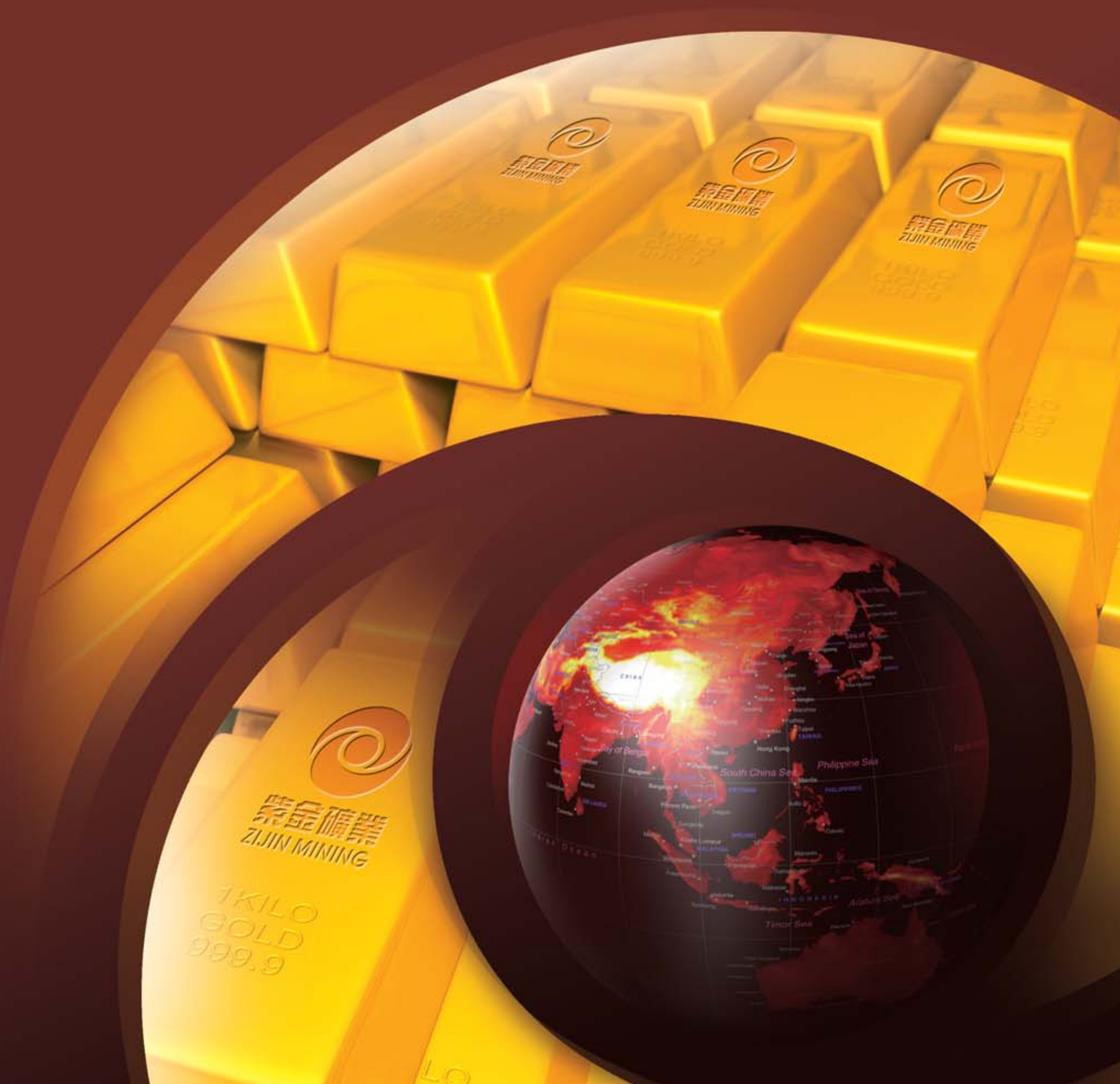
紫金礦業集團股份有限公司
ZIJIN MINING GROUP COMPANY LIMITED*

(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 2006



*For identification purpose only
*僅供識別

Contents

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, Xinhuadu Industrial Company Limited, Fujian Xinhuadu Engineering Company Limited, Xiamen Hengxing Industry Company Limited, Fujian Xinhuadu 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 were 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, 2005 and 2006, the Company had applied reserves to issue new shares to the shareholders on a 10:10 basis three times. As at 31 December 2006, the Company has a total of 10,513,047,280 Shares (Nominal value RMB0.1 each) of which 3,204,352,000 Shares are listed, representing 30.48% of the total issued share capital of the Company.

The Company and its subsidiaries (the "Group") are 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 produced about 49 tonnes of gold a year (including 20.7 tonnes mine produced gold). All economic-efficiency indicators showed that the Company is the most efficient operator in the industry in China.

As at 31 December 2006, the Group controlled metal (ore) resource/reserves of gold resources of about 455 tonnes (including 57 tonnes gold associated with other metals), platinum and palladium of about 151 tonnes, copper of about 6.7 million tonnes, zinc of about 2.38 million tonnes, nickel of about 0.5446 million tonnes, lead of about 0.4 million tonnes, molybdenum of about 0.26 million tonnes (including 0.03 million tonnes molybdenum associated with other metals), tin of about 0.1 million tonnes, iron of about 188 million tonnes, and coal of about 300 million tonnes, respectively (use equity method for non-subsidiaries).

As at 31 December 2006, the Group had a total of 179 mine exploration rights, covering an area of 5,972 sq.km. It included 35 newly acquired mine exploration rights which covers 740 sq.km. The Group had 27 mining rights, covering an area of 41.3 sq.km. It included 10 newly acquired mining rights which covers 8.9645 sq.km. The Group's ability of controlling resources is greatly improved.

EXECUTIVE DIRECTORS

Chen Jinghe *(Chairman)*
Liu Xiaochu
Luo Yingnan
Lan Fusheng
Huang Xiaodong
Zou Laichang

NON-EXECUTIVE DIRECTOR

Ke Xiping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Yuchuan
Lin Yongjing
Su Congfu
Loong Ping Kwan

SUPERVISORS

Zheng Jingxing
Xu Qiang
Lin Jingtian
Lan Liying
Zhang Yumin

COMPANY SECRETARY

Fan Cheung Man

AUDIT COMMITTEE

Lin Yongjing
Chen Yuchuan
Ke Xiping
Su Congfu
Loong Ping Kwan
Liu Xiaochu

AUTHORISED REPRESENTATIVE

Chen Jinghe
Liu Xiaochu

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LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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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

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STOCK CODE

2899

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				
	2006	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	(Restated)
Results					
Revenue	**10,678,810**	3,036,215	1,507,679	1,050,529	592,654
Cost of sales	**(6,718,899)**	(1,563,439)	(683,333)	(489,770)	(301,278)
Gross profit	**3,959,911**	1,472,776	824,346	560,759	291,376
Other income and gains	**193,226**	27,811	20,805	3,975	1,994
Selling and distribution costs	**(143,074)**	(66,058)	(10,319)	(4,926)	(2,163)
Administrative expenses	**(417,505)**	(244,885)	(167,579)	(114,027)	(63,166)
Other operating costs	**(673,169)**	(68,488)	(39,766)	(12,119)	(7,305)
Finance costs	**(114,975)**	(18,437)	(5,836)	(17,129)	(15,805)
Share of profits of associates	**64,923**	31,173	15,034	1,289	648
Profit before tax	**2,869,337**	1,133,892	636,685	417,822	205,579
Income tax expenses	**(510,821)**	(263,829)	(178,816)	(94,948)	(67,398)
Profit for the year	**2,358,516**	870,063	457,869	322,874	138,181
Attributable to:					
Equity holders of the parent	**1,704,514**	703,637	417,619	313,906	138,283
Minority interests	**654,002**	166,426	40,250	8,968	(102)
	2,358,516	870,063	457,869	322,874	138,181

	For the year ended 31 December				
	2006	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**11,349,397**	5,475,378	3,266,112	2,695,401	1,009,361
Total liabilities	**6,295,925**	2,296,734	956,698	767,621	607,302
Minority interests	**1,401,444**	807,728	382,010	221,418	120,707
Shareholders' interests	**3,652,028**	2,370,916	1,927,404	1,706,362	281,352

LIQUIDITY

	2006	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**1,939,408**	1,029,836	888,747	1,114,466	153,339
Current ratio (%)	**105**	112.12	217.96	304.3	140.8
Trade receivables turnover (days)	**4.45**	4.18	1.24	0.8	1.0

Chairman's Statement

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 2006 as follows:

In 2006, the Group further enlarged its production capacity in responding to the high prices of gold and other non-ferrous metals and achieved (turnover) sales income of RMB10,678,810,000, representing an increase of 251.71% over the previous year, and achieved net profit after tax (net profit attributable to shareholders) of RMB1,704,514,000, representing an increase of 142.24% over the previous year. Earnings per share (basic) was RMB0.16, representing an increase of 142.24% over the previous year. (Earning per share is based on the net profit attributable to shareholders in this year RMB1,704,514,000 (for 2005 was RMB703,637,000) and weighted average issued ordinary shares of this year was 10,513,047,280 shares (for 2005 was 10,513,047,280 shares (adjusted)).

MARKET OVERVIEW

In 2006, the trend of the gold market was influenced by the bullish metal commodity markets as a result of the world economy growth, international monetary system crisis as a result of the soft US dollar, continuous upsurge of energy prices, impelling influence of the investment fund and geographical politic tensions. The 2006 average price of international spot gold was US$603.46 per ounce (based on afternoon setting price of London Gold Market), up by 35.69% from the average price US$444.74 per ounce in 2005. The highest price was US$725 per ounce and the lowest price was US$524.75 per ounce. The 2006 opening price was US$530 per ounce, and closing price was US$632 per ounce. The trend of domestic gold price was basically in parallel with international market.

The average price of gold which the Company sold during the year was RMB157.19 per gram (approximately US$611 per ounce), up by 32% over the corresponding period in the previous year.

Copper price went up tremendously to US$8,800 per tonne from US$4,440 per tonne, and then fell back gradually. The average price was approximately US$6,700 per tonne. In 2006, the macro-economy was good and the demand of copper was high. The long term low price of copper led to shortage in supply and decrease in stock of copper. In the circumstances of the imbalance of supply and demand, the involvement of investment funds was one of the major reasons to impel the copper price to a high position.

INDUSTRIAL POSITION

According to the statistics of the China Gold Association in 2006, the national gold production in the PRC amounted to 240.078 tonnes, including 179.848 tonnes of mine-produced gold, representing 0.72% growth over last year. The Group produced 49.28 tonnes of gold, including 20.70 tonnes of mine-produced gold, representing approximately 20.53% of the total national gold output, and 11.51% of national mine-produced gold in the PRC. Gold enterprises in the PRC recorded a total profit of RMB6.1085 billion. Profits (net product profits of gold) recorded by the Group was RMB1.705 billion, representing 27.91% of the total profit generated by the gold industry in the PRC.

BUSINESS OVERVIEW

In the reporting period, the Group produced 49,280 kg (1,584,388 ounces) of gold, (20,700 kg (665,520 ounces) of mine gold, 28,510 kg (916,617 ounces) of refined gold, 70 kg (2,251 ounces) of gold associated in other metals), representing a growth of 135% over last year. Copper output was 40,302 tonnes, (including 6,781 tonnes mine copper cathodes, 33,187 tonnes mine copper in concentrates form, 334 tonnes copper associated in other metals) representing a growth of 103% over the previous year. The Group produced 54,703 tonnes of zinc, (including 41,400 tonnes of refinery zinc, 13,303 tonnes of zinc in concentrates form) representing a growth of 37.5 times more than previous year. Output of iron concentrates was 600,000 tonnes, representing 71.43% growth over last year.

During the reporting period, the Group achieved a sales income of RMB10.679 billion, representing an increase of 251.71% over the previous year, and achieved a net profit after tax in the sum of RMB1.705 billion, representing an increase of 142.24% over the previous year. As at the end of 2006, the total assets of the Group amounted to RMB11.349 billion, representing a growth of 107.28% over the previous year, and net assets amounted to RMB5.054 billion, representing a growth of 58.98% over the previous year. Both the total assets and sales income of the Group exceeded RMB10 billion.

I. Favorable Production and Operation, Gold Business Remains the Main Business, Business of Copper and Zinc Continuously Improving

1. *GOLD MINE BUSINESS*

   During the reporting period, the Group totally produced 20,700 kg of mine gold (665,520 ounces) which was mainly produced in 3 main gold mines, representing a growth of 35.6% over last year, of which, 13,870 kg (445,930 ounces) was produced at Zijinshan Gold Mine, 3,240 kg (104,168 ounces) was produced at Shuiyindong Gold Mine, and 1,100 kg (35,366 ounces) of gold was produced in the form of concentrates at Hunchun Shuguang Gold and Copper Mine, which was amounted to about 88% of total mine gold of the Group. Remaining about 12% gold outputs was contributed by new productive gold mines such as Shanxi Yixingzhai Gold Mine, Sichuan Jiuzhaigou Gold Mine, and Yunnan Dixu Gold Mine which produced 2,490 kg (80,056 ounces) of gold in total.

During the reporting period, the Group produced 28,510 kg (916,617 ounces) of refinery gold, representing a growth of four times over last year, of which, Luoyang Zijin Yinhui Gold Refinery Company Limited ("Luoyang Yinhui") produced 27,660kg (889,289 ounces) of refinery gold, Xiamen Zijin Science and Technology Company Limited produced 850 kg (27,328 ounces) of refinery gold. The substantial growth in the Group's turnover was mainly contributable to the growth of sales of refined gold from Louyang Yinhui.

Sales income from gold business of the Group represented 70.4% of the total annual sales income, and net profit of gold business represented 54% of the total net profit.

2. *COPPER MINE BUSINESS*

During the reporting period, the Group produced 40,302 tonnes of copper, representing a growth of 102.83% over last year. Ashele Copper Mine successfully achieved the production plan and produced 30,018 tonnes of copper in concentrates form. Zijinshan Copper Mine produced 6,781 tonnes of copper cathodes. Hunchun Gold and Copper Mine produced 3,169 tonnes of copper in concentrates form. Bayannaoer Zijin produced 334 tonnes of copper from other associated metals.

Copper mine business grew rapidly. Its sales income represented about 16.4% of the total annual sales income, while it represented about 32% of the total net profit.

3. *ZINC MINE BUSINESS*

The Group's zinc mine business rapidly rises as a new force. During the reporting period, 13,303 tonnes of zinc was produced in concentrates form, representing 8.38 times over last year. Yunye Jingyuan produced 2,945 tonnes of zinc in concentrates form. Ashele Copper Mine produced 9,439 tonnes of zinc from other associated metals. Other mines produced 199 tonnes of zinc from other associated metals. Wulatehouqi Zijin produced 17,017 tonnes of zinc in concentrates form. It is an ore provider to Bayannaoer Zijin. In order to avoid duplicate calculation, its production was not included in our statistics.

Bayannaoer Zijin commenced production in July 2006, and has met the production plan quickly by producing 41,400 tonnes of zinc ingot.

Sales income of zinc mine business represented about 10.7% of total annual sales income, while net profit arising therefrom represented about 13% of the total net profit of the Group.

4. *IRON MINE AND OTHER BUSINESS*

During the reporting period, the Group produced 0.6 million tones iron concentrates (Xinjiang Jinbao Mengku Iron Mine), representing a growth of 71.43% over last year. Wulatehouqi Zijin produced 1,272 tonnes lead from other associated metals. Shanxi Zijin produced 17,349 kg of silver from other associated metals. Ashele Copper Mine produced 16,237 kg of silver from other associated metals.

Sales income from other business including iron ore represented about 2.5% of total sales income, while net profit arising therefrom represented about 1% of the total net profit of the Group.

II. Prompt Expansion in Investment Scale

In 2006, the Group expanded the investment scale. It investigated 78 projects in PRC, and signed official agreements of 16 projects by way of setting-up new company or acquisition, mainly included Chongli Dongping Gold Mine, Shanxi Yixingzhai Gold Mine, Hunan Anhua Liaojiaping Gold Mine, Shandong Longkou Jintai Damoqujia Gold Mine, Shandong Longkou Jinfeng Gold Mine, Sichuan Shuajingsi Gold Mine, Yunnan Dixu Gold Mine, Yunnan Yuanyang Gold Mine, Heilongjiang Duobaoshan Copper Mine, Xinjiang Mengku reduction iron project and so on.

In 2006, the Group made a great progress in its internationalization course. By way of equity transfer, it controlled Mongolia Nari Tolgoi Gold Mine, Vietnam Ha Giang Lead-Zine Mine and adjacent mines and Tuyen Ouang Iron Mine, and became a substantial shareholder of Ridge Mining plc, a company listed on the London Stock Exchange. The Group recently announced an acquisition offer to Monterrico Metals plc, and bidding for Peru Michiquillay Copper Mine and that other important international projects are on-going.

The successful acquisition of the above projects, and the further construction and development will provide strong impetus for the continuous development of the Group.

III. Smooth Progress of Construction Projects

Qinghai Deerni Copper Mine has overcome all kinds of difficulties in setting up a mine in a plateau, and has successfully established the mine and commenced trial production by the end of 2006.

After three years of construction and development, Anhui Tongling Jiaochong Gold and Multi-metal Ore Mine was just set-up, and its trial production will be commenced at the beginning of 2007.

Shanghang High Precision Copper Plate and Copper Belt Processing Project with 20,000 tonnes/year capacity and major projects of Guizhou Shuiyindong Technical Innovation Phase III were close to completion.

The development of Xinjiang Fuyun reduction iron project was in a good progress.

The initial and preparation work for Hebei Dongping Gold Mine technical innovation project and Xizang Yulong Project Phase I progressed smoothly.

IV. Notable Effects of Geological Exploration Projects and Management of Mining Rights

In 2006, the Group reinforced the maintenance and management of Mines. As at 31 December 2006, the Group has a total of 179 mine exploration rights, covering an area of 5,972 sq.km. It included 35 newly acquired mine exploration rights which covers 740 sq.km. The Group has 27 mining rights, covering an area of 41.3 sq.km. It included 10 newly acquired mining rights which covers 8.9645 sq.km. The Group's ability of controlling resources is greatly improved.

After acquisitions and large inputs in exploration works, at the end of 2006, the Group has recorded a growth (after the deduction of the consumption in this year) in metal (ore) resource/reserves of gold resources of about 455 tonnes (included 57 tonnes gold associated with other metals), platinum and palladium of about 151 tonnes, copper of about 6.7 million tonnes, zinc of about 2.38 million tonnes, nickel of about 0.5446 million tonnes, lead of about 0.4 million tonnes, molybdenum of about 0.26 million tonnes (included 0.03 million tonnes molybdenum associated with other metals), tin of about 0.1 million tonnes, iron ores of about 188 million tones, and coal of about 300 million tonnes, respectively (on equity base for non-subsidiaries).

The above-mentioned resource reserves as recognized by Ministry of Land and Resources, include 448 tonnes of gold, 4.167 million tonnes of copper, 0.51 million tonnes of zinc, 0.168 million tonnes of molybdenum, 0.1 million tonnes of tin, 0.23 billion tonnes of coal, and 32.15 million tonnes of iron ore. Other reserves were submitted to the relevant authorities for assessment.

