184 - 5.71	2007 - 2010	569,600	226,600	159,600	79,600
More than five years	2.55	2020	4,430	—	—	—
			1,285,657	311,647	569,400	149,400

The bank loans are secured by guarantees from a minority shareholder of a subsidiary (note 39(iii)) and a pledge of equipment with a net book value of RMB238,000 as at 31 December 2005 (2004: RMB346,000) (note 13). Bank loans of certain subsidiaries are also secured by guarantees from the Company (note 39(iii)(c)).

32. OTHER LONG TERM LOAN

	Group and Company	
	2005 *RMB'000*	2004 *RMB'000*
Shanghang County Social Labour Insurance Company (上杭縣社會勞動保險公司)	—	1,000

The above loan was secured by a retirement fund of the Company managed by the Shanghang Municipal Government which bore interest at the rate of 5.76% per annum and was fully repaid during the year.

33. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP AND COMPANY

For the year ended 31 December 2005, the Company entered into forward contracts for the sale of copper. Compared with the quoted market price at 31 December 2005, the Group and the Company recorded an unrealised loss of RMB10,287,000 for the year (2004: Nil).

34. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

	Group and Company
	RMB'000
At beginning of year	26,170
Additional provision for the year	11,458
At 31 December 2005	37,628

The provision for land restoration and environmental costs is determined by the directors based on their best estimates.

35. LONG TERM OTHER PAYABLES

		Group		Company	
	Notes	**2005**	2004	**2005**	2004
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Xinjiang Geological, Mining and Prospecting Development Bureau (新疆地質礦產堪察開發局)	(a)	**25,936**	32,420	**—**	—
Xinjiang Non-ferrous Metal Industry Company (新疆有色金屬工業公司)	(a)	**7,776**	9,721	**—**	—
Shanghang Finance Bureau (上杭縣財政局)	(b)	**44,898**	50,498	**44,898**	50,498
Fujian Minxi Geologist Team (福建省閩西地質大隊)	(c)	**2,633**	3,433	**2,633**	3,433
Bonuses of directors and senior executives	(d)	**12,247**	23,104	**12,247**	23,104
Others		**16,500**	—	**16,500**	—
		109,990	119,176	**76,278**	77,035

35. LONG TERM OTHER PAYABLES *(continued)*

Notes:

(a) The balances represent amounts payable to the promoters of Xinjiang Ashele upon the injection of assets for the establishment of Xinjiang Ashele on 13 August 1999, which is unsecured, interest-free and repayable within five years with equal yearly instalments from 2006 onwards. The current portion of RMB8,429,000 (2004: Nil) has been included in accrued liabilities and other payables as at 31 December 2005.

(b) The balance represents an amount payable to the Shanghang Finance Bureau for the purchase of mining rights of the copper mine located in the northwest area of Zijinshan, which is unsecured, interest-free and repayable within 10 years from July 2004 onwards. The current portion of RMB5,600,000 (2004: RMB5,611,000) has been included in accrued liabilities and other payables as at 31 December 2005.

(c) The balance represents an amount payable to the Fujian Minxi Geologist Team for the purchase of mining rights of the gold mine located in the southeast area of Zijinshan, which is unsecured, interest-free and repayable within five years with equal yearly instalments from 2004 onwards. The current portion of RMB800,000 (2004: RMB800,000) has been included in accrued liabilities and other payables as at 31 December 2005.

(d) The balance represents the bonus payable to directors and senior executives, which is interest-free and payable after the completion of the tenure.

The directors consider that the carrying amounts of long term payables approximate to their fair value.

