



**紫金礦業集團股份有限公司**  
**ZIJIN MINING GROUP COMPANY LIMITED\***

(a joint stock limited company incorporated in the People's Republic of China with limited liability)  
(在中華人民共和國註冊成立的股份有限公司)

(Stock Code 股份代號: 2899)

年報

**ANNUAL  
REPORT 2005**

# Summary Review

## Corporate Information

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## Financial Highlights

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## Chairman's Statement

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## GENERAL

Zijin Mining Group Company Limited (the “Company”) (Formerly Fujian Zijin Mining Industry Company Limited) was incorporated on 6 September 2000 with the approval of the People’s Government of Fujian Province as a joint stock limited company in the PRC by Minxi Xinghang State-owned Assets Investment Company Limited, Shanghang County Jinshan Trading Company Limited, Xinhua Industrial Company Limited, Fujian Xinhua Engineering Company Limited, Xiamen Hengxing Industry Company Limited, Fujian Xinhua Department Store Company Limited, Fujian Gold Group Company Limited, and Fujian Minxi Geologist as its promoters.

In December 2003, 400,544,000 H Shares were issued by the Company and was listed on the Stock Exchange of Hong Kong Limited on 23 December 2003. The Company was the first Mainland gold production enterprise listed overseas. In 2004 and 2005, the Company had twice applied reserves to issue new shares to the shareholders on 10:10 basis. As at 31 December 2005, the Company has a total of 5,256,523,640 Shares (Nominal value RMB0.1 each) of which 1,602,176,000 Shares are listed, representing 30.48% of the total issued share capital of the Company.

The Company is a comprehensive mining conglomerate in China primarily engaged in gold production, and specifically engaged in the exploration, mining, processing, refining of gold and non-ferrous metals and other mineral resources, and the sale of mineral products. The Company produces more than 15 tonnes of gold a year. All economic-efficiency indicators showed that the Company is the most efficient operator in the industry in China.

By the end of 2005, the Group possessed proven reserves of approximately 375 tonnes gold metal, approximately 6,250,000 tonnes of copper metal, approximately 214,800 tonnes of molybdenum, approximately 660,000 tonnes of zinc metal, approximately 100,200 tonnes of tin, approximately 226 million tonnes of iron metal and 400 million tonnes of coal (based on the interests of non-absolutely controlled companies). During the year, the Group (as hereinafter defined) has also obtained the exploration rights of approximately 5,231.92 sq. km. It is expected that, with further geological exploration, the mineral resources of the Group for gold, copper, and iron can be increased.

## EXECUTIVE DIRECTORS

Chen Jinghe (*Chairman*)

Liu Xiaochu

Luo Yingnan

Lan Fusheng

Rao Yimin

## NON-EXECUTIVE DIRECTORS

Ke Xiping

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Yang Dali

Yao Lizhong

Loong Ping Kwan

## SUPERVISORS

Zeng Qingxiang

Xu Qiang

Lan Liying

## COMPANY SECRETARY

Fan Cheung Man

## AUDIT COMMITTEE

Yang Dali

Yao Lizhong

Ke Xiping

## AUTHORISED REPRESENTATIVE

Chen Jinghe

Liu Xiaochu

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1608, 16/F.,

West Tower,

Shun Tak Centre,

168-200 Connaught Road Central,

Hong Kong

## LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1 Zijin Road,

Shanghang county,

Fujian province,

The PRC

## LEGAL CONSULTANT OF THE COMPANY

(Hong Kong laws)

Charltons

## AUDITORS

*International Auditors:*

Ernst & Young

*PRC Auditors:*

Ernst & Young Hua Ming

## HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

46th Floor,

Hopewell Centre,

183 Queen's Road East,

Wanchai,

Hong Kong

## WEBSITE

[www.zjky.cn](http://www.zjky.cn)

## STOCK CODE

2899

## Financial Highlights

In this annual report, unless otherwise stated, monetary units are denominated in Renminbi.

### FINANCIAL INFORMATION AS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended 31 December				
	2005 RMB'000	2004 RMB'000 (Restated)	2003 RMB'000 (Restated)	2002 RMB'000 (Restated)	2001 RMB'000
<b>Results</b>					
Revenue	3,036,215	1,507,679	1,050,529	592,654	369,757
Cost of sales	(1,563,439)	(683,333)	(489,770)	(301,278)	(207,879)
Gross profit	1,472,776	824,346	560,759	291,376	161,878
Other income and gains	27,811	20,805	3,975	1,994	2,474
Selling and distribution costs	(66,058)	(10,319)	(4,926)	(2,163)	(3,526)
Administrative expenses	(244,885)	(167,579)	(114,027)	(63,166)	(41,296)
Other operating costs	(68,488)	(39,766)	(12,119)	(7,305)	(9,466)
Finance costs	(18,437)	(5,836)	(17,129)	(15,805)	(10,346)
Share of profits/(losses) of associates	31,173	15,034	1,289	648	(13)
Profit before tax	1,133,892	636,685	417,822	205,579	99,705
Income tax expenses	(263,829)	(178,816)	(94,948)	(67,398)	(35,209)
Profit for the year	870,063	457,869	322,874	138,181	64,496
Attributable to:					
Equity holders of the parent	703,637	417,619	313,906	138,283	66,102
Minority interests	166,426	40,250	8,968	(102)	(1,606)
	870,063	457,869	322,874	138,181	64,496