During the reporting period, the Group has invested RMB117.6464 million on geological exploration. Deep exploration of copper mine made great progress in Zijinshan Mine in the new phase of general exploration. A thick and high grade copper deposit has been found. Investigation in the east of Guizhou Shuiyindong demonstrated a prosperous future. It probably can be another major gold mine in future. Inner Mongolia Sanguikou of Neimeng Dongshengmiao Zinc Mine made a great breakthrough in progress by controlling tremendous potential resources. Geographical exploration in Burma Mwetaung Nickel Mine led to fruitful results.

V. Scientific Research

In 2006, the technical center of the Company was awarded as the "National Recognized Enterprise Technical Center" by five national ministries collectively. The Company was awarded as the "Advanced Scientific and Technical Enterprise in National Gold Industry in the "Tenth Five" years" by the National Gold Association.

"The Research on the technics of Pretreatment of Refractory Guizhou Shuiyindong Gold Mine with Normal Pressure and Chemical Catalysing and Oxidation and its Industrial Application" and "The Technical Research on the Biological Copper Extraction of Zijinshan Copper Mine and its Technical Application" attained the first class award in technological advancement granted by China Gold Association and the first class award granted by China Nonferrous Metal Industry Association respectively.

The new technology of "application of bacteria-contained copper acid mining pit water to lixiviate copper sulphide" obtained the national patent right, and applications for another six patents are processing.

"Zijin" brand gold bullion has obtained the recognition and certification of LBMA.

Copper cathodes in Zijinshang Gold and Copper Mine achieved the national standard. Most indexes of #0 Zinc Bullion produced by Bayannaoer Refinery Plant achieved standard of superfine zinc.

VI. Management

The board of directors, supervisory committee and management of the Company were re-elected in August 2006. The new leaders lodged the requirements of "specified rights and responsibilities, appropriate management, operation in order, efficient guarantee, simple and effective, exemplar in the industry" as a whole. They suggested to enhance the executive power, so that the Group can transfer from business function to managing function, and establish a management system appropriate for the development of Zijin.

VII. Safe Environmental Protection

The Group firmly adopted its views in relation to scientific development and has established the policy of "safety and prevention first" and "coexistence of development and protection". Most of subsidiary mines should maintain safe environmental protection policies in advance and ensure that the execution of responsibility and normative operation are in order.

The environmental protection in Zijinshan Mine was assessed as the highest grade in the environmental estimation of experimental unit in 100 provincial enterprises by local authorities. Besides, Zijinshan Gold and Copper Mine and Gold Refinery Plant urged to implement the examination of clean production, striving to be a national environmental-friendly enterprise.

It should not be neglected that the Company gained progress in environmental safety. At the same time, however, some subsidiaries were not well managed. An accident of a slide of a dam for wastes and tailings in Guizhou Zijin happened in the maintenance period at the end of 2006. Fortunately, the Group adopted appropriate measures to minimize negative influences and has controlled the situation. One light injury has been reported and it caused certain economic loss. The accident is an important lesson to the Group.

PROSPECTS

Business Environment

It is expected that market prices of metals may fluctuate in 2007 due to the changes of global political and economic situation, however, the apparent upsurge in international energy prices and US dollar devaluation trends driven by geographical politics shall strengthen further the shelter functions on gold investment, it is believed that gold prices may maintain at a higher price level in 2007.

The supply and demand of copper in 2007 will move towards a balanced situation with help from the sustaining growth of global economy. Consider the soaring market which uplifts market demands, the price level of copper and other non-ferrous metals shall be adjusted but still remains in a high position.

Business Objectives

Guiding Ideology: By the adaptation of scientific and evolutive notions, the Group dedicates to urge the harmonious development of enterprises and related parties. The Group will seize all opportunities to explore new market potential. The Group will motivate the staff in utilizing their potential abilities. The Group shall focus on resolving the bottle-neck problem on both recruitment & management of talented people. The Group will accelerate the internationalization process, and exert financing functions and multiplier effect in capital market to inaugurate a new phase for the Company.

Business Objectives: The Group plans to produce approximately 55 tonnes of gold in 2007, of which 25 tonnes are produced from mines, and 30 tonnes are processed gold; approximately 55,000 tonnes of copper metal; approximately 130,000 tonnes of zinc metal, of which 40,000 tonnes are produced from mines, and 90,000 tonnes are refined and processed zinc; and approximately 800,000 tonnes of iron concentrates. Please note that the said plan was made on the basis of the current market situation and the existing conditions of the Company. The Board may, pursuant to changes in circumstances, vary the production plan.

Business Strategies

A shares listing plays an important role for business expansion of the Group. To cope with the listing issue and smooth out the whole process, the Group will advocate additional resources to rationalize its production and operation, improve safety standard and strengthen the environmental protection program.

The Proposed A Share Issue may or may not proceed. Investors will therefore exercise with caution when dealing in the shares of the Company.

1. *To seize market opportunities, ensure the accomplishment of production plan and increase production*

As the major mine of the Group, Zijinshan Gold Mine will continue to be an exemplar and reach a new level in respect of production, operation, management, safety assurance, environment protection, talents training and delivering, and resource exploiting. Guizhou Shuiyindong Gold Mine should seriously implement the measures of security and environmental protection, minimize the negative impacts of the tailings accident and ensure the achievement of the annual production plan. Hunchun Shuguang Gold and Copper Mine will maintain its production capability by the adaptation of technology innovation and the deployment of "gold and copper concentrates hydrometallurgical refining process". Luoyang Zijinyinhui Refinery Plant will actively explore new source of raw materials and adopt effective measures to ensure safe operation of logistics system. Hebei Dongping Gold Mine, Yunnan Yuanyang Gold Mine, Guangnan Dixu Gold Mine, Funing Zhesang Gold Mine, Anhui Jiaochong Gold Complex Ore Mine, Shanxi Yixingzhai Gold Mine, Shandong Longkou Jinfeng Gold Mine, Shandong Longkou Damoqujia Gold Mine, Sichuan Jiuzhaigou Gold Mine, and Hunan Liaojiaping Gold Mine should well manage exploitation of existing resources and enhance production capacity.

Xinjiang Ashele Copper Mine, Zijinshan Copper Mine, Hunchun Shuguang Gold and Copper mine will stabilize the production capacity, explore the production potential, and prepare for and dilute the impact of price decrease of copper. Qinghai Deerni Copper mine will try to stabilize and achieve the production target and contribute the growth of the Company in 2007.

Bayanaoer Zijin Zinc industry will continue to be the major development of the Company. The Bayanaoer Zijin Zinc Refinery Plant expects to consolidate the production process for production of by-products. Wulatehouqi Lead and Zinc mine will further increase its production capacity.

Xinjiang Mengku Iron Mine will enhance the technique applied in the projects, so as to further increase production capacity and provide high quality raw material for reduction iron project.

Other manufacturing enterprises will increase production capacity and contribute to the development of the Company according to the Group's arrangements.

2. *Project construction and initial works*

Shanghang High Precision Copper Plate and Copper Belt Processing Project will fend for commencement of production in the first half of the year and become the successful exemplar in product extension of the Company.

The emphases in 2007 are on combined open pit exploitation of Zijinshan Gold and Copper Mine, expansion project of Hunchun Shuguang Gold and Copper mine, Guizhou Shuiyindong Project Phase III, Hebei Dongping Gold Mine, Wuping Yueyang Silver and Gold Mine, Shandong Longkou Damoqujia Gold Mine, Wulatehouqi Zijin Zinc Mine, the technological reform of Hunan Anhua Tungsten and Antimony Mine, and construction projects of Xinjiang Fuyun Reduction Iron Project, Guangdong Xinyi Gold Mine, Yinyan Tin Mine, Xizang Yulong Copper Mine Phase I and Mongolia Nari Tolgoi Gold Mine. All the above-mentioned projects should be completed and commenced the production as planned.

Expedite initial works of Heilongjiang Duobaoshan Copper Mine, Henan Shangcheng Molybdenum Mine, and Xinjiang Wuqiawulagen Lead and Zinc Mine. Strive for the kick-off of construction in near terms.

International Projects: The Group would act actively to obtain initial approval on relative contracts signed or in process. These include several overseas projects like South Africa Platinum and Palladium Mine, Russia Kuton Gold Mine, Lantaersi Calcao Copper-Nickel Mine, Burma Mwetaung Nickel Mine, Vietnam Ha Giang Lead-Zine Mine and Iron Mine. The Group would pay close attention to other important overseas projects, such as the acquisition of Peru Rio Blanco Copper Mine, amd bidding for Michiquillay Copper Mine. The Group will prepare all necessary work to get a substantial break-through in the acquisition.

3. *Control of mineral resources*

The Group will continue to improve domestic and overseas mineral resources by way of acquisition, and exploration. The Group highly emphasizes on searching and the acquisition of potential primary exploration projects. In 2007, it is planned the Group will allocate about RMB1.5 billion on acquisition of resources and RMB150 million on exploration respectively. Please note that the said plan was made on the basis of the current market situation and the existing conditions of the Company. The Board may pursuant to changes in circumstances vary the said plan.

4. *Talent management*

The Group will pay more attention to talents in terms of hiring, evaluating, remunerating systems and enhance self-improvement programs. The Group will also hire talents from the market and nurture talents within the Group to solve the bottle-neck problem in the development course.

5. *Management*

   The Group will focus on detailed management to further improve the execution quality. Pursuant to current law and regulations, the Group will also assign directors and supervisors to achieve effective control and management of subsidiaries.

6. *Technology innovations*

   The Group will reinforce the management and technical force on geological exploration, mining, metallurgy, and experimental research, in order to contribute to the pivot scientific projects and construct a strong team in exploration, research, design, and implementation.

In the three years since listing, the integrity, diligence and hard-working of the staff and management enhanced greatly of the Company's value. Production of major products increased significantly. Prices of each product continuously went up. The Group also invested heavily to speed up the internationalization process and substantially increased the possession of resources. With the new management system of the Group established, employees enjoyed better remuneration packages, shareholders obtained substantial returns, and at the same time the Group carried out the economic and social developments of the regions where the mines are located. The Group tried hard to build a harmonious social relationship in the mine areas. The Company's brand awareness and reputation have been growing rapidly. Both opportunities and challenges will dominate the Company in 2007. The Company believes that year 2007 will be a brilliant year for Zijin Mining with endeavor of all employees and support of the society.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
8 March 2007

The management of the Group sincerely reports the discussion and analysis of 2006 operating results.

OPERATING RESULTS

In 2006, the management fully and seriously implemented various resolutions of the shareholders' meetings and the Board, and has captured favorable opportunity of rising commodity prices, carefully organized production, and recorded sales income of RMB10,678,810,000 in the year, representing an increase of RMB7,642,595,000, or 251.71% over the previous year. Among the growth, 12.69% was attributable to growth in new business, 15.64% was attributable to growth in the increase of price, and 71.67% was attributable to growth in production volume.

The table below sets out the sales by products for the two years ended 31 December 2005 and 2006:

	2006			2005		
Product	**Unit price RMB**	**Volume**	**Amount/ RMB'000**	Unit price RMB	Volume	Amount/ RMB'000
Gold	**157.19/g**	**46,776.75 kg**	**7,352,810**	119.25/g	20,155 kg	2,403,434
Gold concentrates	**131.23/g**	**1,795.39 kg**	**235,609**	108.37/g	892 kg	96,688
Copper concentrates	**44,591/t**	**32,003.5 t**	**1,427,068**	23,476/t	17,067 t	400,667
Copper cathodes	**51,336.74/t**	**6,710.75 t**	**344,508**	33,608/t	1,125 t	37,809
Zinc bullions	**26,829/t**	**36,151 t**	**969,884**	–	–	–
Zinc concentrates	**16,179/t**	**11,365 t**	**183,875**	8,965/t	1,418 t	12,713
Iron concentrates	**360.13/t**	**486,682.69 t**	**175,270**	332.13/t	335,025 t	111,272
Others			**88,805**			6,191
Less: Sales						
Tax and levies			**(99,019)**			(32,559)
Total			**10,678,810**			3,036,215

Note: The sales of gold include refined and processed gold of 28,510 kg.

The Group's revenue in 2006 has increased by 251.71% over 2005, which was mainly attributable to (i) gold sales increased by 214% in which, the production of gold at Zijinshan Gold Mine was increased by 14%, the sales of gold in Guizhou Zijin and Hunchun Zijin have increased by 26% and 8.36% respectively, and that Luoyang Yinhui sold 27,660 kg gold was the main reason of the growth; (ii) Xinjiang Ashele Copper Mine and the successful commencement of the operation of Zijinshan Copper Mine recorded increase in sales of copper concentrates and copper cathodes by 112.81%; (iii) the average sales price of gold and copper cathodes increased by 32% and 52.75% respectively; (iv) the commencement of operation of zinc refinery in Inner Mongolia additionally increased RMB969 million in sales of zinc ingot.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group is mainly engaged in mine development. The Group's cost of sales mainly includes mining, processing, and refining costs, ore transportation cost, raw materials consumption, public management expenses, salaries and depreciation of fixed assets employed for production. The table below sets out details of the gross profit margin for the two years ended 31 December 2005 and 2006.

Product	**2006** **%**	2005 %
Gold (gold produced from ores)	**73.66**	66.02
Gold (processed gold)	**0.52**	0.51
Gold concentrates	**51.7**	51.51
Copper concentrates	**83.25**	62.88
Copper cathodes	**73.86**	50.63
Zinc concentrates	**76.83**	–
Zinc bullions	**35.9**	–
Iron concentrates	**56.64**	59.32
Others	**–**	–
Total (included processed gold)	**37.08**	48.51
Total (excluded processed gold)	**63.59**	59.66

The Group's overall gross profit margin decreased from 48.51% in 2005 to 37.08% in 2006, which was mainly attributable to the gold processed business recording higher operating income and lower gross profit margin. The overall gross profit margin (excluded processed gold) could maintained at a high level of 63.59%. The increase of gross profit margin was mainly attributable to the growth in copper and zinc business and the rising of metal prices. In 2006, the average sales price of gold is RMB157.19/g and the average sales price of copper cathodes is RMB51,336.74/tonne.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs have increased by 116% from RMB66.06 million in 2005 to RMB143.07 million in 2006, which was mainly attributable to the increase in transportation costs resulting from the increase in the sales of copper concentrates, iron concentrates, and zinc. All these costs are directly recorded under selling and distribution costs.

ADMINISTRATION EXPENSES

The Group's administration expenses in 2006 amounted to RMB417.51 million, representing an increase of 70.49% over last year. Due to the expansion in production, it caused a substantial increase in management expenses in Shanghang Zijinshan Gold Copper Mine, Ashele Copper Mine, Guizhou Zijin, and Hunchun Zijin. At the same time, the staff salaries have been increased under the good performance of the Group and it represented 63.32% of the increase of administrative expenses. Also, the recognition of the expenses of 9 new subsidiaries, substantially increased the administrative expenses. It represented 36.68% of the total increase of expenses.

OTHER OPERATING EXPENSES

The Group's other operating expenses is RMB673.17 million in 2006 which increased by RMB604.68 million over RMB68.49 million in 2005. The increase was mainly attributable to the increase in donation amounting to RMB117.45 million and the increase of loss in derivative financial instruments amounting to RMB484.29 million.

DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2006, the Group and the Company recognized a loss of RMB494.577 million in forward contracts selling gold and copper cathodes (after deducting the provision in 2005). The actual effect to the net profit of the equity holders is RMB296,027,025.

As at 31 December 2006, the Group accumulatively settled 13,480 tonnes copper cathodes and 54,400 ounces gold (1,690 kg) forward selling contracts. The settlement caused a loss of RMB347.465 million (2005: nil).

As at 31 December 2006, the Group and the Company entered and held 2,245 tonnes of copper cathodes and 137,600 ounces of gold (4,280 kg) forward selling contracts. The Company recognized an unrealized investment loss of RMB147.112 million (2005: RMB10.287 million).

The conduction of gold and copper forward selling contracts is for the purpose of locking up the profit at certain reasonable prices. The Board has made adjustments on the transaction volume in 2007 which limits the transaction volume of copper cathodes not exceeding 25% of the total annual planned production and the total position of gold not exceeding 25% of total annual planned production from mines. The Board will prudently evaluate the relative risks and take necessary measures to reduce the risk.

DONATION AND SOCIAL RESPONSIBILITY

As at 31 December 2006, the Group donated RMB148.423 million (2005: RMB30.966 million) which included Xinjiang Ashele's donation of RMB114.78 million. The Board considered that it is the corporate responsibility to increase donation to build schools and improve the infrastructure and environment of the society especially in the time of high metal price and with great support from the local governments and people.

FINANCE COSTS

The Group's finance costs in 2006 amounted to RMB114.98 million, with an increase of 523.54% over RMB18.44 million in 2005, which was mainly attributable to an increase in external investment and the fact that the Company and subsidiaries increased the interests bearing bank loan. In comparison with the beginning of the reporting year, long term loan increased by RMB1,953.63 million and short term loan increased by RMB818.29 million, which caused a great increase in interest expenses (The debt/asset ratio is 55.47%).

WORKING CAPITAL AND CAPITAL RESOURCES

As at 31 December 2006, the Group's cash and cash equivalents amounted to RMB1,939.41 million, representing an increase of RMB933.61 million, or 93% over the previous year.

During the year, net cash inflow generated from the Group's operating activities amounted to RMB2,606.29 million, an increase of RMB1,478.38 million or 131% over the previous year. The main reasons for the increase in the cash-flow generated from the Group's operating activities were (i) the increase in sales volume and price in gold; (ii) the increase in the production and sales price of copper of the Company and its controlling subsidiaries; and (iii) the increase of sales price in other products like zinc and the increase of production volume in iron.

During the year, the net cash outflow generated from the Group's operating activities amounted to RMB3,615.14 million, an increase of RMB1,858.46 million or 105.79% over the previous year. The main reasons for the increase in investment activities were (i) the increase of the Group's acquisition of stakes in 11 subsidiaries and 1 associated company and 2 joint venture companies; and (ii) the Company's technology upgrade in gold and copper mines and the increase of input for the subsidiaries infrastructure.

During the year, net cash inflow generated from the Group's financing activities amounted to RMB1,946.18 million, an increase of RMB1,137.35 million or 141% over the previous year, which was mainly due to more bank loans required for increasing external investment and investment in fixed assets.

As at 31 December 2006, the Group's total borrowings amounted to RMB4,057.58 million (31 December 2005: RMB1,285.66 million) of which the amount repayable within two years was approximately RMB2,175.91 million, the amount repayable within two to five years was approximately RMB1,787.24 million, and the amount repayable in over five years was RMB94.43 million. All the bank borrowings bore interest rates between 2.55% to 6.696% (2005: 2.55% to 6.696%). The borrowings from financial institutions were mainly for the Group's holding subsidiaries.

The Group's daily capital requirements and capital expenditures were expected to be financed from its internal cashflow. The Group also possessed substantial amount of uncommitted short-term loan facilities provided by its major banks.

PROFITS ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS PER SHARE

The Group's profits attributable to shareholders as at 31 December 2006 were approximately RMB1,704.51 million, representing an increase of 142.24% over approximately RMB703.64 million in 2005.