An aged analysis of long term other payables is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Between two and five years	**72,536**	86,855	**38,824**	48,748
More than five years	**37,454**	32,321	**37,454**	28,287
	109,990	119,176	**76,278**	77,035

36. SHARE CAPITAL

	2005 Number of shares '000	2005 Nominal value RMB'000	2004 Number of shares '000	2004 Nominal value RMB'000
Registered	**5,256,524**	**525,652**	2,628,262	262,826
Issued and fully paid:				
Domestic shares of RMB0.10 each (2004: RMB 0.10 each)	**3,654,348**	**365,434**	1,827,174	182,717
H shares of RMB0.10 each	**1,602,176**	**160,218**	801,088	80,109
	5,256,524	**525,652**	2,628,262	262,826

A summary of the movements in the Company's issued share capital during the year is as follows:

	2005 Number of shares '000	2005 Nominal value RMB'000	2004 Number of shares '000	2004 Nominal value RMB'000
At beginning of year	**2,628,262**	**262,826**	1,314,131	131,413
Share premium converted into share capital (note)	**2,628,262**	**262,826**	1,314,131	131,413
At end of year	**5,256,524**	**525,652**	2,628,262	262,826

Note:

On 31 May 2005, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting. Accordingly, the Company issued 2,628,261,820 ordinary shares of RMB0.1 each on the basis of ten new ordinary shares to ten existing shares.

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. Accordingly, the Company issued additional 1,314,130,910 ordinary shares of RMB0.1 each on the basis of ten new ordinary shares to ten existing shares.

The ordinary H shares rank pari passu, in all material respects, with the domestic shares of the Company.

37. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 58 of the financial statements.

Company

	Notes	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* Note (a)	Public welfare fund *RMB'000* Note (b)	Capital reserve *RMB'000*	Retained profits *RMB'000* Note (c)	Proposed final dividend *RMB'000*	Total *RMB'000*
At 1 January 2004								
As previously reported		1,214,378	53,923	26,962	1,253	73,684	197,120	1,567,320
Prior year adjustments		—	—	—	(1,253)	(1,479)	—	(2,732)
As restated		1,214,378	53,923	26,962	—	72,205	197,120	1,564,588
Dividends paid		—	—	—	—	—	(197,120)	(197,120)
Share premium converted into share capital	36	(131,413)	—	—	—	—	—	(131,413)
Net profit for the year (restated)	10	—	—	—	—	356,572	—	356,572
Transfer to reserves		—	42,242	21,120	—	(63,362)	—	—
Proposed final dividend	11	—	—	—	—	(262,826)	262,826	—
At 31 December 2004		1,082,965	96,165	48,082	—	102,589	262,826	1,592,627
At 1 January 2005								
As previously reported		1,082,965	96,165	48,082	1,796	118,199	262,826	1,610,033
Prior year adjustments		—	—	—	(1,796)	(15,610)	—	(17,406)
As restated		1,082,965	96,165	48,082	—	102,589	262,826	1,592,627
Dividends paid		—	—	—	—	—	(262,826)	(262,826)
Share premium converted into share capital	36	(262,826)	—	—	—	—	—	(262,826)
Net profit for the year	10	—	—	—	—	530,157	—	530,157
Transfer to reserves		—	70,878	35,441	—	(106,319)	—	—
Proposed final dividend	11	—	—	—	—	(420,522)	420,522	—
At 31 December 2005		820,139	167,043	83,523	—	105,905	420,522	1,597,132

37. RESERVES *(continued)*

Notes:

(a) Statutory surplus reserve ("SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the Company and its subsidiaries incorporated in the PRC, the Company and the subsidiaries are required to allocate 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of the registered capital of the Company and its subsidiaries. Subject to certain restrictions set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) Public welfare fund ("PWF")

In accordance with the Company Law of the PRC and the respective articles of association of the Company and its subsidiaries incorporated in the PRC, the Company and its subsidiaries are required to transfer 5% to 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations, to the PWF which is a non-distributable reserve other than in the event of the liquidation of the Company and the subsidiaries. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain the properties of the Company and the subsidiaries.

(c) 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 International Financial Reporting Standards.

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the SSR and PWF as set out above.

At 31 December 2005, the Company's reserves available for distribution were approximately RMB526,427,000 (2004: RMB365,415,000 (restated)).

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

Pursuant to agreements entered into among the Company, Guangdong Gold Company (廣東省黃金公司) and Xinyi Gold Company (信宜市黃金公司) dated 16 January 2005 and 17 August 2005, the Company acquired 80% equity interests in Guangdong Xinyi (廣東信宜東坑金礦有限責任公司) at a total consideration of RMB16,000,000. Guangdong Xinyi is engaged in gold mining business and its registered capital is RMB20,000,000 as at 31 December 2005.