For the year ended 31 December

	2005 RMB'000	2004 RMB'000	2003 RMB'000	2002 RMB'000	2001 RMB'000
Assets and liabilities					
Total assets	5,475,378	3,266,112	2,695,401	1,009,361	557,601
Total liabilities	2,296,734	956,698	767,621	607,302	361,335
Minority interests	807,728	382,010	221,418	120,707	6,594
Shareholders' interests	2,370,916	1,927,404	1,706,362	281,352	189,672

## LIQUIDITY

	2005 RMB'000	2004 RMB'000	2003 RMB'000	2002 RMB'000	2001 RMB'000
Cash and cash equivalents	1,029,836	888,747	1,114,466	153,339	25,746
Current ratio (%)	112.12	217.96	304.3	140.8	64.2
Trade receivables turnover (days)	4.18	1.24	0.8	1.0	0.1

To all shareholders:

I wish to take this opportunity to express my sincere gratitude towards your trust and support to Zijin Mining Group Company Limited ("the Company"). I am pleased to report herewith the operating results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December, 2005 as follows:

In 2005, the Group achieved (turnover) sales income of RMB3,036,215,000, an increase of 101.38% over the previous year, and achieved net profit after tax (net profit attributable to shareholders) of RMB703,637,000, an increase of 68.49% over the previous year. Earnings per share (basic) was RMB0.13 (Earning per share is based on the net profit attributable to shareholders in this year RMB703,637,000 (for 2004 was RMB417,619,000) and weighted average issued ordinary shares of this year 5,256,523,640 shares (for 2004 was 5,256,523,640 shares (adjusted))).

## **¾ MARKET OVERVIEW**

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

The average price of gold which the Company sold during the year was RMB119.25 per gram, up by 9.01% over the corresponding period in the previous year.

## **¾ INDUSTRIAL POSITION**

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

## ¾ BUSINESS OVERVIEW

### I. MAINTAINING A HIGH SPEED GROWING TREND, WITH AN OVERALL GROWTH IN ALL ECONOMIC INDICES

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

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

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

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

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

The total assets of the Group amounted to RMB5,475,378,000, a growth of 67.6% over the previous year, and net assets amounted to RMB2,370,916,000, a growth of 23.01% over the previous year.

### II. RAPID EXPANSION IN THE INVESTMENT SCALE, ACCELERATED PROGRESS IN PROJECT CONSTRUCTION

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



Reconstruction and expansion of Zijinshan Gold and Copper Mine and construction of Deerni Copper Mine in Qinghai, Bayannaer Zinc Smelting Factory, Dongkeng Gold Mine in Guangdong, Tongling Jiaochong Rich Metal Mine, Shanghang High Precision Copper Plate and Belt Plant have been accelerated, and the newly added production enterprises such as Dongping Gold Mine in Hebei, Yixingzai Gold Mine in Shanxi and Zinc-lead Mine in Ulatehou will become new growth points for the Group's expansion of production scale and enhancement through economy of scales in 2006.

While continuing to enlarge the development of projects in the PRC, the Group realized a breakthrough from zero in overseas projects as symbolized by its investments in the Pinnacle Mines Limited in Canada and joint exploration of the Mwetaung Nickel Mine in Myanmar, which was a solid step forward in its control strategy of overseas resources.

### III. SUBSTANTIAL INCREMENT IN RESOURCES OCCUPATION, SIGNIFICANT ENHANCEMENT IN DEVELOPMENT STRENGTH

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

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

As at the end of 2005, the Group has a total of approximately 375 tonnes of gold metal (ore) resources, approximately 6.25 million tonnes of copper, approximately 214,800 tonnes of molybdenum, 660,000 tonnes of zinc, approximately 100,200 tonnes of tin, approximately 226 million tonnes of iron ore, and approximately 400 million tonnes of coal (calculated in terms of equity for non-subsidiaries).

## IV. OUTSTANDING RESULTS IN SCIENTIFIC RESEARCH

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

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

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

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

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

The Group continued to gather senior technical personnel specialized in the areas of geology, mining, ore processing and wet metallurgy. The capabilities of these personnel were further strengthened and they were capable of conducting complicated research and development and to plan for projects regarding the exploitation of mines with high standards.

## V. NEW ACHIEVEMENTS IN SAFE ENVIRONMENTAL PROTECTION EFFORTS

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

## ¾ PROSPECTS

### BUSINESS ENVIRONMENT

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

The Group is currently in a very favorable period for development, with excellent market environment and conditions, with strong demand for products and a solid resources foundation. It has a sound shareholding structure and corporate management system, increasingly mature capital operation capability, excellent management team and staff, strong technical and management innovation system and a distinct corporate culture, indicating that there will be greater development for the Group to realize a leap forward to a higher level in the year to come and in future.

### BUSINESS OBJECTIVES

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

### BUSINESS STRATEGIES

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

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

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

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

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

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

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

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

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

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

In the two years since the listing, there have been significant growth in the Company's total assets, sales incomes, profits and gold and other mineral resources controlled by it. Accompanied by favorable market environment, the Company's values received high appreciation and are vastly recognized by the market. On 23 December 2005, the closing price of the Company's shares was 4.09 times of the offer price two years ago, with a total market capitalization of RMB18.4 billion. With the rapid growth of the Company's results and the continued strengthening of development potentials, shareholders obtained substantial returns, and staff values were further enhanced, at the same time, it has brought about the coordinated developments in the economy and social affairs of the regions where the mines are located. The Company's brand awareness and reputation have been growing rapidly domestically and globally. In future operation development, the Group will continue to create better results, and offer satisfactory returns to shareholders.

By order of the Board

**Chen Jinghe**

*Chairman*

Shanghang, Fujian, the PRC

29 March 2006