For the year ended 31 December 2006, the Group's earnings per Share (basic) was RMB0.16, an increase of 142.24% over the previous year. The calculation of earnings per Share was based on the Group's profit attributable to shareholders of RMB1,704.51 million (2005: RMB703.64 million) and the weighted average number of 10,513,047,280 Ordinary Shares (2005: 10,513,047,280 Shares Adjusted) in issue during the year.

TAX

Income taxes of the Group for the years of 2006 and 2005 were set out in the table below:

	2006 **RMB'000**	2005 RMB'000
Group:		
Current – Hong Kong	**4,357**	–
– Mainland China	**592,369**	277,867
Overprovision in prior years	**(33,963)**	(14,038)
Deferred	**(51,942)**	–
	510,821	263,829

Provision for Hong Kong profits tax has been provided at the rate of 17.5% on the assessable profits arising in Hong Kong for the year. No provision for Hong Kong tax was made in 2005 as the Group had no assessable profits arising in Hong Kong for that year. Provision for the PRC corporate income tax has been provided at the rate of 33% based on the taxable profits except for some subsidiaries enjoy tax concession.

Details of the income tax of the Group are set out in note 10 to the financial statements.

EXECUTIVE DIRECTORS

Mr. Chen Jinghe, aged 50, chairman, president, and chief engineer of the Company. He is currently a professor grade senior engineer, specialist who enjoys special allowance from the State Council, a delegate to the Tenth People's Congress of Fujian province, chairman of chairman group of Association of China Mining Industry, and the vice president of the Gold Association of China. Mr. Chen graduated from Fuzhou University with a bachelor's degree in geology in 1982 and got an EMBA degree in Xiamen University. He was a team head of Minxi Geology Division from 1986 to 1992, founder and organizer of exploration of Zijinshan Gold and Copper Mine. He was the chairman and general manager of the Company from August 1993 to August 2000. In August 2000, he was appointed as chairman of the Company. Mr. Chen, the major leader in the development process of the Company, specializes in mine exploration, evaluation and exploitation management. He was awarded "National Scientific Advancement Award", several awards from the province and ministry, and several national invention patents.

Mr. Liu Xiaochu, aged 60, vice-chairman of the Company and a supervisor of Hunan Nonferrous Metals Co., Ltd., which listed on the Hong Kong Stock Exchange in March 2006. He graduated from Fuzhou University with a bachelor's degree in physics in 1982. Mr. Liu was the division head, deputy department head and department head of the Fujian Economic Reform Commission from December 1986 to December 1999, and during this period, he instructed the reform and listing of enterprises in Fujian. He was the director and vice-president of Xinhuadu Industrial Company Limited from December 1999 to March 2002. Mr. Liu was appointed as the vice-chairman of the Company in August 2000. Mr. Liu is familiar with the Company Law, listing rules, and the capital market.

Mr. Luo Yingnan, aged 50, vice-chairman of the Company, professor grade senior engineer. He graduated from Fuzhou University with a bachelor's degree in geology in 1982. Mr. Luo was the head of the Geological Unit of the Third Team of the Second Geological Prospecting Bureau under the Ministry of Metallurgy and the head of the Second Team from 1982 to 1992. Prior to joining the Company in July 2000, he was the manager of Longyan Metallurgy Industry Company from 1998 to 2000. He has been the chairman of Fujian Makeng Mining Company Limited since 1999. Mr. Luo had been appointed as an executive director and a general manager of the Company from August 2000 to August 2006. Mr. Luo has extensive experiences in geology exploration, mine evaluation and operation of mining enterprise.

Mr. Lan Fusheng, aged 43, senior engineer, executive director, and vice-chairman of the Company. He graduated from Fuzhou University with a bachelor's degree in geology in 1984 and obtained a master's degree in business administration from La Trobe University in 2000. He was the manager of Shanghang County Xinhui Jewellery Company from 1992 to 1994. Mr. Lan joined the Company in 1994 and was appointed as an executive director and a deputy general manager of the Company in August 2000. Mr. Lan has extensive experiences on managing the investment business of enterprises and mining project evaluation.

Mr. Huang Xiaodong, aged 52, director and senior vice president of the Company. He graduated from the Industrial University of Hefei in computer specialisation in 1980, and graduated from Xiamen University with an EMBA degree. Mr. Huang has been an engineer of Computer Science Research Institute in Fujian, and division head of Science and Technology Committee in Fujian. From 1995 to 2001, he has been the general manager and assistant to general manager of the corporate department of Huamin (Group) Company Limited, and from 2002 to 2004, he has been the deputy general manager of Chinalco (Fujian) Ruimin Company Limited. Mr. Huang has been appointed as the Company's chief economist from February 2005 to August 2006. Mr. Huang has extensive experiences in business management and international operation.

Mr. Zou Laichang, aged 39, chief engineer, director and senior vice president of the Company. He graduated from Forest University of Fujian with a bachelor degree in chemistry in 1990 and got an MBA degree later. Mr. Zou was the head of production division of Shanghang County Forestry and Chemical Factory from August 1990 to March 1996. He worked for the Company as the deputy director of gold refinery, the deputy head of the Institute of Mining and Refining Design and Research, the deputy chief engineer, and chief engineer, since March 1996. Mr. Zou specializes in hydrometallurgical concentration, one of the major science and technology innovators, and gained several awards from the province and ministries.

NON-EXECUTIVE DIRECTOR

Mr. Ke Xiping, aged 47, non-executive director of the Company. Mr. Ke graduated from Hubei Economics and Management School, major in business. Mr. Ke is chairman of the General Chamber of Commerce of Huli District, Xiamen City, a delegate to the 12th People's Congress for Xiamen City and a member of the People's Political Consultative Committee of Quanzhou City. He is chairman of one of the promoters of the Company – Xiamen Hengxing Industrial Company Limited. Mr. Ke was appointed as a non-executive director of the Company in August 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Yuchuan, aged 73, an independent non-executive director of the Company, researcher, supervisor of doctoral students, and academician of the Chinese Academy of Engineering. Mr. Chen graduated from Donetsk Polytechnic University of the former Soviet Union, major in geology exploration. He was the chief engineer in formerly geology and mine ministry, and head of China Geology Science Institute. Currently, Mr. Chen is appointed as director of Science Committee of China Geology Science Institute, head of Mine and Geology Specialist Committee, vice-chairman of cause of formation of international deposit committee, member of course evaluation team of state council degree committee, part-time professor of Beijing University and Nanjing University, and member of the 9th national political consultative conference. Mr. Chen dedicates himself to deposit geology, geochemistry, regional metallogeny rules, estimation of metallogeny, and mine exploration. He is a world famous specialist in geology.

Mr. Lin Yongjing, aged 64, is an independent non-executive director of the Company, he is also a senior accountant, registered certified public accountants ("CPA"), registered appraiser. He graduated from Xiamen University in accounting specialization in July 1967. He was formerly the director and director accountant of Fujian Huaxing Certified Public Accountants. He was the head of Fujian Appraisal Centre, the director of Fujian State-owned Property Bureau, vice chief-officer of Fujian Provincial Financial Bureau, Committee Member of the 7th Provincial People's Political Consultative Conference. He currently is the expert specially invited by Fujian Provincial State-owned Property Management Committee, special-invited expert of Chinese State-owned Property Management Expert Committee, senior member of China Appraisal Society, special-invited professor of Fujian Economics & Management College and part time professor of Jiangxi University of Finance & Economics. In June 2005, he was appointed as an independent director of Fujian Sanmu Group Company Limited (A Share Company), and in October 2005, he was appointed as an independent director of Fujian Mindong Power Company Limited (A Share Company). He is an expert in finance, audit and asset management.

Mr. Loong Ping Kwan, aged 43, is a practicing solicitor admitted in Hong Kong and England and Wales. Mr. Loong graduated from the University of Hong Kong with a bachelor's degree in Art and is a founder of Messrs. Loong and Yeung in Hong Kong. Mr. Loong is a member of the Hong Kong Institute of Bankers. Mr. Loong was appointed as an independent non-executive director of the Company in August 2003.

Mr. Su Congfu, aged 61, independent non-executive director of the Company. He is also a professor grade senior engineer, former deputy director of Anhui Metallurgy Department, head of Metallurgy Department of Anhui Economics and Commerce Committee, and assistant inspector of Bureau of Work Safety in Anhui. Mr. Su graduated from Beijing Steel Institute in mining specialization. He was the mine chief of Anqing Copper Mine, and assistant to general manager of Tongling Non-ferrous Metal Group Company. He dedicated to mining & processing, refining, producing and managing in industries of steel, non-ferrous metal and gold, and he has practical experience and ability in management and organization.

SUPERVISORY COMMITTEE AND SUPERVISORS

Mr. Zheng Jingxing, aged 44, supervisor representing shareholders and chairman of the Supervisory Committee of the Company. He is tertiary educated, accountant, and a delegate to the first and second People's Congress for Longyan City. He worked with Wuping Finance Bureau in 1983. In 1988 he was appointed as vice director and director of Shanghang Finance Bureau. In May 2002, he was appointed as vice head of Shanghang County and resigned now.

Mr. Xu Qiang, aged 56, supervisor representing shareholders, and vice-chairman of the Supervisory Committee. He is a senior accountant, registered CPA, registered valuer and a chief accountant of Fujian Huamao Limited Liability Accountants' Firm. He graduated from Fujian Provincial Party College in 1990. He was the deputy director of Fujian Huaxing Accountants' Firm from 1994 to 1999, and the director of Fujian Asset Valuation Centre from 1999 to 2001. Mr. Xu was appointed as a supervisor of the Company in August 2000. He is experienced in finance and audit.

Ms. Lan Liying, aged 42, currently a supervisor representing worker and staff of the Company. She is a registered CPA and the head of Audit Department of the Company. Ms. Lan was the head of the financial division of Shanghang County Jiannan Cotton Spinning Factory from 1985 to 1994 and the deputy manager of the financial department of the Company from 1995 to 1999. Ms. Lan was appointed as a supervisor of the Company in August 2000. She masters in finance and audit.

Mr. Lin Jingtian, aged 62, a supervisor representing shareholders of the Company. He is vice party secretary and secretary of the disciplinary board of the Communist Party of China of the Company. He graduated from CPLA Logistical College in military commanding in August 1981. He was the division chief of the combat service division of the Army 29th Corps, director and committee member of the logistics of Army 12th Division, party secretary of the logistic division of the committee of the party. After transferred to the civilian work, he was the committee member of the Shanghang County Communist Party, the director of Shanghang County Armed Forces Department, the party secretary and the director of the Committee of the People's Congress of Shanghang County. He has extensive experience and ability in administration.

Mr. Zhang Yumin, aged 56, a supervisor representing worker and staff of the Company. He is an accountant, vice head of the Audit Department of the Company. He was financial officer and assistant to Factory Manager of Fujian Shunchang Yuankeng Cement Plant, manager of the financial department of Xinhuadu Hotel. He joined the Company as the assistant finance manager and assets officer since 2000. He was vice head of the audit department since February 2004. He has good experience and knowledge in finance and audit.

SENIOR MANAGEMENT

Mr. Yao Yimin, aged 59, an engineer and vice-president of the Company, graduated from Fuzhou University. Mr. Yao worked as the technology section chief and vice president of ShangHang Bengyouzui Factory from 1982 to 1986. He was the assistant director of enterprise service in Shanghang County, and vice secretary of Caixi village party from 1986 to 1989, the deputy director of County Economics Committee and director of County Technology Inspection from 1989 to 1990, the director of County Economics Committee and director of County Technology Inspection from 1991 to 1999, and vice general manager of Minxi Zijin Mining Group Co., Ltd. Mr. Yao had been working as a director and vice general manager of the Company.

Mr. Chen Jiahong, aged 37, engineer and vice president of the Company. He graduated from China Geology University (Wuhan) by distant learning with a bachelor degree. Mr. Chen worked with 801 team of Fujian No. 8 Geology Division from July 1990 to December 1992, and was responsible for the technology of Fifth Engineer Section of No. 8 Geology Division from January 1993 to July 1994. In July 1994, he joined Zijin as deputy mine chief of Zijinshan Mine, and then held positions of mine chief of Zijinshan Mine (plural vice commander in chief of Zijinshan Gold Mie technology innovation department, and director of Zijinshan Gold Mine employees training centre), deputy manager of the Company and director and general manager of Xinjiang Zijin Mining Company Limited. Mr. Chen was awarded the model worker in 1999 and special prize of technology advancement award in 2000.

Mr. Xie Chengfu, aged 41, senior engineer and vice president of the Company. He graduated from Changchun Geology College with a bachelor's degree in mine exploration in 1990. Mr. Xie worked with Minxi Geology Division No. 8 Team from July 1990 to November 1992, and Fujian Geology Division Team No.2 from November 1992 to July 1994. In 1994, he joined Zijin as vice manager and manager of Xinhui Jewelry Company, plant manager of gold refinery, manager of Shanghang Copper Mine, and mine chief of Zijinshan Gold Mine, assistant of general manager and vice general manager of the joint - stock company. He was responsible for the construction and general manager of Anhui Zijin Mining Holdings Company. Mr. Xie is currently appointed as a director and general manager of Hunchun Zijin Mining Co., Ltd.

Mr. Liu Rongchun, aged 43, senior engineer and vice-president of the Company. He graduated from Zhongnan Industrial University with a bachelor degree in engineering in 1984. From July 1984 to December 1993, Mr. Liu worked as the secretary of communist youth league, head of manufacturing plant, and head of production division of Fujian Liancheng Zinc-lead Mine. Since 1993, Mr. Liu has been appointed as the vice-chief of gold mine of Minxi Zijin Mining Group Co., Ltd., chief commander of establishment headquarter of Zijinshan Copper Mine, chief officer, secretary of discipline council, general manager assistant, vice general manager and head of Zijinshan Gold Mine. Currently, Mr. Liu is the general manager and director of Xinjiang Zijin Mining Co., Ltd.

Mr. Lin Hongfu, aged 33, engineer and vice-president of the Company. He graduated from Chongqing Steel college, major in smelting steel alloy. Mr. Lin completed his degree in management from China Geology University in July 2004. In 1997, Mr. Lin joined the Company as maintenance worker of Gold Refining Plant, and was promoted to associate director in carbon regeneration plant, assistant of factory director and director of electroanalysis plant, associate factory director, factory director and vice president of Zijinshan Gold Mine. Now Mr. Lin is appointed as general manager and director of Neimenggu Bayannaoer Zijin Nonferrous Metals Company.

Mr. Zhou Zhengyuan, aged 59, chief financial officer of the Company. He graduated from Fujian Economics and Management College in 2000. Mr. Zhou worked as the workshop director of Shanghang Craftwork Factory from February 1972 to October 1975. He was the director of financial section, vice manager and manager of Shanghang County Second Light Industry Company from October 1975 to December 1984, head of control division and head of the financial division of Shanghang County Second Light Industry Bureau from December 1984 to October 1994. He worked for the Company as the manager of financial department, the chief economist, the chief accountant and chief financial officer since October 1994.

Mr. Zheng Yuqiang, aged 53, economist and secretary to the Board of Directors. He graduated from Fujian Television Broadcasting University in enterprise management in 1986. Mr. Zheng was the division head of production of Fuzhou Construction Machinery Factory from December 1975 to February 1989, the director of the Electronics Factory of Shenzhen Dongnan Economic Development Company from March 1989 to May 1990, worked with Fuzhou Gas' engineering director division from May 1990 to February 1993, workshop director of Fuzhou Leilei Stone and Wood Company from March 1993 to October 1994, office head of Yifada (Fujian) Group Holdings Co., Ltd. from October 1994 to May 1996 and the director and secretary to the Board of Directors of Fujian Sannong Group Company Limited from May 1996 to May 2001. Mr. Zheng was appointed as the secretary to the Board of Directors and chief of directors office of the Company in June 2001.

Mr. Fan Cheung Man, aged 46, Company Secretary (HK) of the Company. Mr. Fan graduated from University of New England, Australia in 1993 and holds a Master Degree of Business Administration. He is an associate member of The Hong Kong Institute of Certified Public Accountants, and a fellow member of The Association of Chartered Certified Accountants, UK. He was a deputy general manager of Hungtai Electronic Factory from 1993 to 1994 and a financial controller of Vigers HK Ltd. from 1994 to 2002. Mr. Fan was appointed as the Company Secretary and Qualified Accountant of the Company in December 2004.

The Directors of the Company ("Directors") hereby submit the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRIMARY BUSINESS

The Company is principally engaged in the exploration, mining, processing, refining and sale of gold and non-ferrous metals and other mineral resources in the PRC, and is a large mining conglomerate primarily engaged in the production of gold and non-ferrous metals. The Company produces mainly gold bullions of 99.99% and 99.95% purity under the "ZIJIN" brand, and copper cathodes, copper concentrates and iron concentrates. Currently, the sales of gold products represent over 70% of total revenue.

Details regarding the key business of the Company's subsidiaries and associates are set out in notes 20 and 21 to the financial statements, respectively.

OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2006 are set out in the financial statements on pages 64 to 158.

INVESTMENT IN SUBSIDIARIES

On 12 January 2006, Shanxi Zijin Mining Company Limited ("Shanxi Zijin") was established and its registered capital is RMB159.1 million. The Company invested RMB81.14 million by cash and holds its 51% shareholding. Fanshixian Yixingzhai Gold Mining Co., Ltd. ("Yixingzhai Gold Mine") invested RMB54.1 million by assets and holds its 34% shareholding. Zijin International Mining Co., Ltd. ("Zijin International") invested RMB23.86 million by cash and holds its 15% shareholding. The Company and Zijin International invested RMB46,144,000 and RMB7,956,000 respectively, and signed the agreement of share transfer with Yixingzhai Gold Mine to acquire 29% and 5% shareholding of Shanxi Zijin. After the acquisition, the Company and Zijin International hold 80% and 20% shareholding of Shanxi Zijin respectively. Shanxi Zijin becomes the wholly-owned subsidiary of the Group.

On 20 January 2006, the Company signed an agreement with Yunan Wenshan Longxing Mining Co., Ltd. in Yunnan Province, to acquire 51% shareholding of its subsidiary, Guangnan Longxing Mining Co., Ltd. ("Guangnan Longxing") at a consideration of RMB25.5 million. The registered capital of Guangnan Longxing is RMB50 million. Yunnan Wenshan Longxing Mining Co., Ltd. and Xiamen Minxing Investment Co., Ltd. are its other two shareholders, holding its 25% and 24% shareholdings respectively. Guangnan Longxing is principally engaged in exploration of Yunnan Dixu Gold Mine.

In March 2006, the Company's subsidiary Yunnan Huaxi Mining Co., Ltd. ("Yunan Huaxi") and Mr. Huang Jinyun jointly invested a company namely Wenshan Huayuan Mining Co., Ltd. ("Wenshan Huayuan") in Wenshan County, Yunnan Province. Its registered capital is RMB3 million. Yunan Huaxi invested RMB1.8 million and holds its 60% shareholding. Mr. Huang Jinyun invested RMB1.2 million and holds its 40% shareholding. Wenshan Huayuan mainly carries out exploration of gold and other nonferrous metals in Wenshanzhou.