Pursuant to agreements entered into between the Company and Mr. Liu Kaisheng, Mr. Tang Yongfa and Mr. Yang Xianwu dated 25 January 2005 and 18 November 2005, the Company acquired 80% equity interests in Xinyi Baoyuan (信宜市寶源礦業有限公司) at a total of consideration of RMB64,000,000. Xinyi Baoyuan is engaged in the gold mining business and its registered capital is RMB80,000,000.

On 9 August 2004, Zijin Investment, Shanghai Boai Health Investment Company Limited ("Shanghai Boai") (上海博愛健康投資有限公司), Hongfeng Holding Company Limited ("Hongfeng") (宏豐控股有限公司) and Xiamen Zijin established Zijin Copper. Zijin Investment took up 30% equity interests in Zijin Copper at an investment of RMB31,500,000, of which RMB5,040,000 was paid in 2004 and the remaining RMB26,460,000 was paid in the current year. During the year, Zijin Investment further acquired 9.01% equity interests in Zijin Copper at a consideration of RMB9,460,500 from Shanghai Boai, Hongfeng and Xiamen Zijin. In addition, on 14 June 2005, the capital of Zijin Copper increased from RMB105,000,000 to RMB129,000,000 and Zijin Investment further injected RMB24,000,000 into Zijin Copper for the capital increment. As a result, Zijin Investment holds 50.37% equity interests in Zijin Copper which was accounted as a subsidiary as at 31 December 2005. As at 31 December 2004, Zijin Copper was accounted as a jointly-controlled entity of the Group.

Pursuant to an agreement entered into between the Company and Mr. Ma Yinshuan dated 25 October 2005, the Company acquired 70% equity interests in Luoyang Yinhui at a consideration of RMB70,000,000. The registered capital of Luoyang Yinhui is RMB100,000,000 as at 31 December 2005.

Pursuant to an agreement entered into between the Company, Jiujiang Huiming Industrial Company Limited (" Jiujiang Huiming") (九江滙明實業發展有限公司), Jiujiang Nanya Investment Management Company Limited ("Jiujiang Nanya") (九江南業投資管理有限公司) and Beijing Fengde Investment and Consultancy Company ("Beijing Fengde ") (北京市豐德創業投資咨詢有限公司) dated 5 August 2005, the Company acquired 42% equity interests in Yunnan Huaxi at a consideration of RMB52,500,000. Pursuant to an agreement entered into between the Company and Xiamen Qiaoxing Investment Management Company Limited ("Xiamen Qiaoxing") (廈門喬興投資管理公司) dated 29 August 2005, the Company acquired an additional 11% equity interests in Yunnan Huaxi at a consideration of RMB13,750,000.

On 16 March 2004, Xiamen Zijin entered into agreements with Wuhan Dida High-tech Industry Group Company Limited(武漢地大高科技產業集團有限責任公司) and Wuhan Telecom Industry Group Company Limited (武漢電信實業有限責任公司), independent third parties, to acquire 51% equity interests in Wuhan Dida Nanometer Rare-earth Materials Development Company Limited at an aggregate consideration of RMB1,747,000.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(a) Acquisition of subsidiaries *(continued)*

On 18 March 2004, Xiamen Zijin entered into an agreement with Sinopec Group Dianqiangui Oil Exploration Bureau (中國石化集團滇黔桂石油勘探局), an independent third party, to acquire 51% equity interests in Hubei Gedian Dida Nanometer Technology Development Company Limited at a consideration of RMB3,200,000.

Pursuant to an agreement entered into between the Company and Qinghai West dated 11 April 2004, the capital of Qinghai West increased from RMB10,000,000 to RMB120,000,000. The Company injected RMB72,000,000 into Qinghai West as the capital injection for 60% of the enlarged capital in Qinghai West.

Pursuant to an agreement entered into between the Company and Xinjiang Jinbao dated 18 March 2004, the capital of Xinjiang Jinbao increased from RMB5,000,000 to RMB 50,000,000. The Company injected RMB30,000,000 into Xinjiang Jinbao as the capital injection for 60% of the enlarged capital in Xinjiang Jinbao.