On 5 April 2006, the Company's subsidiary, Xinjiang Zijin Mining Co., Ltd. ("Xinjiang Zijin") and Labor Union Committee of the Company jointly established the Fuyun Gold Mountains Processing Co., Ltd. Its registered capital is RMB120 million. Xinjiang Zijin and Labor Union Committee invested RMB72 million and RMB48 million by cash, representing 60% and 40% shareholding respectively. After the company's establishment, it is mainly involved in the construction of 0.3 million tonnes of reduction iron project and the development of the eastern part of Mengku Iron Mine.

In April 2006, the Company and Shandong Longkou Jinxing Gold Company ("Longkou Jinxing") signed the contract to increase the registered capital of Shandong Longkou Jintai Gold Co., Ltd. ("Longkou Jintai") to RMB200 million. The Company invested RMB102 million by cash, holding its 51% shareholding. Longkou Jinxing invested RMB98 million by evaluated net assets, holding its 49% shareholding. The company is mainly engaged in development of gold mine in Longkou, Shandong. On 16 January 2007, the Company signed the agreement of share transfer with Longkou Jinxing, using RMB90 million to acquire 39% shareholding of Longkou Jintai. After the acquisition, the Company will hold 90% shareholding of Longkou Jintai. Above acquisition constitutes a connected transaction, which has been announced by the Company.

In May 2006, the Company, Chongli State Property Management Centre, and Labor Union of Dongping Gold Mine ("Chongli Zijin Labor Union") established Chongli Zijin Mining Co., Ltd. ("Chongli Zijin"), whose proposed registered capital is RMB237.5 million. The Company, Chongli State Property Management Centre and Chongli Zijin Labor Union invested RMB142.5 million, RMB85.5 million, and RMB9.5 million, representing 60%, 36%, and 4% shareholding, respectively. As at 22 June 2006, the company's paid-up capital is RMB181.685 million. The investment amount of the Company and Labor Union has been fully paid. According to the agreement, the remaining RMB55.815 million of Chongli State Property Management Centre should be paid in 2 years. Chongli Zijin will fully consolidate and exploit the original Dongping Gold Mine and adjacent mine.

In May 2006, the Group established a wholly-owned company, Fujian Jinshan Gold Refinery Co., Ltd. with registered capital of RMB50 million. The Company is mainly engaged in refractory gold ore with 200 tonnes/day processing capacity.

On 31 May 2006 and 25 July 2006, the Company's subsidiary, Zijin International Mining Co., Ltd. ("Zijin International") signed a share transfer agreement with Mr. Liu Daonan and Mr. Huang Mao to acquire 60% shareholding of Wulatehouqi Zijin Mining Co., Ltd. ("Wulate Zijin") by investing RMB6 million. The registered capital of Wulate Zijin is RMB10 million.

On 13 June 2006, the Company signed an agreement with Mr. Xu Kaiyu to invest RMB11 million to acquire 35.48% equity interests in Hunan Tongyong Mining Holdings Co., Ltd. ("Hunan Tongyong"), from Mr. Xu Kaiyu. Then, the Company unilaterally invested RMB19 million to increase Hunan Tongyong's registered capital from RMB31 million to RMB50 million. So far, the Company totally invested RMB30 million, holding its 60% equity interest, and changed its name to Hunan Zijin Mining Co., Ltd. The company is principally engaged in the exploitation of Hunan Liaojiaping Gold Mine and nearby tungsten and antimony mines.

In June 2006, the wholly-owned subsidiary of the Company, Gold Mountains (H.K.) International Mining Co., Ltd. ("Gold Mountains") signed a share transfer agreement with Zhongkuang Sichuan Co., Ltd. to acquire 51% equity interest of its subsidiary Sichuan Jinkang Mining Co., Ltd. ("Sichuan Jinkang") by investing US$1. Besides, Gold Mountains must fulfill its responsibility of investing US$5 million to Sichuan Jinkang. The registered capital of Sichuan Jinkang is US$9.804 million, Gold Mountains further invested US$2.2 million to Sichuan Jinkang and its paid-up capital was US$2.5 million at the end of 2006, and remaining capital will be gradually injected based on the developing process of the project. The other shareholder, Deyang Mining Development Co., Ltd., holds 49% shareholding. The company is mainly engaged in exploration and development of Sichuan Hongyuan Shuajingsi Gold Mine.

On 14 July 2006, the Company's subsidiary, Fujian Zijin Investment Co., Ltd. ("Zijin Investment") reached an agreement with Financial Bureau of Shanghang County and Economics and Commerce Bureau of Shanghang County, to acquire 100% shares of Fujian Shanghang Guanzhuang Marble Mine ("Guanzhuang Marble") in Shanghang County Fujian Province by the consideration of RMB1.43 million. The company is mainly engaged in exploration of marble. As at the end of 31 December 2006, its registered capital is RMB2.38 million.

On 24 July 2006, Fujian Zijin Processing Detection Technology Co., Ltd. was established. It is a wholly owned subsidiary of the Company with the registered capital of RMB5 million. The company is mainly involved in detection of mine product and research on smelting experiments.

On 9 August 2006, Fujian Zijin Hotel Management Co., Ltd. was established. It is a wholly owned subsidiary of the Company with the registered capital of RMB5 million. The company is principally engaged in hotel operation and management.

On 5 September 2006, the Company's subsidiary, Hunchun Zijin Mining Co., Ltd. ("Hunchun Zijin") reached an agreement with Mr. Jiang Zhenlong and Mr. Su Xiaofeng, to acquire 100% equity interest of Hunchun Jinfeng Mining Investment Co., Ltd. ("Hunchun Jinfeng") by the consideration of RMB75 million. The company is mainly engaged in mining investment with registered capital of RMB10 million.

On 10 October 2006, a wholly-owned subsidiary of the Company, Hunchun Zijin and Heilongjiang Geology Science Research Institute ("HGSRI") jointly established Heilongjiang Zijin Mining Investment Co., Ltd. with registered capital of RMB100 million. Hunchun Zijin and HGSRI hold 85% and 15% thereof, respectively. Such company is mainly engaged in investment in mining industry.

On 23 October 2006, the Company established Yunnan Jinfeng Mining Co., Ltd. in Yunnan, with a registered capital of RMB50 million. It is a wholly owned subsidiary of the Company. It is responsible for the investment and exploration of mines in Yunnan and southeast Asia.

On 28 October 2006, the Company's subsidiary, Yunnan Jinfeng Mining Co., Ltd. ("Yunnan Jinfeng") and Yunnan Zhongtao Economics and Trading Co., Ltd. ("Yunnan Zhongtao") signed an agreement to increase Yunnan Zhongtao's registered capital from RMB5 million to RMB35 million. Yunnan Jinfeng injected RMB30 million into Yunnan Zhongtao and acquired its 60% equity interest. The company is mainly engaged in trading and investing across border, and owning the exploitation permit of Vietnam Ha Giang Lead-Zinc Mine. Its registered capital is RMB35 million.

On 31 October 2006, the Company, Mr. Zhou Xueqing and Mr. Guo Weisong entered into a share transfer agreement, investing RMB50 million to acquire 100% equity interest of Hengyang Shangqing Co. Ltd. from them. The company's registered capital is RMB50 million, mainly responsible for the exploitation of Qidong Iron Mine in Hunan.

On 31 December 2006, an agreement was arrived at among the Company, Hunchun Zijin, Hunchun Jinfeng and Longkou Jinfeng Investment Company ("Longkou Jinfeng"). Four parties jointly invested RMB47,620,354 to acquire 86.65% equity interest of Longkou Jinfeng. The company mainly works on the gold exploitation and processing, with registered capital of RMB10 million.

ACQUISITION AND INVESTMENT IN ASSOCIATE COMPANIES

On 5 January 2006, the Company, Western Mining Co., Ltd., Heilongjiang Mining Group Co., Ltd., Heilongjiang Heilong Mining Group Co., Ltd. and Haerbin Baifu Investment Co., Ltd. jointly invested and established a new company, namely, Heilongjiang Duobaoshan Copper Joint Stock Co., Ltd. The company is mainly engaged in exploration of copper and molybdenum in Duobaoshan. According to the agreement, its registered capital is RMB300 million. The Company is the biggest shareholder by holding 31% equity interest.

On 26 June 2006, the Company and Hainan Qianjinda Investment Co., Ltd. signed a shares transfer agreement with Hainan Baohui Investment Co., Ltd. to acquire 17.5% and 7.5% Shareholding of its subsidiary, Wulatehouqi Wancheng Commercial Co., Ltd. ("Wancheng Commercial"), by investing RMB185.5 million and RMB79.5 million respectively. After the acquisition, the Company holds 25% shareholdings of Wancheng Commercial. The other shareholders include: Hainan Qianjinda Investment Co., Ltd. (52.5% equity interest), Hainan Baohui Investment Co., Ltd. (10% shares), and Qionghai Aoya Industry Co., Ltd. (12.5% equity interest). The company is mainly engaged in exploration of Dongshengmiao Lead and Zinc Mine in Wulatehouqi.

On 8 August 2006, the Company, Tongling Nonferrous Metal Group Co., Ltd. ("Tongling Nonferrous") and Xiamen C&D Holdings Co., Ltd. ("Xiamen C&D") jointly established Xiamen Zijin Tongguan Investment & Development Co., Ltd., with the registered capital of RMB50 million, and paid-up capital of RMB10 million. The Company invested RMB4.5 million, representing 45% equity interest. Tongling Nonferrous invested RMB3.5 million, representing 35% shares. Xiamen C&D invested RMB2 million, representing 20% equity interest. After its establishment, the company is mainly engaged in investment and exploration of overseas projects.

OTHER MAJOR ACQUISITION

On 21 June 2006, a wholly-owned subsidiary of the Group, Best Ground Group Ltd. ("Best Ground") and four shareholders of China Gold Development Group (H.K.) Co. Ltd., ("China Gold") namely, China Mining Investment Limited ("CMI"), German Kingston Financial Investment Inc. ("GKF"), Gold Rich International Mining Investment Inc. ("GRI"), and Sonic International Investment Inc. ("SII") entered into a share transfer agreement. Best Ground proposed to invest US$20 million to acquire 25%, 25%, 19.99%, and 0.01% (total 70%) shareholding (57,330,000 shares) of China Gold from GRI, SII, GKF, and CMI respectively. The Company will indirectly control Shandong Guoda by acquiring shareholding of China Gold. Please refer to the circular published on 13 July 2006 for the detailed transaction information.

On 29 September 2006, the Company's wholly-owned subsidiary, Gold Mountains signed a subscription offer with Ridge Mining plc to invest GBP8.2 million to subscribe its 16 million ordinary shares, approximately 20% of its total share capital. After the offer, Gold Mountains becomes the largest shareholder of Ridge Mining plc, and has subscribed its 10 million warrants, which can be used to subscribe its new ordinary shares in a period of three years after issue at the execution price of GBP0.7 per share. If the 10 million warrants are fully executed and Ridge Mining plc does not issue any further shares during the execution period, Gold Mountains will hold its 29.3% shares. The company is a listed company on AIM of London. The major assets include Blue Ridge Platinum mine in South Africa and Sheba's Ridge Platinum and Palladium and Nickel Multi-metal Ore Mine. For details please refer to the Company's announcement dated 29 September 2006.

CONNECTED TRANSACTION

On 18 January 2006, the Company signed an outsourcing contract of Zijinshan gold mine open-pit mining with Fujian Xinhuadu Engineering Co., Ltd. and Shanghang Hongyang Mining Engineering Co., Ltd. to outsource partial mining and stripping projects for a period of three years. Fujian Xinhuadu Engineering Co., Ltd. is a promoter of the Company, and Shanghang Hongyang Mining Engineering Co., Ltd. is a promoter of its subsidiary, Hunchun Zijin. Thus, above transactions constitute non-exempt continuing connected transactions, and each of relevant percentage ratios as defined in Rule 14A. 35 of the Listing Rules are not less than 2.5%. The transactions and new annual cap for the three financial years are subject to prior approval by the independent shareholders of the Company by poll. The Company published the announcement on the website of Hong Kong Stock Exchange on 27 January 2006, sent out the circular and notice of the extraordinary general meeting (EGM) on 21 February 2006 and passed the above connected transactions in the EGM held on 7 April 2006.

On 23 October 2006, the Company's subsidiary-Bayannaoer Zijin Non-ferrous Metals Co., Ltd. ("Bayannaoer Zijin") entered into an agreement with Gansu Jianxin Enterprise Group Co., Ltd. ("Gansu Jianxin") in relation to the purchase of zinc concentrates from it for a term from 23 October 2006 to 31 December 2008. Gansu Jianxin owns 90% shareholding of Huaao Mining Co., Ltd. ("Huaao Mining"), and Huaao Mining owns 10% shareholding of Bayannaoer Zijin. Therefore, according to the Listing Rules, above transaction constitutes a non-exempt continuing connected transaction, and each of relevant percentage ratios as defined in Rule 14A. 35 of the Listing Rules are not less than 2.5%. The transactions and new annual cap for the three financial years are subject to prior approval by the independent shareholders of the Company by poll. The Company published the announcement on the website of Hong Kong Stock Exchange on 24 October 2006, sent out the circular and notice of the extraordinary general meeting (EGM) on 13 November 2006 and passed the above connected transaction in the EGM held on 28 December 2006.

On 25 October 2006, the Company and Zijin International Mining Co., Ltd. (Zijin International) invested RMB46.144 million and 7.956 million respectively to acquire 29% and 5% shareholding of Shanxi Zijin Mining Co., Ltd. ("Shanxi Zijin") held by Fanshixian Yixingzhai Gold Mine Co., Ltd. After the acquisition, the Company will hold 80% shares of Shanxi Zijin, while Zijin International will hold 20% of it. Shanxi Zijin will become a wholly owned subsidiary of the Company.

On 26 July 2006, the Company aggregately invested RMB89,375,000 to acquire 17.875% shareholding of Hunchun Zijin Mining Co., Ltd. ("Hunchun Zijin") from two connected persons, Fujian Shanghang Hongyang Mine Engineering Co., Ltd. and Xiamen Hengxing Mining Co., Ltd. and other five natural persons Mr. Wang Chongya, Yang Fugang, Duan Zhan, Wu Zaijiu and Huang Jingyuan. After the transaction, the Company will hold 100% interests of Hunchun Zijin.

On 18 November 2006, the Company aggregately invested RMB19,524,000 to acquire 24.405% equity interest of Sichuan Jiuzhaigou Zijin Mining Co., Ltd. ("Jiuzhaigou Zijin") from the connected person, Fujian Xinhuadu Engineering Co., Ltd. and Zijin Mining Group Co., Ltd. Labor Union. After the acquisition, the Company will hold 84.405% equity interest of Jiuzhaigou Zijin.

Apart from the above disclosure, please refer to the appendix of financial statements in 2006 annual report for the details of commodity purchase, labor offering and other continuing connected transactions.

DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES AND DISPOSAL OF ASSETS

On 12 April 2006, all the sharesholders of Hubei Gedian Dida Nanometer Technology Development Co., Ltd. consented to sell the company to payoff debts and cancel its registration at the same time. It incurred a loss about RMB730,943.

On 25 April 2006, Yunnan Huaxi entered into a share transfer contract with Yunnan Aluminum Holdings Co., Ltd., pursuant to which Yunnan Huaxi transferred its 51% shareholding in Yunnan Wenshan Aluminum Co., Ltd. to Yunnan Aluminum Holdings Co., Ltd. at a consideration of RMB15.3 million. Gain incurred under the above shares transfer was approximately RMB9,451,553.

On 23 June 2006, Xiamen Zijin entered into an agreement with Mr. Lijianguo to sell 51% shareholding of Wuhan Dida Nanometer Rare-earth Materials Development Co., Ltd. at a consideration of RMB3,000. It incurred a loss of RMB318,817.

On 29 June 2006, Yunnan Huaxi entered into a contract with Mr. Hu Yuyou and Mr. Yu Demin to sell 60% shareholding of Yingjiang Hualong Mining Co., Ltd. at a consideration of RMB5.7 million. It incurred a gain of RMB454,657.

Other than the above disclosure, there is no other share transfer involving its subsidiaries during the year 2006.

FINAL DIVIDEND

As audited by Ernst & Young, the Group's net profit for the year ended 31 December 2006 prepared under International Financial Reporting Standards ("IFRSs") and PRC GAAP was RMB1,704,514,000 and RMB1,725,193,000, respectively. The Board of Directors has proposed (subject to the approval of the Shareholders in the forthcoming annual general meeting) to pay dividends of RMB0.09 per Share in cash and issue additional 2.5 new ordinary shares to every 10 ordinary shares on the basis of 10,513,047,280 Shares in issue of the Company as at the end of 2006. The pay-out ratio is 55.5% calculated based on the net profit under IFRSs.

Capital Conversion

Apart from the above proposal for the declaration of a final dividend, on 8 March, 2007, the Board of Directors also proposed to convert a sum of RMB262,826,182 in the Company's reserve fund into 2,628,261,820 shares of a nominal value of RMB0.1 each. On the basis of the issued share capital of 10,513,047,280 shares as at the end of 2006, shareholders will be offered additional 2.5 ordinary shares for each 10 ordinary shares they hold. If any fractional shares (interest smaller than a whole share) occurred in this distribution, the fractional shares will not be issued and the Board will collect all these fractional shares and sell for the interest of the Company.

The H share register of the Company will be closed from Saturday, 31 March 2007 to Monday, 30 April 2007 (both days inclusive). Shareholders whose names appear on the H Share register of members of the Company at the close of business on 30 April 2007 (Monday), (being the record date) will be entitled to attend the Annual General Meeting to be held by the Company on 30 April 2007 (Monday) at Shanghang, and to receive the final dividends and the additional new Ordinary Shares to be issued pursuant to the capital conversion plan.

For the distribution of dividends, dividends for holders of Domestic Shares will be distributed and paid in RMB, while dividends for H Shares will be declared in RMB but paid in Hong Kong dollars (conversion of RMB into HK$ shall be calculated on the average price of the medium price of the conversion of RMB into HK$ announced by Bank of China one calendar week preceding 30 April 2007 (Monday).

The proposed distribution of final dividends and capital conversion are subject to approval by shareholders at the Annual General Meeting to be held on 30 April 2007 (Monday).

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2006 are set out in note 37 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

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

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the statutory surplus reserve and public welfare fund. As at 31 December 2006, the Company's reserves available for distribution (before proposed final dividend of RMB946,174,000) were approximately RMB1,057,058,000 (2005: RMB526,427,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Company and the Group for the year ended 31 December 2006 are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements of the share capital of the Company are set out in note 36 to the financial statements.

DONATIONS

During the year 2006, donations made by the Group was RMB148.42 million, of which RMB114.78 million has been donated by Xinjiang Ashele Copper Mine.

BANK LOANS

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

TAXATION

The corporate income tax rate of the Company is 33%, details of which are set out in note 10 to the financial statements.

PRE-EMPTIVE RIGHTS

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

FINANCIAL HIGHLIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 16 June 2006, the Company issued 5,256,523,640 new shares by transferring the surplus reserve fund. Of these new shares, 1,602,176,000 H Shares commenced its listing on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 19 June 2006. Details regarding the issue of new shares are set out in note 36 to the financial statements.

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities as of 31 December 2006.

SHARE OPTION SCHEME

As at the date of this report, the Company has not granted nor agreed to grant any option to its Directors or Supervisors or to the employees of the Company or its subsidiaries.

MAJOR SUPPLIERS AND CUSTOMERS

Transactions of the Company's gold products were conducted and settled through the Shanghai Gold Exchange. Information about the ultimate customer is not known.