The fair values of the identifiable assets and liabilities of the subsidiaries assumed by the Group were as follows:

	Notes	2005 *RMB'000*	2004 *RMB'000*
Property, plant and equipment	13	**88,194**	59,968
Intangible assets		**32,715**	99,620
Long term deferred assets		**—**	3,398
Available-for-sale investments		**1,500**	100
Interests in associates		**14,549**	—
Cash and cash equivalents		**125,181**	133,807
Inventories		**34,576**	4,700
Trade receivables		**280**	450
Prepayments, deposits and other receivables		**180,173**	14,946
		477,168	316,989
Trade payables		**(24,147)**	(11,389)
Accrued liabilities and other payables		**(80,510)**	(109,150)
Interest-bearing bank loans		**(16,000)**	(8,336)
Other long term loan		**—**	(14,500)
Minority interests		**(125,198)**	(69,755)
		(245,855)	(213,130)
Fair value of net assets		**231,313**	103,859
Goodwill arising on acquisition	18	**41,370**	3,088
		272,683	106,947

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(a) Acquisition of subsidiaries *(continued)*

An analysis of the net inflow/ (outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2005 *RMB'000*	2004 *RMB'000*
Consideration:		
Satisfied by cash	**267,643**	106,947
Transfer from interests in jointly-controlled entities	**5,040**	—
	272,683	106,947
Cash consideration	**(267,643)**	(106,947)
Net cash acquired	**125,181**	133,807
Net cash inflow/ (outflow)	**(142,462)**	26,860

Since the acquisition, the aforementioned subsidiaries had no significant impact on the Group's revenue and the consolidated profit for the year.

Had the subsidiaries acquisition taken place prior to the beginning of the year, the revenue and the profit of the Group for the year would have been RMB3,038,509,000 (2004: RMB1,508,712,000) and RMB870,921,000 (2004: RMB458,102,000) respectively.

Included in the goodwill of RMB41,370,000 recognised above is mainly represented by research activities performed by Yunnan Huaxi and the securing of over 50% voting powers in the board of Yunnan Huaxi.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Disposal of subsidiaries

	2005
Net assets disposed of:	*RMB'000*
Property, plant and equipment	3,748
Intangible assets	512
Cash and cash equivalents	142
Inventories	251
Trade receivables	2,843
Prepayments, deposits and other receivables	11,093
Trade payables	(75)
Accrued liabilities and other payables	(2,774)
Minority interests	(7,196)
	8,544
Loss on disposal of subsidiaries (note 6)	(4,879)
	3,665
Satisfied by:	
Cash	3,665

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2005
	RMB'000
Cash consideration	3,665
Net cash disposed of	(142)
Net cash inflow	3,523

On 22 September 2005, Xiamen Zijin entered into an agreement with Mr. Li Bin to dispose of its 51% equity interests in Sichuan Shimian Zijin Platinum Company Limited at a consideration of RMB1,100,000. The disposal resulted in a loss on disposal of RMB4,141,000 for the year.

On 26 November 2005, Zijin Investment entered into an agreement with Mr. Zhu Minghai to dispose of its 60% equity interests in Huangping Xingda Mining Industry Company Limited at a consideration of RMB3,006,000. The disposal resulted in a loss on disposal of RMB438,000 for the year.

Liaoning Zijin Mining Company Limited ("Liaoning Zijin"), a newly set up subsidiary on 4 February 2005, was dissolved on 5 September 2005. The Company originally invested RMB15,000,000 in Liaoning Zijin with 75% equity interests in it. Upon dissolution of Liaoning Zijin, the Company received total proceeds of RMB14,700,000 and resulted in a loss on disposal of RMB300,000 for the year ended 31 December 2005.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Disposal of subsidiaries *(continued)*

The Group, in aggregate, resulted in a loss on disposal of subsidiaries of RMB4,879,000 for the year ended 31 December 2005 (2004: Nil).

The result of the subsidiaries disposed of in the year ended 31 December 2005 had no significant impact on the Group's consolidated revenue and the consolidated profit for the year.

(c) Major non-cash transaction

During the year, the Group capitalised interest expenses of RMB23,105,000 (2004: RMB6,837,000) in fixed assets (note 5).

39. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with the following related parties during the year:

Name of related party	Relationship with the Company	Nature of transaction	Notes	2005 *RMB'000*	2004 *RMB'000*
Fujian Xinhuadu Engineering Company Limited (福建省新華都工程有限責任公司)	A shareholder	Construction service fees	(a)	**87,434**	86,226
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限責任公司)	A shareholder of Hunchun Zijin	Loan	(b)	—	2,512
		Deposit for acquisition of equity shares	(c)	—	5,993
		Purchase of 9.125% equity interests in Hunchun Zijin	(d)	**13,688**	—
Fujian Shanghang Hongyang Mine Engineering Company Limited (福建省上杭鴻陽礦山工程有限公司)	A shareholder of Hunchun Zijin and Guizhou Zijin	Construction service fees	(a)	**75,820**	67,526
Tibet Autonomous Region Geologic Minerals Exploration & Development Bureau Dire Geothermic Geologic Team (西藏自治區地質礦產勘查開發局地熱地質大隊)	A shareholder of Tibet Jindi	Exploration services	(e)	—	2,500

39. RELATED PARTY TRANSACTIONS *(continued)*

(i) *(continued)*

Name of related party	Relationship with the Company	Nature of transaction	Notes	2005 RMB'000	2004 RMB'000
Fujian Shanghang Jinma Economic Development Company Limited (福建省上杭縣金馬經濟開發有限公司)	A shareholder of Jinshan Construction	Loan	(b)	—	1,500
Fuyun Jinbao Transportation Company (富蘊縣金豹運輸公司)	A company controlled by a minority shareholder (as well as a director) of Xinjiang Jinbao	Sales of equipments	(f)	—	5,000
		Transportation services	(f)	16,121	3,661
Wuping Zijin Hydro-electricity Company Limited (武平縣紫金水電有限公司)	An associate	Loan	(g)	7,144	—

Notes:

(a) These transactions were made according to the published prices and conditions similar to those offered to independent third parties.

(b) The loans were unsecured, interest-free and had no fixed terms of repayment. They were fully repaid during the year.

(c) Pursuant to an agreement entered into between Hunchun Zijin and Hunchun Gold and Copper Mining Company Limited dated 15 April 2004, the Group made a deposit of RMB 5,993,000 to Hunchun Gold and Copper Mining Company Limited for the acquisition of 20% equity shares of Hunchun Zijin which was held by Hunchun Gold and Copper Mining Company Limited. This agreement was subsequently superseded by another agreement dated 18 June 2005 in note (d) below.

(d) Pursuant to an agreement entered into between the Group and Hunchun Gold and Copper Mining Company Limited dated 18 June 2005, the Group purchased 9.125% equity shares of Hunchun Zijin from Hunchun Gold and Copper Mining Company Limited at a consideration of RMB13,688,000.

(e) The payment was made for the provision of exploration services which were conducted on prices by reference to the standard fee scale issued by the PRC government.

(f) These transactions were conducted on terms mutually agreed between the parties.

(g) Pursuant to an agreement entered into between Zijin Investment and other shareholders of Wuping Zijin Hydro-electricity Company Limited - Ting River Hydro-electricity Limited and Daguangming Electricity Group dated 26 May 2005, Zijin Investment advanced a loan of RMB7,144,000 to Wuping Zijin Hydro-electricity Company Limited in 2005. The loan is unsecured, bears interest at 8.37% per annum and has no fixed terms of repayment.

39. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Details of compensation of key management personnel of the Group is disclosed in note 7 and note 8 to the financial statements.

(iii) (a) Guarantees in respect of bank loans provided by a minority shareholder to a subsidiary

On 8 May 2003, a shareholder of Xinjiang Ashele, Xinjiang Non-ferrous Metal Industry (Group) Company Limited (新疆有色金屬工業（集團）有限責任公司), entered into a guarantee agreement with a PRC bank. Pursuant to the agreement, Xinjiang Non-ferrous Metal Industry (Group) Company Limited provides a maximum corporate guarantee amounting to RMB116,000,000 in respect of a long term bank loan granted to Xinjiang Ashele. As at 31 December 2005, the guarantee was utilised to the extent of RMB116,000,000 (2004: RMB116,000,000).