The Company's total purchases from the five largest suppliers and the largest supplier amounted to RMB71 million and RMB15.96 million respectively, representing 19.38% and 5.18% of the total purchases, respectively. All transactions between the Company and the related suppliers were entered into under normal commercial terms.

As far as the Directors are aware, none of the Directors, Supervisors and their respective associates (as defined in the Listing Rules of the Stock Exchange ("Listing Rules")) who owns more than 5% equity interest of the Company has any interest in the above five largest suppliers in the year 2006.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company respectively. All these contracts will be ended on 18 August 2009.

Pursuant to article 93 of the Articles of Association, the terms for Directors will be for three years, (commencing from the date of its appointment or re-appointment) subject to re-appointment. Under the Company Law of the PRC, the term of appointment for supervisors is also for three years, and subject to re-appointment. Remuneration of Directors and Supervisors can be amended at Annual General Meetings.

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

TERMS OF DIRECTORS AND SUPERVISORS

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

	TERMS
EXECUTIVE DIRECTORS:	
Chen Jinghe	3 years from his re-appointment on 18 August 2006
Liu Xiaochu	3 years from his re-appointment on 18 August 2006
Luo Yingnan	3 years from his re-appointment on 18 August 2006
Lan Fusheng	3 years from his re-appointment on 18 August 2006
Huang Xiaodong	3 years from his appointment on 18 August 2006
Zou Laichang	3 years from his appointment on 18 August 2006
NON-EXECUTIVE DIRECTOR:	
Ke Xiping	3 years from his re-appointment on 18 August 2006
INDEPENDENT NON-EXECUTIVE DIRECTORS:	
Chen Yuchuan	3 years from his appointment on 18 August 2006
Su Congfu	3 years from his appointment on 18 August 2006
Lin Yongjing	3 years from his appointment on 18 August 2006
Loong Ping Kwan	3 years from his re-appointment on 18 August 2006
SUPERVISORS:	
Zheng Jingxing	3 years from his appointment on 18 August 2006
Xu Qiang	3 years from his re-appointment on 18 August 2006
Lin Jingtian	3 years from his appointment on 18 August 2006
Lan Liying	3 years from her re-appointment on 18 August 2006
Zhang Yumin	3 years from his appointment on 18 August 2006

BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biography of directors, supervisors and senior management are set out on pages 21 to 26 in this report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 2006, the interests and short positions of directors, supervisors and chief executive in the share capital of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(a) Shareholdings of directors, supervisors or chief executive in the Company as at 31 December 2006

Director	Number of Domestic Shares/amount of equity interests held	Nature of interests	Long/short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Ke Xiping	912,000,000 *(note 1)*	Company	Long	12.48%	8.67%
Chen Jinghe	91,675,200 *(note 2)*	Personal	Long	1.27%	0.87%

(b) Shareholding of Directors, chief executive or supervisors in the Company's subsidiaries as at 31 December 2006

Directors	Name of subsidiaries	Amount of equity interests held	Nature of interests	Long/short positions	Proximate percentage of shareholding in the registered capital
Chen Jinghe	Guizhou Zijin *(note 3)*	2,340,000 *(note 4)*	Company	Long	2.34%
Chen Jinghe	Bayannaoer Zijin *(note 5)*	3,000,000 *(note 6)*	Company	Long	1%

Notes:

(1) Xiamen Hengxing Industrial Company Limited holds 380,000,000 Domestic Shares in the Company, and holds 49% shareholding in Fujian Xinhuadu Engineering Company Limited (which is holding 532,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 912,000,000 Domestic Shares in the Company. Mr. Ke Xiping owns 95.4% interest in Xiamen Hengxing Industrial Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such Shares.

(2) On 12 July 2004, Fujian Xinhuadu Department Store Company Limited and Shanghang County Jinshan Trading Company Limited, the shareholders of the Company, agreed to transfer 4,000,000 domestic shares and 6,000,000 domestic shares they held, to Mr. Chen Jinghe (a Director) respectively. (In June 2005, the Company issued bonus shares at a proportion of 10:10. Upon the share increment, Mr. Chen Jinghe is holding 20,000,000 Shares in the Company). On 4 January 2006, Shanghang County Jinshan Trading Company Limited agreed to transfer 10,000,000 domestic shares it held, to Mr. Chen Jinghe (a Director). (In June 2006, the Company issued bonus shares at a proportion of 10:10. Upon the share increment, Mr. Chen Jinghe is holding 60,000,000 Shares in the Company). On 1 November 2006, Shanghang County Jinshan Trading Company Limited agreed to transfer 31,675,200 domestic shares it held, to Mr. Chen Jinghe. The above share transfer has already been registered with the Domestic Share Trust, and report of interest has been reported to the Stock Exchange.

(3) Guizhou Zijin Mining Co., Ltd. ("Guizhou Zijin") is a subsidiary in which the Company directly owns 51%.

(4) On 15 March 2006, Xiamen Hengxing Mining Co., Ltd., a shareholder of Guizhou Zijin Mining Co., Ltd. (being a subsidiary of the Company) transferred 1,404,000 shares it held in Guizhou Zijin to Xiamen Jinhuang Technology Consultant Co., Ltd. ("Xiamen Jinhuang"). Guizhou Zijin applied its revenue reserve and retained profit to increase its registered capital from RMB60 million to RMB100 million in 2006. Xiamen Jinhuang increased shareholding to 2.34 million shares a pro-rata basis. Xiamen Jinhuang is held as to 34% by Mr. Chen Jinghe, a Director, and as to 32.7% by his wife Mrs. Lai Jinlian. Mr. Chen Jinghe is accordingly deemed as being interested in such shares under Rule 316 of the SFO. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.

(5) Bayannaoer Zijin Non-ferrous Metals Co., Ltd. ("Bayannaoer Zijin") is a subsidiary in which the Company directly owns 77.92%.

(6) On 12 September 2006, 3 million shares were transferred to Xiamen Jinhuang Technology Consultant Co., Ltd. Xiamen Jinhuang Technology Consultant Co., Ltd. is held as to 34% by Mr. Chen Jinghe, a Director, and as to 32.7% by his wife Mrs. Lai Jinlian. Mr. Chen Jinghe is accordingly deemed as being interested in such shares under Rule 316 of the SFO. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.

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

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

SHAREHOLDING STRUCTURE

1. Change of issued shares

On 18 May 2006, the proposal of "Conversion of Reserve Funds into Capital" was passed in the AGM of 2005. Based on 5,256,523,640 Shares at nominal value of RMB0.1 each in issue by the end of 2005, the Company issued new shares to the shareholders on 10 to 10 basis at nominal value of RMB0.1 each.

The distribution of new shares was completed on 16 June 2006 and the new H Shares were started to trade on 19 June 2006 on the Stock Exchange.

As at 31 December 2006, the Company issued 10,513,047,280 ordinary shares at nominal value of RMB0.1 each.

Unit: share

	31 December 2006	31 December 2005
Domestic Shares	**7,308,695,280**	3,654,347,640
H Shares	**3,204,352,000**	1,602,176,000
Total Shares	**10,513,047,280**	5,256,523,640

2. The Status of Major Shareholders

As at 31 December 2006, the Company has a total of 836 shareholders, of which 827 are holders of H Shares and 9 are holders of Domestic Shares.

The shareholdings of the Company's top ten shareholders are as follows:

	Shareholders' names	Class of Shares	Number of Shares held	Proximate percentage of shareholding in the registered capital
1.	Minxi Xinghang State-owned Assets Investment Company Limited	Domestic Shares	3,368,721,696	32.04%
2.	HKSCC Nominees Limited *(Note 1)*	H Shares	3,182,119,250	30.27%
3.	Xinhuadu Industrial Company Limited *(Note 2)*	Domestic Shares	1,383,200,000	13.16%
4.	Shanghang County Jinshan Trading Company Limited	Domestic Shares	1,293,084,800	12.30%
5.	Fujian Xinhuadu Engineering Company Limited *(Note 2)*	Domestic Shares	532,000,000	5.06%
6.	Xiamen Hengxing Industrial Company Limited *(Note 3)*	Domestic Shares	380,000,000	3.61%
7.	Fujian Gold Group Company Limited	Domestic Shares	120,572,168	1.15%
8.	Fujian Xinhuadu Department Store Company Limited *(Note 2)*	Domestic Shares	114,948,000	1.09%
9.	Chen Jinghe	Domestic Shares	91,675,200	0.87%
10.	Fujian Minxi Geologist	Domestic Shares	24,493,416	0.23%

Notes:

(1) HKSCC Nominees Limited is holding 3,182,119,250 H Shares in the Company as a nominee, representing 30.27% of the Company's Shares in issue. HKSCC Nominees Limited is a member of the Central Clearing and Settlement System, which carries out securities registration and trust business for customers.

(2) Xinhuadu Industrial Company Limited, Fujian Xinhuadu Engineering Company Limited and Fujian Xinhuadu Department Store Company Limited are connected with each other. Xinhuadu Industrial Company Limited holds 51% in Fujian Xinhuadu Engineering Company Limited and holds 64.54% in Fujian Xinhuadu Department Store Company Limited.

(3) Xiamen Hengxing Industrial Company Limited holds 49% in Fujian Xinhuadu Engineering Company Limited.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2006, the interests and short positions of substantial shareholders (other than directors, supervisors and the chief executives of the Company) in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Names of shareholders	Class of Shares	Number of Shares/equity interest held	Proximate percentage of shareholding in the registered capital	Proximate percentage of shareholding in Domestic Shares	Proximate percentage of shareholding in H Shares	Long/short position
Minxi Xinghang State-owned Assets Investment Company Limited	Domestic Shares	3,368,721,696	32.04%	46.09%	–	Long
Xinhuadu Industrial Company Limited	Domestic Shares	2,030,148,000 *(Note 1)*	19.31%	27.78%	–	Long
Chen Fashu	Domestic Shares	2,030,148,000 *(Note 2)*	19.31%	27.78%	–	Long
Shanghang County Jinshan Trading Company Limited	Domestic Shares	1,293,084,800	12.30%	17.69%	–	Long
Xiamen Hengxing Industrial Company Limited	Domestic Shares	912,000,000 *(Note 3)*	8.67%	12.48%	–	Long
Ke Xiping	Domestic Shares	912,000,000 *(Note 4)*	8.67%	12.48%	–	Long
Fujian Xinhuadu Engineering Company Limited	Domestic Shares	532,000,000	5.06%	7.28%	–	Long
Merrill Lynch & Company Inc	H Shares	671,809,776 *(Note 5)*	6.39%	–	20.97%	Long

Notes:

(1) Xinhuadu Industrial Company Limited holds 1,383,200,000 Domestic Shares in the Company, and holds 51% in Fujian Xinhuadu Engineering Company Limited (which holds 532,000,000 Domestic Shares in the Company), and holds 64.54% in Fujian Xinhuadu Department Store Company Limited (which holds 114,948,000 Domestic Shares in the Company). Therefore, under Section 316 of the SFO, Xinhuadu Industrial Company Limited is interested in 2,030,148,000 Domestic Shares in the Company.

(2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhuadu Industrial Company Limited, therefore, under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 2,030,148,000 Domestic Shares in the Company.

(3) Xiamen Hengxing Industrial Company Limited holds 380,000,000 Domestic Shares in the Company, and holds 49% in Fujian Xinhuadu Engineering Company Limited (which holds 532,000,000 Domestic Shares in the Company). Under Section 316 of the SFO, Xiamen Hengxing Industrial Company Limited is therefore interested in 912,000,000 Domestic Shares in the Company.

(4) Mr. Ke Xiping holds 95.4% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is deemed to be interested in 912,000,000 Domestic Shares in the Company.

(5) The 671,809,776 H Shares (long positions), representing 20.97% of the Company's total issued H Shares, are being held by Merrill Lynch Company Inc., of which 659,651,000 H Shares are held by the subsidiaries of Merrill Lynch Company Inc., including Merrill Lynch Group, Inc., ML Invest. Inc., ML Invest Holding Ltd., Merrill Lynch Investment Managers Group Ltd., and Merrill Lynch Investment Managers Ltd. (on behalf of discretionary clients), while 12,158,776 H Shares are being held by the subsidiaries of Merrill Lynch Company Inc., including Merrill Lynch Investment Managers Ltd., Merrill Lynch Int'l Incorporated, Merrill Lynch Int'l Holdings, Merrill Lynch Europe Plc., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings and Merrill Lynch International.

Save as disclosed above, as far as the Directors, Supervisors and chief executive are aware, as at 31 December 2006, there are no interest or short position of other parties (other than Directors, Supervisors, the chief executive of the Company or senior management) in the shares or related securities of the Company which will fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or are the substantial shareholders (as defined in the Listing Rules) of the Company.

Based on members register and other published information, the Directors consider that the Company complies with the Listing Rules in relation to the requirement of minimum public shareholding.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2006 are set out in note 39 to the financial statements. Certain of these transactions constitute connected transactions/ongoing connected transactions under the Listing Rules at the time when such transactions were entered into and which are required to be disclosed under rule 14A.45 of the Listing Rules. Such transactions/ongoing connected transactions are summarized as follows:

Contracted parties	Relationship with the Company	Nature of transaction	RMB'000 2006	RMB'000 2005	Notes
Fujian Xinhuadu Engineering Company Limited	A shareholder	Construction services	**83,164**	87,434	*(a) and 1A*
Fujian Shanghang Hongyang Mine Engineering Company Limited	A shareholder of Guizhou Zijin	Construction services	**41,110**	75,820	*(a) and 1B*
Gansu Jianxin Group Co., Ltd.	A shareholder of Bayannaoer Zijin	Purchase of zinc concentrates	**59,774**	–	*(a) and 1C*
Xiamen Hengxing Mining Co., Ltd.	A shareholder of Hunchun Zijin	Purchase of 1.13% shares of Hunchun Zijin	**5,625**	–	*(b)*
Fujian Shanghang Hongyang Mine Engineering Co., Ltd.	A shareholder of Hunchun Zijin	Purchase of 6.75% shares of Hunchun Zijin	**33,750**	–	*(b)*
Hunchun Gold and Copper Mining Company Limited	A shareholder of Hunchun Zijin	Purchase of 9.125% shares of Hunchun Zijin	**–**	13,688	*(c)*
Fujian Xinhuadu Engineering Company Limited	A shareholder	Purchase of 10% shares of Jiuzhaigou Zijin	**8,000**	–	*(d)*
China Metallurgy Geology Exploration Engineering Northwestern Division	A shareholder of Xinjiang Zijin	Purchase of 20% shares of Xinjiang Zijin	**20,000**	–	*(e)*
Fujian Shanghang Daguangming Group	A shareholder of Wuping Zijin Hydro Power Company Limited	Purchase of 10% shares of Wuping Zijin	**9,295**	–	*(f)*
Yixingzhai Gold Mine Co. Ltd.	A shareholder of Shanxi Zijin	Purchase of 34% shares of Shanxi Zijin	**54,100**	–	*(g)*

Notes:

(a) Waiver for such Non-exempt connected transaction which has been applied. The Directors (including the independent non-executive Directors) confirmed that: 1. such connected transactions has been or will continue to be conducted in the ordinary and usual course of business of the Group; 2. under normal commercial terms which are fair and reasonable and in the interests of shareholders as a whole; 3. Pursuant to rule 14A.35 of the Listing Rules, it will be subject to reporting, announcement and independent shareholders' approval requirements.

1A: For the three financial years ending 31 December 2008, the annual cap being the total value of transaction shall not exceed RMB90 million, RMB120 million and RMB150 million, respectively. The annual cap has been determined by reference to the Group's historical figures based on the relevant agreements, and on the possible increase in the Group's production scope in future.

1B: For the three financial years ending 31 December 2008, the annual cap being the total value of transaction shall not exceed RMB70 million, RMB100 million and RMB120 million, respectively. The annual cap has been determined by reference to the Group's historical figures based on the relevant contract agreements, and on the possible increase in the Group's production scope in future.

1C: For the three financial years ending 31 December 2008, the annual cap being the total value of transaction shall not exceed RMB75 million, RMB1,200 million and RMB1,200 million, respectively. The annual cap has been determined by reference to the future production potential of the refinery plant.

(b) The transaction was executed according to the agreement entered into between the Group and the relevant party on 26 July 2006.

(c) According to the agreement entered into between the Group and Hunchun Gold & Copper Mine Co., Ltd. on 18 June 2005, the Group acquired its 9.125% shareholding of Hunchun Zijin, at a consideration of RMB13.688 million.

(d) The transaction was executed according to the agreement entered into between the Group and Fujian Xinhuadu Engineering Co., Ltd. on 18 November 2006.

(e) The transaction was executed according to the agreement entered into between the Group and China Metallurgy Geology Exploration Engineering Main Office Northwestern Substation on 27 September 2006.

(f) The transaction was executed according to the agreement entered into between the Group and Zijin Investment and Fujian Shanghang Daguangming Group on 20 September 2006.

(g) According to the agreement entered into between the Group and Yixingzhai Gold Co., Ltd. on 25 October 2006, the Group acquired its 29% shareholding of Shanxi Zijin, at a consideration of RMB46.144 million.

According to the agreement entered into between Zijin International and Yixingzhai Gold Co., Ltd. on 25 October 2006, Zijin International acquired its 5% shareholding of Shanxi Zijin, at a consideration of RMB7.956 million.

Save as disclosed above, the disclosed related party transactions in the auditor report were not the discloseable connected transactions defined by Chapter 14A in the Listing Rules.

Accordingly, it is confirmed by the Directors that:

(a) The connected parties in the above connected transactions have undertaken to the Company and the Stock Exchange to provide adequate access for the inspection of the relevant books and records, in order to review the above connected transactions and prepare the relevant reports.

(b) The Company has undertaken to the Stock Exchange, if it is aware or has reasons to believe that the Independent Non-executive Directors and/or auditors are unable to confirm that the relevant transactions comply with the Listing Rules and the restrictions under the waiver conditions, it shall immediately notify the Stock Exchange. The Company may have to comply with the disclosure and independent shareholders' approval obligation, or make correction based on the instructions of the Listing Division of the Stock Exchange.

(c) Independent directors of the Group has confirmed that all the connected transactions of the Group or its subsidiaries involved in the year 2006 were:

1. entered into in the ordinary and usual course of business of the Group or its subsidiaries;

2. entered into on normal commercial terms; or where no comparisons are available, then under terms which are fair and reasonable to the shareholders of the Company;

3. entered into under the terms of the agreement governing such transactions; or where no such agreement is available, under terms not inferior from those available from or to independent third parties.

(d) The Group's auditors have reviewed the transactions (details of which are set out in note 39 to the financial statements), and confirmed to the Board that:

1. the transactions have been approved by the Board;

2. terms of the agreement of the relevant transactions are attached to the connected transactions;

3. the aggregated amounts of the transactions have not exceeded the respective annual caps as set out in Note 1 and Note 4 above.

Except for Mr. Liu Xiaochu and Mr. Ke Xiping who have interests in the connected transaction between the Company and Fujian Xinhuadu Engineering Company Limited, the other directors do not have any interests in the major transactions.

MANAGEMENT CONTRACTS

There was no management and administrative contracts relating to the business as a whole or any principal operations of the Company entered into by the Company or existing for the year ended 31 December 2006.