(b) Guarantees in respect of bank loans granted by the Company to an associate

Name of associate	Nature of guarantee	2005 *RMB'000*	2004 *RMB'000*
Fujian Makeng Mining Company Limited	Corporate guarantee Maximum guarantee	**15,000**	15,000
	Guarantee utilised	**11,250**	13,500

39. RELATED PARTY TRANSACTIONS *(continued)*

(iii) *(continued)*

(c) Guarantees in respect of banking facilities granted by the Company to its subsidiaries

Name of subsidiary	Nature of guarantee	2005 RMB'000	2004 RMB'000
Guizhou Zijin	Corporate guarantee Maximum guarantee	**25,000**	25,000
	Guarantee utilised	**20,000**	25,000
Xinjiang Ashele	Corporate guarantee Maximum guarantee	**173,400**	173,400
	Guarantee utilised (note)	**173,400**	137,000
Zijin Investment	Corporate guarantee Maximum guarantee	**20,000**	—
	Guarantee utilised	**2,000**	—
Xiamen Zijin	Corporate guarantee Maximum guarantee	**—**	25,000
	Guarantee utilised	**—**	—
Zijin Copper	Corporate guarantee Maximum guarantee	**4,172**	—
	Guarantee utilised	**4,172**	—

Note:

As at 31 December 2005, a long term bank loan of Xinjiang Ashele amounting to RMB177,000,000 (2004: RMB137,000,000) was secured by guarantees provided by the Company and Xinjiang Non-ferrous Metal Industry (Group) Company Limited (note 39(iii)(a) above).

40. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Corporate guarantees in respect of bank loans granted to:				
Subsidiaries	**—**	—	**222,572**	223,400
An associate	**15,000**	15,000	**15,000**	15,000
Bills discounted with recourse	**—**	—	**—**	—
	15,000	15,000	**237,572**	238,400

As at 31 December 2005, the banking facilities granted to the subsidiaries and an associate subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB199,572,000 (2004: RMB162,000,000) and RMB11,250,000 (2004: RMB13,500,000), respectively.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its office properties and motor vehicle under operating lease arrangements, with leases negotiated for terms ranging from two to ten years.

At 31 December 2005, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,935**	1,245	**354**	246
In the second to fifth years, inclusive	**5,446**	3,699	**87**	152
Over five years	**6,200**	—	**—**	—
	13,581	4,944	**441**	398

41. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties and land under operating lease arrangements. Leases for office properties are negotiated for a term of one year, and those for land are for terms ranging between one to ten years.

At 31 December 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,600**	1,152	**31**	1,152
In the second to fifth years, inclusive	**761**	4,540	16	4,540
After five years	—	1,135	—	1,135
	2,361	6,827	**47**	6,827

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided:				
– Acquisition of plants, machinery and mining assets	**197,205**	175,640	**51,264**	16,244
– Acquisition of exploration and mining rights	**—**	49,000	**—**	49,000
– Acquisition of land use rights	**—**	13,332	**—**	9,950
– Capital injection in subsidiaries	**—**	—	**63,598**	219,702
– Capital injection in associates	**44,200**	—	**33,000**	—
– Acquisition of additional equity interests in subsidiaries	**52,500**	23,967	**52,500**	23,967
	293,905	261,939	**200,362**	318,863
Authorised, but not contracted for:				
– Overall utilisation of solid waste and environmental engineering	**—**	58,959	**—**	58,959
– Nangang staff quarters project	**—**	5,400	**—**	—
– Establishment of dressing medicament factory	**—**	10,627	**—**	—
– Acquisition of subsidiaries	**161,418**	—	**161,418**	—
	161,418	74,986	**161,418**	58,959
	455,323	336,925	**361,780**	377,822

43. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

The Group conducts its major operations in the Mainland China and is exposed to market risk from changes in interest rate. Financial assets of the Group include cash, deposits with banks, trade and bills receivables, prepayments, deposits and other receivables and available-for-sale investments. Financial liabilities of the Group include accrued liabilities and other payables, trade payables, bank loans and other loans.

(i) Credit risk

Substantial amounts of the Group's cash balances are deposited with the People's Bank of China, the Industrial and Commercial Bank of China, the Agriculture Bank of China, the Bank of China Limited, the China Construction Bank, the Bank of Communications, the Industrial Bank Company Limited, the China Everbright Bank, the China Minsheng Banking Corporation Limited, the Citic Industrial Bank, the China Merchants Bank, the Hongkong and Shanghai Banking Corporation Limited, the Rural Credit Cooperatives and the City Credit Cooperatives.

Included in the cash and cash equivalents of the Group are amounts of RMB5,700,000 (2004: RMB2,979,000) and RMB1,000,000 (2004: RMB1,416,000), respectively, deposited with the Rural Credit Cooperatives and the City Credit Cooperatives, which are registered in PRC and engaged in the provision of banking facilities. The terms and conditions of the deposits are the same as those deposits in other commercial banks. The Rural Credit Cooperatives and the City Credit Cooperatives have the obligation to repay the amounts upon request. The directors consider it prudent to account for any interest income arising from these deposits on a receipt basis; no other provisions have been made in the financial statements for these deposits accordingly.

Other than the aforesaid, the Group has no significant concentration of credit risk with any single counterparty of group counterparties.

(ii) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed annual credit facilities from banks to meet its commitments over the next year in accordance with its strategic plan.

(iii) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank loans.

The Group's income and operating cash flows are substantially independent of changes in market interest rate prices.

(iv) Foreign exchange risk

The Group has no significant foreign exchange risk due to limited foreign currency transactions.

43. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS *(continued)*

(v) Fair values

The fair values of cash, deposits with banks, trade and bills receivables, prepayments, deposits and other receivables, accrued liabilities and other payables, trade payables and bank loans are not materially different from their carrying amounts. The Group did not enter into any foreign exchange forward contract to hedge against fluctuations.

The carrying amounts of the Group's long term borrowings approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities.

Available-for-sale investments are measured at cost less impairment losses if there are no quoted market prices in an active market and their fair values cannot be measured reliably.

Financial assets at fair value through profit or loss are estimated by reference to their quoted market prices at the balance sheet date or measured at cost less impairment losses if there are no quoted market prices in an active market and their fair values cannot be measured reliably.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

44. POST BALANCE SHEET EVENTS

(1) On 10 January 2006, the Group purchased 4.9% equity interests in Lingbao Gold Company Limited at a consideration of RMB44,628,000. Lingbao Gold Company Limited is a listed company in Hong Kong and is engaged in gold mining and smelting activities.

(2) Pursuant to an agreement entered into between the Company and Yunnan Wenshan Longxing Mining Company Limted (''YWLM'') on 20 January 2006, the Company purchased 51% equity interests in Yunnan Guangnan Longxing Mining Company Limited from YWLM at a consideration of RMB21,165,000. Yunnan Guangnan Longxing Mining Company Limited is engaged in gold mining and smelting activities.

(3) On 5 January 2006, the Company, the West Mining Company Limited（西部廣業有限責任公司）, Heilongjiang Mining Group Company Limited（黑龍江省礦業集團有限責任公司）, Heilongjiang Heilong Mining Company Limited（黑龍江省礦業股份有限公司）and Haerbin Baifu Investment Company Limited（哈爾濱百福投資有限公司）established a new company, namely Heilongjiang Duobao Shan Copper Mining Joint Stock Company Limited ("Heilongjiang Duobao Shan")（黑龍江多寶山銅業股份有限公司）, which is engaged in copper and molybdenum mining. The registered share capital of Heilongjiang Duobao Shan is RMB 300,000,000. The Company takes up 31% equity interests in Heilongjiang Duobao Shan according to the agreement.

(4) On 29 March 2006, the Board of Directors proposed a final dividend of RMB0.08 per ordinary share, totaling approximately RMB420,522,000. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

44. POST BALANCE SHEET EVENTS *(continued)*

(5) On 29 March 2006, the Board of Directors proposed to convert an amount of RMB525,652,364 in the Company's share premium into 5,256,523,640 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.

45. COMPARATIVE AMOUNTS

As further explained in note 2.2 in the financial statement, due to the adoption of new IFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2006.