MAJOR LITIGATION, ARBITRATION

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

ACQUISITIONS, DISPOSALS AND MERGERS

The Company has no acquisitions, sale or merger of assets during the reporting period.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the 2005 annual general meeting of the Company held on 18 May 2006 and the second extraordinary general meeting of the Company held on 18 August 2006, resolutions on amendments of the Articles of Association of the Company were passed. Details of the amendments of the Articles of Association are set out in the Circulars of Annual General Meeting sent to the shareholders on 30 March 2006 and 30 June 2006, and the relevant announcement published on the Standard on the same date.

AUDITORS

In the coming Annual General Meeting, the Company will submit a resolution for the reappointment of Ernst & Young Hua Ming and Ernst & Young as the domestic and international auditors of the Company for the year 2007 respectively.

POST BALANCE SHEET EVENTS

On 14 March 2007, the Company's shareholder – Fujian Xinhuadu Engineering Co., Ltd. sold the holding of 532,000,000 shares Zijin's domestic shares. It sold 271,320,000 shares to Mr. Chen Fashu and 260,680,000 shares to Mr. Ke Xiping respectively.

On 14 March 2007, the Company's shareholder - Fujian Xinhuadu Department Store Co., Ltd. sold 114,948,000 shares Zijin's domestic shares. It sold 87,561,599 shares to Mr. Chen Fashu, 15,798,361 to Mr. Chen Zhiyong, 3,862,680 shares to Mr. Chen Zhicheng, 3,862,680 shares to Mr. Liu Xiaochu, and 3,862,680 shares to Mr. Ye Lusheng respectively.

On 14 March 2007, the Company's shareholder – Shanghang County Jinshan Trading Co., Ltd. ("Jinshan Trading") sold 1,026,172,800 shares Zijin's domestic shares. It sold 176,244,000 shares to Mr. Li Rongsheng, 165,304,000 to Mr. Hu Yuesheng, 132,400,000 to Mr. Deng Ganbin, 123,600,800 to Ms. Chen Xiaoqing, 122,400,000 to Mr. Xie Fuwen, 105,648,000 shares to Mr. Lin Yu, 77,608,000 shares to Mr. Wu Wenxiu, 70,792,000 shares to Mr. He Xixiang, and 52,176,000 shares to Mr. Chen Yunlan.

The above-mentioned transfers have been filed to the domestic shares trust unit and also filed it to The Stock Exchange of Hong Kong Ltd. accordingly.

Shareholder	Amount of equity interest held (Domestic Shares)	Nature of interest	Long/short positions	Proximate percentage held in similar class of securities	Proximate percentage of shareholding in the registered capital
Chen Fashu	358,881,599	Personal	Long	4.91%	3.41%
Jinshan Trading	266,912,000	Company	Long	3.65%	2.54%
Ke Xiping *(Director)*	260,680,000	Personal	Long	3.57%	2.48%
Li Rongsheng	176,244,000	Personal	Long	2.41%	1.68%
Hu Yuesheng	165,304,000	Personal	Long	2.26%	1.57%
Deng Ganbin	132,400,000	Personal	Long	1.81%	1.26%
Chen Xiaoqing	123,600,800	Personal	Long	1.69%	1.18%
Xie Fuwen	122,400,000	Personal	Long	1.67%	1.16%
Lin Yu	105,648,000	Personal	Long	1.45%	1.00%
Wu Wenxiu	77,608,000	Personal	Long	1.06%	0.74%
He Xixiang	70,792,000	Personal	Long	0.97%	0.67%
Chen Yunlan	52,176,000	Personal	Long	0.71%	0.50%
Chen Zhiyong	15,798,361	Personal	Long	0.22%	0.15%
Chen Zhicheng	3,862,680	Personal	Long	0.05%	0.04%
Liu Xiaochu *(Director)*	3,862,680	Personal	Long	0.05%	0.04%
Ye Lucheng	3,862,680	Personal	Long	0.05%	0.04%

On 1 March 2007, Xiamen Hengxing Industrial Co., Ltd. is a shareholder of the Company's subsidiary – Guizhou Zijin Mining Co., Ltd. ("Guizhou Zijin") and sold 1.1 millions shares of Guizhou Zijin to Xiamen Diyuan Investment Co., Ltd. ("Xiamen Diyuan").

Our director Mr. Lan Fusheng holds 51% interest of Xiamen Diyuan and his wife Ms. Lan Hongying holds 49% interest of Xiamen Diyuan. According to s.316 of the SFO, Mr. Lan Fusheng is deemed to be a holder of all the interest in Xiamen Diyuan. The above-mentioned transfer has been filed to the domestic shares trust unit and also filed with The Stock Exchange of Hong Kong Ltd. accordingly.

Director	Name of subsidiary	Amount of equity interest held	Nature of interest	Long/short positions	Proximate percentage of shareholding in the registered capital
Lan Fusheng	Guizhou Zijin	1,100,000	Company	Long	1.1%

As at 28 February 2007, the Company and the Group held 1,730 tonnes copper cathodes forward contracts and the average price is RMB59,116/tonne and the settlement dates will fall in the period from April 2007 to January 2008.

As at 28 February 2007, the Company and the Group held 176,000 ounces gold forward contracts and the average price is US$589.66/ounce and the settlement dates will fall in the period from August 2007 to November 2010.

The details of the Group's other events after the balance date are set out in note 44 to the financial statements.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
8 March 2007

MEETINGS OF THE SUPERVISORY COMMITTEE IN THE REPORTING PERIOD

In 2006, the Supervisory Committee held two Supervisory Committee Meetings. The Seventh Meeting of the Second Supervisory Committee was held on 1 April 2006. In the meeting, the "2005 Working Report of the Supervisory Committee" and the "2006 working plan" were considered and approved. On 18 August 2006, the Third Supervisory Committee was reelected with a term of three years at the second extraordinary general meeting of 2006. On the same day, the First Meeting of the Third Supervisory Committee was held and Mr. Zheng Jingxing was elected as the chairman of Supervisory Committee. In the meeting, "Rules of Supervisory Committee of Zijin Mining Group Co., Ltd." was discussed and approved. The working plan for the new supervisory committee was considered and arranged.

INDEPENDENT WORKING REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, the supervisors attended the Board meetings. The chairman of the Supervisory Committee also participated in the President office meetings, attended to the working reports of the management, and participated in the discussions and issued opinions on the resolutions on major decisions, significant change in appointments of personnel, and the provision of guarantee for funding of the Company. Moreover, supervisors proposed the inquiries and suggestions on the solutions of the Board, inspected the financial status of the Group, and supervised the execution of duties of the Board and senior management.

1. Compliance of the Company's operations during the reporting period

In 2006, the Board has implemented all the resolutions passed in the 2005 Annual General Meeting, the 2005 profit distribution plan, the capitalization of the Company's reserves and the plan for the changes to the Company's registered capital, amendments to the Articles of Association, payment plan of the 2005 remunerations of the Directors and Supervisors, the resolution regarding the re-appointment of Ernst & Young, handling of charity donations within 2% of the taxable profits in 2005, compliance with the Company Law and the Articles of Association in the decision procedures of external investment projects by the Board.

The management has implemented the various resolutions of the Board, and further improved the internal control system according to relevant rules and regulations of Hong Kong Stock Exchange, "general rules of enterprise management", "internal control guidelines for listing company", and "company law" of the PRC. As at 31 December 2006, the Company has established reasonable internal control system and it has been executing smoothly. However, the Company still needs to consummate and supplement the internal control system and enhance its operationalization to accelerate the continuous, stable, and fast development of the Company, based on its internal needs and business development status.

No violation of the laws, regulations, the Articles of Association or actions damaging the Company's interests has been discovered during the discharge of duties by the Company's Directors and senior management.

2. Financial status of the Company and audits for the year

After the inspection of the annual report of 2005, interim financial report of 2006, use of the proceeds from the listing, connected transactions, external guarantees and donations, no violation of the laws, regulations, the Articles of Association or actions damaging the Company's interests has been found. The supervisory committee made special audit on the Company's remuneration of senior management, special inspection of the payroll, business expenses, parent company's fund used by subsidiaries, and tax calculation and payment, and examined the forward contracts of selling gold and hedging transactions of copper, and accordingly provided its suggestions.

The Group's financial statements for the year 2006 was audited by Ernst & Young, which has issued an audited report with an unqualified opinion. During the year, the Group realized sales income of RMB10,679 million and net profits of RMB1,705 million, an increase of 142.2% over the previous year, and has completed the working plans for the year satisfactorily.

3. Connected transactions

Major connected transactions of the Company include: "Sub-contracting contracts of Zijinshan Gold Mine open pit project". In 2006, the transaction conducted between the Company and Xinhuadu Engineering was RMB83,164,000 (cap of waiver was RMB90,000,000). The transaction actually conducted by the Company with Hongyang Mine Engineering Company Limited was RMB41,110,000 (cap of waiver was RMB70,000,000). The purchase agreement of Zinc concentrates entered into between Bayannaoer Zijin and Gansu Jianxin referred to a transaction amount of RMB59,774,000 (cap of waiver was RMB75,000,000). Above transactions are non-exempted connected transactions for which waivers have been applied. Upon review and examination, none of the Company's connected transactions has been discovered to be harmful to the Company's interests.

4. Donations during the year

The Company's total donations in 2006 amounted to RMB148,423,000.

5. Guarantees to external parties

Total utilised guarantees to external parties as at the end of 2006 amounted to RMB1,137,867,000, of which, RMB11,250,000 was provided for Makeng Iron Mine, RMB127,000,000 was provided for Xinjiang Ashele Copper Mine, RMB10,000,000 was provided for Guizhou Zijin, RMB43,000,000 was provided for Zijin Investment, RMB7,000,000 was provided for Xiamen Zijin, RMB170,617,000 was provided for Zijin Copper Mine, RMB40 million was provided for Yunnan Huaxi, RMB50 million was provided for Zijin International, RMB40 million was provided for Fujian Shanghang Zijin Hydro Power Company Limited, RMB110 million was provided for Qinghai West, RMB380 million was provided for Bayannaoer Zijin, RMB50 million was provided for Xinjiang Zijin, RMB79 million was provided for Xinjiang Fuyunjinshan, and RMB20 million was provided for Tongling Zijing. Save as disclosed above, the Supervisory Committee was not aware of any other guarantees taken out.

6. Future transactions

As to the future contracts of selling gold and hedging transactions of copper products, the confirmed investment loss was RMB494.577 million, of which RMB347.465 million loss was on the settlements.

7. Innovation and construction of systems

(1) Emphasis on the innovation of supervisory system. Internal inspecting and auditing department of the Group is reallocated to be the daily office of and under the management of supervisory committee. The management of inspecting and auditing system is much clearer and the function of supervisory committee is strengthened.

(2) Actively consummate the supervisory system. According to the requirement of the supervision work of enterprise operation and management in the modern times, the serial supervision documents are amended and dispatched to regulate the supervision work and expand the supervision channels.

(3) Develop efficient supervisory format. Reporting system of major events is established. A newspaper, called "inspecting and auditing briefings", is published. They play an important role in communication and supervision of the inspecting and auditing work of the Group.

2007 WORKING PLAN

In 2007, according to the development strategy and the core business of the Group, the supervisory committee will start off serving the development of the Group, fully execute resolutions of the Board, continuously improve the working methods, and dedicate to improve the management of the Group to a new level.

1. To strengthen the organizational management, inaugurate the management system, and urge the systematic and standardized development of inspection and audit work.

2. To enhance the management of subsidiaries and supervisors assigned to subsidiaries by establishing working formula, setting job objectives and evaluating their performance, so that the vision and decision of the Group can be effectively executed.

3. To further improve the management system of the Group's supervisory committee and inspecting & auditing office to the subsidiaries' counterparts. To form an effective system of appointment, supervision and performance evaluation of the subsidiaries' supervisory committee and inspecting & auditing office's staff.

4. Based on the Group's development strategy, continue to explore new and efficient supervisory methods, establish the trial project and find the breakthrough point. To realize the objective of serving and propelling the development of the Group by efficient supervision.

5. Mainly work on the management auditing. Pay close attention to decision making, execution and management of the major investment projects and other major matters as connected transactions, guarantees to external parties, financial statements and safety management.

6. Improve the supervisory methods and evaluation of performance. Highly emphasize the execution of reorganization by internal audit report. Strengthen the effective supervision of enterprise system, working system, fulfillment of responsibly and performance evaluation.

7. To promote the image and function of the supervisory committee, so that senior management and employees can know better and deeper of the nature of supervisory committee. To create a good environment for the supervision.

By Order of the Supervisory Committee
Zheng Jingxing
Chairman of the Supervisory Committee

Shanghang, Fujian, the PRC
8 March 2007

The Code on Corporate Governance Practice ("Practice Code") effective for accounting periods commencing on 1 January 2005 or after has superseded the Code of Best Practice as set out in Appendix 14 of the Listing Rules. Save as disclosed herein, the Group has applied the principles as set out in the Code on Corporate Governance Practice and has complied with the relevant code provisions and most of the recommended best practices.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules as the model code for the trading of securities by directors of the Group. The effective date was 23 December 2003. Following enquiries with all directors of the Company, the Group confirms that all directors have complied with the provisions of the Model Code for the year ended 31 December 2006.

BOARD COMPOSITION AND PRACTICE

The Board of the Group is jointly responsible to all shareholders for leading and overseeing the operations of the Group so as to ensure the achievement of the objective of value adding to shareholders.

The Board comprises eleven directors, including six executive directors, one non-executive director and four independent non-executive directors. There is no related connections in respect of finance, business or family relations between the members of the Board.

Pursuant to the Listing Rules, a listed issuer must have at least three independent non-executive directors and at least one of them shall possess appropriate professional qualifications or appropriate expertise in accounting or financial management. The professional composition of independent non-executive directors of the Group is: one independent non-executive director who is an experienced registered accountant with expertise in accounting and financial management, one independent non-executive director who is an experienced lawyer with expertise in Hong Kong, and English laws, and two independent non-executive directors who are experienced specialists in smelting and mining operations.

All independent non-executive directors have submitted annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Group considers that all independent non-executive directors have complied with the Independence Guideline of Rule 3.13 of the Listing Rules and are considered as independent directors pursuant to the provisions of the guideline.

Pursuant to the Company Law of the PRC and the articles of association of the Company, each director (including non-executive directors and independent non-executive directors) is appointed for a term of three years and can be re-elected. The board was elected at the second 2006 extraordinary general meeting on 18 August 2006. The number of directors has been increased from nine to eleven, of which six directors were reappointed, three directors were resigned, and five new directors were appointed. All directors will have their terms of office expiring on 18 August 2009 on which they will be re-elected, which is in line with the rule that "each director (including directors with a specific term) is subject to retirement by rotation at least once every three years".

Mr. Chen Jinghe is both the Chairman of the Board of Directors and President of the Company. The Board considers that although such structure deviates from Rule A.2.1 of the Corporate Governance Code, the effective operation of the Group will not be impaired since Mr. Chen is the promoter of the Group and gains respects in the Group as a specialist in mining industry technology and management.

Led by the chairman of the Board (chairman), the Board is responsible for approving and monitoring the overall development strategy of the Group, approving annual budgets and business plans, approving major investment projects related to the business development of the Group, assessing the performance of the Group, supervising the work of the management and ensuring that the Board acts in the best interests of the Group. The chairman should ensure that the Board operates effectively and performs its proper duties and holds discussions on various important and proper businesses of the Company in a timely manner. All directors are entitled to propose any matter that needs to be submitted to the Board for discussion in the agenda of the board meeting. The chairman has delegated the secretary of the Board to draft the agenda of each board meeting. With the assistance of executive directors and the company secretary, the chairman will ensure that all directors will be provided with sufficient and reliable information in a timely manner to enable them to make necessary analyses according to their business expertise.

As the president, Mr. Chen fully delegates the daily operation management to relevant managers. Executive directors and senior vice president are responsible for the daily management of various businesses, including implementing resolutions of the Board and responsible to the president for the business operation of the Group. The president is responsible to the Board for the overall operations of the Group.

The Board has convened five plenary board meetings for the year ended 31 December 2006, including the fourteenth, fifteenth, and sixteenth board meetings for the second term, and the first and second board meetings for the third term. The attendance of directors at the meetings was as follows:

	Attendance
Chairman of the Board *(chairman, president)*	
Chen Jinghe	5/5
Executive directors	
Liu Xiaochu *(vice-chairman)*	5/5
Luo Yingnan *(vice-chairman)*	5/5
Lan Fusheng *(vice-chairman)*	5/5
Rao Yimin *(retired director)*	3/3
Huang Xiaodong *(new director)*	2/2
Zou Laichang *(new director)*	2/2
Non-executive director	
Ke Xiping	4/5
Independent non-executive directors	
Yao Lizhong *(retired director)*	3/3
Yang Dali *(retired director)*	3/3
Loong Ping Kwan	5/5
Chen Yuchuan *(new director)*	2/2
Lin Yongjing *(new director)*	2/2
Su Congfu *(new director)*	2/2

The "Practice Code" stipulates that "a notice shall be given at least 14 days before a regular board meeting to enable all directors to reserve time for attending the meeting. For other board meetings, a reasonable notice shall be given." The Company has adopted the provisions of the "Practice Code" and issues meeting notices 14 days before convening a board meeting so that all directors can have sufficient time and opportunities to attend the meeting. All meeting papers will be sent to all directors no less than three days before a meeting is convened. Both the company secretary and qualified accountant will attend all board meetings. Matters discussed and resolved at board meetings will be recorded by the company secretary in detail and a summary of minutes will be made or resolutions will be filed.

NOMINATION AND REMUNERATION OF DIRECTORS

The new Board established the nomination and remuneration committee. It comprises independent non-executive directors, Mr. Su Congfu (chief commissioner), Mr. Chen Yuchuan, Mr. Lin Yongjing, Mr. Loong Ping Kwan, non-executive director, Mr. Ke Xiping, and chairman of the Board, Mr. Chen Jinghe. The remuneration committee also comprises various working group members. Detailed regulations for the remuneration committee are amended pursuant to the "Practice Code" and are published on the web site of the Company.

The major responsibilities of the nomination and remuneration committee are:

- To review structure, number of members, and constitution (including skills, knowledge and experiences) of the Board, and propose any possible changes to the Board at regular intervals;
- To look for qualified person to take the position of director, and propose and provide suggestions to the Board;
- To assess the independence of independent non-executive directors;
- To provide suggestions on appointment, reappointment and renewal of directors (especially chairman and president) to the Board;
- To formulate the remuneration plan, and reward and penalty plan for directors and senior management;
- To appraise and evaluate the performance of duties by directors and senior management;
- To ensure that no director or his associate can determine his own remuneration.

PROCEDURE AND BASIS FOR DETERMINATION OF REMUNERATION

Pursuant to the Articles of Association, the remuneration plan and awarding plan for directors, supervisors and senior management shall be proposed by the nomination and remuneration committee. Remuneration of directors and supervisors shall be considered for approval at the general meeting. Remuneration of senior management shall be considered and approved by the Board. Confirmation of the remuneration of the Directors, Supervisors and senior management shall be based on the annual results of the Company and resolution of the general meeting/Board meeting.

ANNUAL REMUNERATION

Details are as set out in note 8 to the financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2006, the audit fees charged by the auditors of the Company was approximately RMB2.6 million, and the auditor did not charge any fees other than the audit fees.

AUDIT COMMITTEE

The Group established the audit committee in July 2001 with a number of working group members. The Board amended and issued the "Implementation Articles for the Audit Committee" on 26 January 2003. The articles have been published on the web site of the Company.

The new Board has adjusted the audit committee. Currently, it comprises of independent non-executive directors, Mr. Lin Yongjing, Mr. Su Congfu, Mr. Chen Yuchuan, Mr. Loong Ping Kwan, non-executive director, Mr. Ke Xiping, and executive director Mr. Liu Xiaochu. The Board considers that members of the audit committee have sufficient professional knowledge and experience in accounting and financial management to enable them to perform their duties.

The major responsibilities of the audit committee are:

- To propose hiring or changing the external audit institution;
- To oversee the Company's internal audit system and its implementation;
- To audit the Company's financial information and its disclosure (including the annual report, the interim report and any feasible financial review);
- To audit the Company's financial reporting and internal control system and to audit major connected transactions;
- The audit committee has held meetings on a regular basis since its establishment and convened two meetings during the reporting period with 100% attendance.

At the meeting held in March 2006, the committee received the working report by the compliance and audit office and reviewed the audited report and connected transactions of the Group for 2005, and submitted its concluding opinions on relevant connected transactions and audit to the Board.

At the meeting held in August 2006, the committee reviewed the interim report and connected transactions of the Group for 2006, and submitted its concluding opinions on audit to the Board.

The annual report for the year ended 31 December 2006 of the Group has been reviewed by the audit committee.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL REPORTS

All directors of the Group have acknowledged their responsibilities for preparing financial reports of the Group. Directors ensure that the preparation of financial reports of the Group is in compliance with relevant regulations and applicable accounting standards and that financial reports of the Group are issued in a timely manner.

The responsibility statement made by the auditor of the Company in respect of financial reports of the Group is set out in the auditor's report on page 62 to 63.

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

The shareholding interests of senior management of the Group are detailed in "Interests and Short Positions of Directors, Supervisors and Chief Executive in the issued shares of the Company" on pages 37 to 39.

SHAREHOLDERS' RIGHTS

The articles of association of the Group have stipulated the rights and obligations of all shareholders.

Shareholders holding more than 10% (including 10%) of the outstanding shares with voting right of the Company can demand in writing to convene an extraordinary general meeting.

The Company shall issue a written notice 45 days before the holding of a general meeting and inform all registered shareholders about the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall return the written reply for attending the meeting to the Company 20 days before the meeting.

At the annual general meeting convened by the Company, shareholders holding more than 3% of the shares with voting right of the Company are entitled to make new proposals in writing. The Company shall include the matters in the proposals which are within the scope of the terms of reference of the general meeting in the agenda of the meeting.

The Board shall give explanations and reasons at the general meeting if it decides not to include the general meeting proposals in the agenda of the meeting. It shall also publish the content of the proposals and the Board's explanations together with resolutions of the general meeting following the conclusion of the general meeting.

Voting at the general meeting is by poll.

The Group communicates with shareholders through the issuance of annual reports, interim reports and press announcements. All communications with shareholders are also published on the web site of the Group, www.zjky.cn.

INVESTOR RELATIONS

The Board fully recognizes that effective communication with investors is the key in building investors' confidence and attracting new investors.

The Group holds press conferences and briefings to investment analysts immediately following the announcement of its annual and interim results. Senior management such as the chairman of the Board and the financial controller of the Group will be present to analyze the performance of the Group during the period, expound the business development of the Group and answer questions raised by investors.

Results announcements of the Group will also be published timely on the web site of the Group.

The Group will also arrange for professional investors to visit its subsidiaries so that they can understand the Group's existing production status, investment status and business development, thereby enhancing confidence over the Group.

During the year, part of the articles of association of the Group was amended at the 2005 annual general meeting held on 18 May 2006 and the second extraordinary general meeting held on 18 August 2006. Please refer to the detailed information in the circular or on the web site of the Group, www.zjky.cn.

The Group's first extraordinary general meeting of 2006 was held on 7 April 2006, at its headquarter in Shanghang County, Fujian Province and considered: 1. the agreement in relation to the provision of exploitation contracting services entered into between the Company and Fujian Xinhuadu Engineering Co., Ltd., and the annual caps for the three years ended 31 December 2008; 2. the agreement in relation to the provision of exploitation contracting services entered into between the Company and Fujian Shanghang Hongyang Mining Engineering Co., Ltd., and the annual caps for the three years ended 31 December 2008; 3. authorizing the Board of signing relevant contracts. All the above matters have been approved by voting at the general meeting.

The Group's 2005 annual general meeting was held on 18 May 2006 at its headquarter in Shanghang County, Fujian Province and considered: 1. the directors' report for 2005; 2. the supervisors' report for 2005; 3. the audited financial and international auditor reports as at 31 December 2005; 4. the profit distribution plan for 2005; 5. approving the proposed annual remuneration plan of directors and supervisors of the Company as at 31 December 2005; 6. approving the appointment of Ernst & Young Hua Ming and of Ernst & Young as the domestic and international auditor of the Group for the year ended 31 December 2006; and authorizing the board to determine the relevant remuneration; 7. approving the plan for capital conversion from the reserve fund of the Company; 8. the proposed changes of the Articles of Association; 9. approving the granting of a mandate to the Board of issuing not more than 20% of the total nominal value of domestic shares or H shares in issue; 10. authorization to the Board. All the above matters have been approved by voting at the general meeting.

The Group's second extraordinary general meeting of 2006 was held on 18 August 2006, at its headquarter in Shanghang County, Fujian Province and considered: 1. revised version of Articles of Association; 2.election of the 3rd term of the Board by poll; 3. election of supervisors representing shareholders of the 3rd Supervisory Committee by poll; 4. approving the supervisors representing employees elected by the employee representative committee; 5. approving the remuneration plan of directors and supervisors of the Company, and authorizing the Board to sign the service contract/ appointment letter with every new director and supervisor according to the appropriate terms and conditions, and carry out its responsibility to make things happen. All the above matters have been approved by voting at the general meeting.

The Group's third extraordinary general meeting of 2006 was held on 28 December 2006, at its headquarter in Shanghang County, Fujian Province and considered: 1. the agreement in relation to the purchase of zinc concentrates entered into between the Company's subsidiary-Bayannaoer Zijin Nonferrous Metals Co., Ltd. and Gansu Jianxin Industrial Co., Ltd., and the annual caps for the three years ended 31 December 2008; 2. authorizing the Board of signing relevant contracts. All the above matters have been approved by voting at the general meeting.

As at 31 December 2006, the total market capitalization of the Group was approximately HK$57 billion. The market capitalization of H shares was approximately HK$17.4 billion.

INTERNAL CONTROL

The Board is solely responsible for the internal control system of the Group, including defining the management structure and relevant terms of delegation, determining the adoption of appropriate accounting policy, providing reliable financial information for internal use and public announcement, and ensuring compliance with relevant laws and regulations. The above internal control system aims to reasonably (but not absolutely) ensure that there are no significant misrepresentations or losses and manage (but not completely eliminate) the risks of faults in the operating system and the Group's failure in reaching standards.

The executive directors and senior management of the Group are given corresponding authority to manage and monitor all operating systems of enterprises and deal with relevant affairs.

The Group has established an internal accounting system. The draft budget has to be approved by the Board before implementation. There are relevant procedures in the Group's budget management system and investment management system for assessing and reviewing major operating expenditure and capital expenditure. Operating results will be reported to executive directors through regular financial analyses.

The Group has established a dedicated internal audit institution and appropriate internal control procedures to ensure that accounting and management information are recorded in a comprehensive, accurate and timely manner. Besides, regular reviews are conducted to ensure that the preparation of financial statements is in compliance with the accounting standards, accounting policy and applicable laws and regulations, which is extended to all subsidiaries controlled by the Group. The annual working plan of the audit department is subject to approval by the supervisory committee of the Group and the audit committee of the Board.

The Group has established an information disclosure management system which stipulates the relevant procedures for processing price-sensitive information. The Board conducts at least two reviews each year on internal control through the annual report and the interim report so as to assess the effectiveness of the internal control system.

The Board considers that the existing internal control system of the enterprise basically covers the current operating conditions of the enterprise. However, with the sustained development of the enterprise and a continued improvement in the management standard of the Group, the internal control system of the enterprise shall also be subject to continued revision and improvement.

Independent Auditors' Report

To the shareholders of
Zijin Mining Group Co., Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Zijin Mining Group Co., Ltd. set out on pages 64 to 158, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
8 March 2007

Consolidated Income Statement

Year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
REVENUE	5	**10,678,810**	3,036,215
Cost of sales		**(6,718,899)**	(1,563,439)
Gross profit		**3,959,911**	1,472,776
Other income and gains	5	**193,226**	27,811
Selling and distribution costs		**(143,074)**	(66,058)
Administrative expenses		**(417,505)**	(244,885)
Other operating costs		**(673,169)**	(68,488)
Finance costs	6	**(114,975)**	(18,437)
Share of profits of associates		**64,923**	31,173
PROFIT BEFORE TAX	7	**2,869,337**	1,133,892
Tax	10	**(510,821)**	(263,829)
PROFIT FOR THE YEAR		**2,358,516**	870,063
Attributable to:			
Equity holders of the parent		**1,704,514**	703,637
Minority interests		**654,002**	166,426
		2,358,516	870,063
PROPOSED FINAL DIVIDEND	12	**946,174**	420,522
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**RMB0.16**	RMB0.067

Consolidated Balance Sheet

31 December 2006

	Notes	**2006 RMB'000**	2005 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,356,320**	2,394,982
Land use rights	15	**96,077**	54,583
Long-term deferred assets	16	**249,782**	124,361
Other assets	17	**854,279**	172,463
Intangible assets	18	**885,516**	530,163
Goodwill	19	**134,141**	65,665
Interests in associates	21	**762,187**	361,754
Interests in jointly-controlled entities	22	**5,937**	5,295
Available-for-sale investments	23	**274,163**	90,928
Deferred tax assets	34	**51,942**	–
Total non-current assets		**7,670,344**	3,800,194
CURRENT ASSETS			
Inventories	24	**939,507**	302,584
Prepayments, deposits and other receivables	25	**476,070**	243,615
Trade receivables	26	**180,874**	61,668
Bills receivable		**13,105**	7,693
Equity investments at fair value through profit or loss	27	**80,003**	6,100
Pledged deposits	28	**49,585**	23,688
Cash and cash equivalents	28	**1,939,909**	1,029,836
Total current assets		**3,679,053**	1,675,184
CURRENT LIABILITIES			
Accrued liabilities and other payables	29	**1,237,441**	413,596
Trade payables and bills payable	30	**307,888**	213,165
Interest-bearing bank loans	31	**1,448,917**	630,627
Government grants		**14,650**	10,693
Tax payable		**328,763**	215,718
Derivative financial instruments	32	**157,399**	10,287
Total current liabilities		**3,495,058**	1,494,086
NET CURRENT ASSETS		**183,995**	181,098
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,854,339**	3,981,292

Consolidated Balance Sheet

31 December 2006

	Notes	2006 RMB'000	2005 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,854,339**	3,981,292
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	31	**2,608,665**	655,030
Provision for land restoration and environmental costs	33	**50,856**	37,628
Long-term other payables	35	**141,346**	109,990
Total non-current liabilities		**2,800,867**	802,648
Net assets		**5,053,472**	3,178,644
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	36	**1,051,304**	525,652
Reserves	37	**2,600,724**	1,845,264
		3,652,028	2,370,916
Minority interests		**1,401,444**	807,728
Total equity		**5,053,472**	3,178,644

Chen Jinghe
Director

Liu Xiaochu
Director

	Notes	Issued capital RMB'000	Share premium account RMB'000	Statutory surplus reserve RMB'000 note 37(a)	Public welfare fund RMB'000 note 37(b)	Capital reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
		Attributable to equity holders of the parent									
At 1 January 2005		262,826	1,082,965	104,899	52,499	1,796	159,593	262,826	1,927,404	382,010	2,309,414
Dividends paid		–	–	–	–	–	–	(262,826)	(262,826)	–	(262,826)
Share of capital reserve of an associate		–	–	–	–	2,701	–	–	2,701	–	2,701
Share premium converted into issued share capital	36	262,826	(262,826)	–	–	–	–	–	–	–	–
Profit for the year		–	–	–	–	–	703,637	–	703,637	166,426	870,063
Transfer to reserves		–	–	94,539	47,269	–	(141,808)	–	–	–	–
Acquisition of subsidiaries	38(a)	–	–	–	–	–	–	–	–	125,198	125,198
Investments in subsidiaries		–	–	–	–	–	–	–	–	148,364	148,364
Disposal of subsidiaries	38(b)	–	–	–	–	–	–	–	–	(7,196)	(7,196)
Acquisition of equity interests in a subsidiary from a minority shareholder		–	–	–	–	–	–	–	–	(5,895)	(5,895)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(1,179)	(1,179)
Proposed final dividend	12	–	–	–	–	–	(420,522)	420,522	–	–	–
At 31 December 2005		525,652	820,139	199,438	99,768	4,497	300,900	420,522	2,370,916	807,728	3,178,644

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	Notes	Attributable to equity holders of the parent										
		Issued capital	Share premium account	Statutory surplus reserve	Public welfare fund	Capital reserve	Retained profits	Proposed final dividend	Exchange fluctuation reserve	Total	Minority Interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				note 37(a)	note 37(b)							
At 1 January 2006		525,652	820,139	199,438	99,768	4,497	300,900	420,522	–	2,370,916	807,728	3,178,644
Dividends paid		–	–	–	–	–	–	(420,522)	–	(420,522)	–	(420,522)
Share of capital reserve of an associate		–	–	–	–	835	–	–	–	835	–	835
Share premium converted into issued share capital	36	525,652	(525,652)	–	–	–	–	–	–	–	–	–
Net profit for the year		–	–	–	–	–	1,704,514	–	–	1,704,514	654,002	2,358,516
Transfer to reserves		–	–	357,969	(99,768)	–	(258,201)	–	–	–	–	–
Acquisition of subsidiaries	38(a)	–	–	–	–	–	–	–	–	–	286,216	286,216
Investments in subsidiaries		–	–	–	–	–	–	–	–	–	191,029	191,029
Disposal of subsidiaries	38(b)	–	–	–	–	–	–	–	–	–	(10,127)	(10,127)
Acquisition of equity interests in subsidiaries from minority shareholders		–	–	–	–	–	–	–	–	–	(125,821)	(125,821)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(401,572)	(401,572)
Proposed final dividend	12	–	–	–	–	–	(946,174)	946,174	–	–	–	–
Exchange realignment		–	–	–	–	–	–	–	(3,715)	(3,715)	(11)	(3,726)
At 31 December 2006		1,051,304	294,487*	557,407*	–	5,332*	801,039*	946,174*	(3,715)*	3,652,028	1,401,444	5,053,472

* These reserve accounts comprise the consolidated reserves of RMB2,600,724,000 (2005: RMB1,845,264,000) in the consolidated balance sheet.

	Notes	2006 RMB'000	2005 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	7	**2,869,337**	1,133,892
Adjustments for:			
Finance costs	6	**114,975**	18,437
Share of profits of associates		**(64,923)**	(31,173)
Interest income	5	**(13,513)**	(10,659)
Gain on disposal of equity investments at fair value through profit or loss	5	**(33,993)**	(1,520)
Fair value gains on equity investments at fair value through profit or loss	5	**(30,172)**	–
Excess over the cost of business combinations recognized in the income statement	5	**(20,696)**	–
(Gains)/losses on disposal of subsidiaries	7	**(8,856)**	4,879
Losses on derivative financial instruments		**147,112**	10,287
Depreciation	7	**264,589**	139,918
Amortisation of land use rights	7	**4,667**	580
Amortisation of long-term deferred assets	7	**26,253**	7,919
Amortisation of intangible assets	7	**27,148**	17,952
Provision for inventory obsolescence	7	**99**	471
Provision for bad and doubtful receivables	7	**1,584**	1,296
Impairment provision for intangible assets	7	**–**	6,857
Loss on disposal of property, plant and equipment	7	**1,337**	3,836
Operating profit before working capital changes		**3,284,948**	1,302,972
Increase in inventories		**(621,875)**	(74,172)
Increase in prepayments, deposits and other receivables		**(178,108)**	(19,592)
Increase in trade receivables		**(107,794)**	(56,413)
Increase in bills receivable		**(5,412)**	(6,993)
Increase in accrued liabilities and other payables		**627,838**	82,469
Increase in trade payables and bills payables		**89,606**	49,675
Increase /(decrease) in long term other payables		**4,212**	(9,186)
Increase in provision for land restoration and environmental costs		**13,228**	11,458
Cash generated from operations		**3,106,643**	1,280,218
Income tax paid		**(500,355)**	(152,314)
Net cash inflow from operating activities		**2,606,288**	1,127,904

Consolidated Cash Flow Statement

Year ended 31 December 2006

	Notes	**2006 RMB'000**	2005 RMB'000 (Restated)
Net cash inflow from operating activities		**2,606,288**	1,127,904
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**13,513**	10,659
Dividends received from associates		**49,507**	7,987
Purchase of available-for-sale investments		**(148,968)**	(69,438)
Purchase of equity investment at fair value through profit or loss		**(91,268)**	(6,100)
Proceeds from disposal of equity investment at fair value through profit or loss		**81,530**	14,286
Purchase of property, plant and equipment		**(1,802,301)**	(1,067,330)
Proceeds from disposal of property, plant and equipment		**43,052**	7,553
Additions to land use rights		**(13,419)**	(39,660)
Additions to long-term deferred assets		**(110,936)**	(45,569)
Additions to intangible assets		**(199,972)**	(113,288)
Additions to other assets, other than exploration and evaluation costs		**(726,811)**	(14,239)
Additions to exploration and evaluation costs		**(12,674)**	(65,323)
Proceeds from disposal of intangible assets		**14,286**	9,775
Acquisition of associates		**(384,182)**	(271,005)
Investment in jointly-controlled entities		**(642)**	(3,295)
Acquisition of subsidiaries	38(a)	**(179,035)**	(142,462)
Proceeds from disposal of equity interests in subsidiaries	38(b)	**20,609**	3,523
Acquisition of equity interest in subsidiaries from minority shareholders		**(165,064)**	(14,423)
Repayment of loans advanced to related parties		**–**	2,707
Decrease in non-pledged time deposits with original maturity over three months when acquired		**23,534**	38,965
Increase in pledged deposits		**(25,897)**	–
Net cash outflow from investing activities		**(3,615,138)**	(1,756,677)

	Note	2006 RMB'000	2005 RMB'000 (Restated)
Net cash outflow from investing activities		**(3,615,138)**	(1,756,677)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**3,792,606**	1,030,257
Repayment of bank loans		**(1,044,811)**	(72,247)
Repayment of other long term loans		–	(1,000)
Interest paid		**(144,819)**	(41,542)
Dividends paid		**(420,522)**	(262,826)
Dividends paid to minority shareholders		**(401,572)**	(1,179)
Cash received from government grants		**3,957**	9,000
Cash received from minority shareholders upon investments in subsidiaries		**161,344**	148,364
Net cash inflow from financing activities		**1,946,183**	808,827
NET INCREASE IN CASH AND CASH EQUIVALENTS		**937,333**	180,054
Cash and cash equivalents at beginning of year		**1,005,801**	825,747
Movement in exchange fluctuation reserve		**(3,726)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,939,408**	1,005,801
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,939,408**	1,005,801

Balance Sheet

31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**764,660**	672,577
Land use rights	15	**31,154**	30,513
Long-term deferred assets	16	**117,376**	103,431
Other assets	17	**379,856**	9,470
Intangible assets	18	**146,853**	152,993
Interests in subsidiaries	20	**2,623,312**	1,335,979
Interests in associates	21	**628,716**	275,610
Available-for-sale investments	23	**54,350**	49,850
Deferred tax assets	34	**51,942**	–
Total non-current assets		**4,798,219**	2,630,423
CURRENT ASSETS			
Inventories	24	**217,818**	188,678
Prepayments, deposits and other receivables		**109,775**	160,016
Trade receivables	26	**60,305**	20,135
Pledged deposits	28	**49,585**	23,688
Cash and cash equivalents	28	**537,299**	273,186
Total current assets		**974,782**	665,703
CURRENT LIABILITIES			
Accrued liabilities and other payables	29	**463,263**	246,926
Trade payables	30	**49,759**	74,560
Interest-bearing bank loans	31	**404,000**	409,800
Government grants		**300**	1,043
Tax payable		**123,214**	157,220
Derivative financial instruments	32	**157,399**	10,287
Total current liabilities		**1,197,935**	899,836
NET CURRENT LIABILITIES		**(223,153)**	(234,133)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,575,066**	2,396,290
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	31	**1,590,035**	159,600
Provision for land restoration and environmental costs	33	**50,856**	37,628
Long-term other payables	35	**116,061**	76,278
Total non-current liabilities		**1,756,952**	273,506
Net assets		**2,818,114**	2,122,784
EQUITY			
Issued capital	36	**1,051,304**	525,652
Reserves	37	**1,766,810**	1,597,132
Total equity		**2,818,114**	2,122,784

Chen Jinghe
Director

Liu Xiaochu
Director

1. CORPORATE INFORMATION

Zijin Mining Group Company Limited (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 of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain 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.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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 not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED IFRSs

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements. Except in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

IAS 21 Amendment	Net Investment in a Foreign Operation
IAS 39 & IFRS 4 Amendments	Financial Guarantee Contracts
IAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 Amendment	The Fair Value Option
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the IAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) IAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of IAS 39 to require financial guarantee contracts issued that are not considered insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

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

(b) IAS 39 *Financial Instruments: Recognition and Measurement* *(continued)*

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) IFRS 6 *Exploration for and Evaluation of Mineral Resources*

The adoption of the revised IRFS6 has resulted in a change in accounting policy relating to the "Exploration and evaluation assets" as described in note 2.3 "Summary of significant accounting policies" below. The adoption of this IFRS has resulted in a reclassification of "Exploration and evaluation costs" from long-term deferred assets to other assets under Non-Current Assets.

(d) IFRIC 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IAS 1 Amendment	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 – Group and Treasury Share Transaction
IFRIC 12	Service Concession Arrangements

The IAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

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

(d) IFRIC 4 Determining whether an Arrangement contains a Lease *(continued)*

IFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of IAS 32.

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires disclosures that enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10, IFRIC 11 and IFRIC 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of the IAS 1 Amendment and IFRS 7 may result in new or amended disclosures, these new and revised IFRSs are unlikely to have a significant impact on the Group's 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

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 its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies if the Group has unilateral control, directly or indirectly, over the joint venture;

(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 is 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 before 31 March 2004 was capitalized and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. 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 amortization with a corresponding entry to goodwill.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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:

(a) represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

(b) 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.

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.

Excess over the cost of business combinations

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 mainly include land compensation costs.

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.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised based on the accounting policy as stated in "Mining rights" below. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Mining rights

Mining rights, including exploration and evaluation assets, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, that is, the date that the Group commits to purchase or sell 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 at fair value through profit or loss include financial assets held for trading. 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 as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (b) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (c) the financial asset contains an embedded derivative that would need to be separately recorded.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(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 subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. 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 and a discounted cash flow analysis.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the income statement.

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 the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

(a) the rights to receive cash flows from the asset have expired;

(b) the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(c) the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designate upon initial recognition as at fair value through profit or loss if the following criteria are met:

(a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise form measuring the liabilities or recognising gains or losses on them on a different basis;

(b) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(c) the financial liability contains an embedded derivative that would need to separately recorded.

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (a) the amount determined in accordance with IAS 37 *Provision, Contingent Liabilities and Contingent Assets*; and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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 the income statement.

Derivative financial instruments

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

(a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;

(b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;

(c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;

(d) The effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured; and

(e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments *(continued)*

The Group enters into derivative financial instruments, such as forward 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 the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets and goodwill), 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Costs 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, 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.

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.

Provisions for the Group's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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:

(a) 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

(b) 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.

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:

(a) 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

(b) 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the income statement. 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.

The functional currencies of certain overseas subsidiaries are currencies other than Renminbi. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recongised in equity relating to that particular foreign operation is recognised in the income statement.

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.

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.

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

Estimation uncertainty *(continued)*

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

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount, or, where appropriate, the cash generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. The recoverable amounts are determined based on fair value less costs to sell which are based on the best information available to reflect the amount obtainable at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

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. The carrying amount of goodwill at 31 December 2006 was RMB134,141,000 (2005: RMB65,665,000). More details are given in note 19.

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 are realised.

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 on regular intervals 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.

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

Estimation uncertainty *(continued)*

Mine reserves (continued)

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. The capitalised cost of mining rights and land compensation costs are depreciated over the estimated useful lives. The useful lives are reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mines.

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 balance sheet date.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the ore-produced gold segment is the production of gold bullions through the Group's integrated processes, i.e. mining, processing and refining;

(b) the processed gold segment is the production of gold bullions by refining gold ore;

(c) the copper cathodes segment is the production of copper cathodes;

(d) the zinc bullions segment is the production of zinc bullions; and

(e) the ore concentrates segment comprises, principally, the production of gold concentrates, copper concentrates, zinc concentrates and iron concentrates.

4. SEGMENT INFORMATION *(continued)*

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006	Ore-produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullions RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:								
Sales to external customers	2,821,699	4,477,331	336,425	968,233	1,988,398	86,724	–	10,678,810
Intersegment sales	–	–	25,239	–	290,536	93,982	(409,757)	–
Total	2,821,699	4,477,331	361,664	968,233	2,278,934	180,706	(409,757)	10,678,810
Segment results	1,543,288	1,710	145,566	295,243	959,120	174,078	–	3,119,005
Interest and dividend income								34,461
Unallocated expenses								(234,077)
Finance costs								(114,975)
Share of profits and losses of associates	–	–	–	38,477	22,258	4,188	–	64,923
Profit before tax								2,869,337
Tax								(510,821)
Profit for the year								2,358,516
Assets and liabilities								
Segment assets	5,445,022	241,673	586,420	979,246	2,291,653	113,846	–	9,657,860
Interests in associates	–	–	243,750	259,083	72,234	89,703	–	664,770
Interests in jointly-controlled entities	–	–	–	–	96,937	6,417	–	103,354
Unallocated assets								923,413
Total assets								11,349,397
Segment liabilities	620,371	153,211	502,316	162,006	770,992	330,221	–	2,539,117
Unallocated liabilities								3,756,808
Total liabilities								6,295,925
Other segment information:								
Depreciation and amortisation	146,463	13,456	25,395	15,322	106,729	15,292	–	322,657
Capital expenditure	836,503	145,324	61,193	423,023	1,136,316	272,042	–	2,874,401

4. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2005	Ore-produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullions RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:								
Sales to external customers	1,665,390	716,790	36,319	–	612,903	4,813	–	3,036,215
Intersegment sales	–	–	–	–	3,709	75,070	(78,779)	–
Total	1,665,390	716,790	36,319	–	616,612	79,883	(78,779)	3,036,215
Segment results	978,976	(1,359)	16,101	–	219,167	5,749	–	1,218,634
Interest and dividend income								10,659
Unallocated expense								(108,137)
Finance costs								(18,437)
Share of profits and losses of associates	–	–	–	–	31,173	–	–	31,173
Profit before tax								1,133,892
Tax								(263,829)
Profit for the year								870,063
Assets and liabilities								
Segment assets	1,781,696	241,776	163,506	422,667	1,652,553	205,337	–	4,467,535
Interests in associates	–	–	243,750	–	62,261	55,743	–	361,754
Interests in jointly-controlled entities	–	–	–	–	–	5,295	–	5,295
Unallocated assets								640,794
Total assets								5,475,378
Segment liabilities	608,047	23,526	272,150	30,140	200,191	71,292	–	1,205,346
Unallocated liabilities								1,091,386
Total liabilities								2,296,732
Other segment information:								
Depreciation and amortisation	110,578	270	–	269	48,345	6,907	–	166,369
Impairment loss recognised in income statement	6,857	–	–	–	–	–	–	6,857
Capital expenditure	232,912	27,462	138,960	290,092	571,014	148,899	–	1,409,339

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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:

	2006 RMB'000	2005 RMB'000
Revenue		
Sale of gold bullion	**7,352,810**	2,403,434
Sale of gold concentrates	**235,609**	96,688
Sale of copper concentrates	**1,427,068**	400,667
Sale of copper cathodes	**344,508**	37,809
Sale of zinc bullions	**969,884**	–
Sale of zinc concentrates	**183,875**	12,713
Sale of iron concentrates	**175,270**	111,272
Others	**88,805**	6,191
Less: Sales taxes and levies (note (a))	**(99,019)**	(32,559)
	10,678,810	3,036,215
Other income		
Bank interest income	**13,513**	10,659
Rental income	**1,664**	2,955
Processing income	**1,400**	503
Dividend income	**20,948**	–
Profit from jointly-controlled operation (note (b))	**52,909**	–
Excess over the cost of a business combination recognised in the income statement	**20,696**	–
Others	**14,455**	10,612
	125,585	24,729
Gains		
Exchange gains	**3,476**	1,562
Gain on disposal of equity investments at fair value through profit or loss	**33,993**	1,520
Fair value gains on equity investments at fair value through profit or loss	**30,172**	–
	67,641	3,082
	193,226	27,811

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Notes:

(a) The sales taxes and levies consisted of resources tax, business tax, education surcharge and city construction tax.

(b) Pursuant to the cooperation agreements entered into between a subsidiary of the Group and two independent third parties dated 10 December 2005 and 9 March 2006, respectively, the subsidiary provided raw zinc ores to these two independent third parties for processing into zinc concentrates for sales. The profit derived thereon was shared between the subsidiary and the independent third parties according to the cooperation agreements. During the year ended 31 December 2006, the Group shared a profit from this jointly-controlled operation of RMB52,909,000 (2005: Nil).

6. FINANCE COSTS

	Group	
	2006 **RMB'000**	2005 RMB'000
Interest on bank loans wholly repayable within five years	**144,819**	41,542
Less: Interest capitalised as construction in progress	**(29,844)**	(23,105)
	114,975	18,437

The interest capitalised represents the cost of capital from raising the related borrowings and the interest capitalisation rate ranges from 5.022% to 6.138% (2005: 5.022% to 6.684%) per annum.

7. PROFIT BEFORE TAX

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

	Notes	2006 RMB'000	2005 RMB'000 (Restated)
Cost of inventories sold		**6,647,603**	1,525,530
Amortisation of land use rights	15	**4,667**	580
Amortisation of long-term deferred assets	16	**26,253**	7,919
Amortisation of intangible assets	18	**27,148**	17,952
Provision for land restoration and rehabilitation costs	33	**13,228**	11,458
		6,718,899	1,563,439
Depreciation (note (a))	14	**264,589**	139,918
Research and development expenditures		**39,016**	21,347
Minimum lease payments under operating leases on land and buildings		**2,203**	658
Auditors' remuneration		**2,600**	2,100
Staff costs (including directors' remuneration (note 8)):			
Salaries and other staff costs (note (b))		**281,093**	158,958
Retirement benefits – defined contribution fund (note (c))		**7,006**	10,252
		288,099	169,210
Provision for inventory obsolescence		**99**	471
Provision for bad and doubtful receivables*		**1,584**	1,296
Loss on disposal of property, plant and equipment*		**1,337**	3,836
Donations*		**148,423**	30,966
(Gains)/losses on disposal of subsidiaries*	38(b)	**(8,856)**	4,879
Losses on derivative financial instruments*	32	**494,577**	10,287
Impairment provision for intangible assets*	18	**–**	6,857

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

7. PROFIT BEFORE TAX *(continued)*

Notes:

(a) Depreciation of approximately RMB233,457,000 was included in the cost of sales for the year ended 31 December 2006 (2005: RMB118,039,000).

(b) Staff costs of approximately RMB145,041,000 were included in the cost of sales for the year ended 31 December 2006 (2005: RMB57,601,000).

(c) According to the relevant rules and regulations of the PRC, the Company and its subsidiaries participate in defined contribution retirement plans. 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% 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.

8. DIRECTORS' REMUNERATION

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

	Group	
	2006	2005
	RMB'000	RMB'000
Fees	**724**	310
Other emoluments:		
Salaries, allowances and benefits in kind	**13,441**	6,240
Discretionary bonuses	**5,135**	4,704
Pension scheme contributions	**18**	9
	19,318	11,263

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

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 (2005: Nil).

(a) Independent non-executive directors

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

	2006 **RMB'000**	2005 RMB'000
Mr. Chen Yuchuan	**50**	–
Mr. Lin Yongjing	**50**	–
Mr. Su Congfu	**50**	–
Mr. Yao Lizhong*	**197**	100
Mr. Yang Dali*	**221**	106
Mr. Loong Ping Kwan	**156**	104
	724	310

* Independent non-executive directors retired on 18 August 2006.

8. DIRECTORS' REMUNERATION *(continued)*

(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
2006					
Executive directors:					
Mr. Chen Jinghe	–	3,298	1,519	–	4,817
Mr. Liu Xiaochu	–	1,642	879	–	2,521
Mr. Lan Fusheng	–	1,541	559	9	2,109
Mr. Zou Laichang	–	1,445	161	9	1,615
Mr. Luo Yingnan	–	2,445	1,483	–	3,928
Mr. Huang Xiaodong	–	1,445	32	–	1,477
Mr. Rao Yimin*	–	1,458	502	–	1,960
Non-executive director:					
Mr. Ke Xiping	–	167	–	–	167
	–	13,441	5,135	18	18,594

* Executive director retired on 18 August 2006.

	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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included four (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2005: one) non-director, highest paid employee for the year are as follows:

	Group	
	2006	2005
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,206**	583
Discretionary bonuses	**875**	1,937
Pension scheme contributions	**–**	7
	2,081	2,527

The remuneration of the non-director, highest paid employee during the year ended 31 December 2006 fell within the band of HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB2,009,000 to RMB2,512,000). There was no arrangement under which the non-director, highest paid employee waived or agreed to waive any remuneration during the year (2005: 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 (2005: Nil).

10. TAX

	2006	2005
	RMB'000	RMB'000
Group:		
Current – Hong Kong	**4,357**	–
– Mainland China	**592,369**	277,867
Overprovision in prior years (note (b))	**(33,963)**	(14,038)
Deferred (note 34)	**(51,942)**	–
	510,821	263,829

10. TAX *(continued)*

Provision for Hong Kong profits tax has been provided at the rate of 17.5% on the assessable profits arising in Hong Kong for the year. No provision for Hong Kong tax was made in 2005 as the Group had no assessable profits arising in Hong Kong for that 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:

Notes:

(a) Pursuant to "Ba Guo Shui Han [2006] No.10" issued by the state tax bureau of Bayannaoer district on 20 January 2006, Bayannaoer Zijin Non-ferrous Metal Company Limited was granted a tax concession at a preferential rate of 15% as long as the sales of zinc bullion accounted for 70% of the total sales.

Pursuant to "Guo Shui Fa [2002] No. 47" issued by the State Council of the PRC, and "Qian Di Shui Han [2003] No.317" issued by the local tax bureau of Guizhou Province, Guizhou Zijin Mining Company Limited, located in the western region of 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 Sciences and Technology Company Limited is taxed at a preferential tax rate of 15% 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 Ashele Copper Company Limited is exempted from corporate income tax for a five-year period from 1 January 2005 to 31 December 2009. In addition, Xinjiang Ashele Copper Company Limited 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 Mining Company Limited was 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 Mining Company Limited was exempted from corporate income tax from 1 January 2004 to 31 December 2006 and was granted a tax concession of 50% reduction for the years ended 31 December 2007 and 2008.

10. TAX *(continued)*

Notes: *(continued)*

(b) Pursuant to "Ji Guo Shui Fa [2006] No. 80" issued by the state tax bureau of Jilin Province on 11 April 2006, Hunchun Zijin Mining Company Limited was exempted from corporate income tax for the year ended 31 December 2005. The tax expenses of RMB27,034,251 previously provided for the year ended 31 December 2005 was offset against the tax liabilities of Hunchun Zijin Mining Company Limited for the year ended 31 December 2006. From 2006 to 2010, Hunchun Zijin Mining Company Limited has a tax concession at a preferential rate of 15%.

Pursuant to "Han Guo Tui Di Shui [2006] No.28" issued by the state tax bureau of Shanghan county on 16 October 2006, Zijin Investment Company Limited was exempted from corporate income tax for the year ended 31 December 2005. An overprovision of tax payable in relation to such tax concession amounting to RMB50,648 was written back in 2006.

Pursuant to a declaration by the state tax bureau of Fujian Longyan City on 22 December 2005, Jinshan Construction Engineering Company Limited ("Jinshan Construction") was exempted from corporate income tax by 70% from 1 January 2004 to 31 December 2005. An overprovision of tax payable in relation to such deduction for the previous year amounting to RMB2,913,286 was written back during 2006.

In addition, the Company had an overprovision of tax payable of RMB3,965,198 being written back during 2006.

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

Pursuant to an approval dated 22 December 2005 by the state tax bureau of Longyan City in Fujian Province, Jinshan Construction was granted a tax concession of 70% reduction for the years ended 2004 and 2005. Tax expenses of RMB3,461,000 were refunded to Jinshan Construction in 2005.

10. TAX *(continued)*

A reconciliation of the tax expenses 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:

	2006		2005	
	RMB'000	**%**	RMB'000	%
Profit before tax	**2,869,337**		1,133,892	
At the PRC statutory tax rate	**946,881**	**33.00**	374,184	33.00
Expenses not deductible for tax	**10,684**	**0.37**	16,085	1.42
Income not subject to tax	**(17,460)**	**(0.61)**	(286)	(0.02)
Profits attributable to associates	**(21,425)**	**(0.75)**	(10,287)	(0.91)
Differential tax rate on the profit of certain subsidiaries	**(368,161)**	**(12.83)**	(83,187)	(7.34)
Reduction of income tax in respect of the tax benefit on locally purchased machinery	**(5,735)**	**(0.20)**	(18,642)	(1.64)
Overprovision in prior years	**(33,963)**	**(1.18)**	(14,038)	(1.24)
Tax charge at the Group's effective rate	**510,821**	**17.80**	263,829	23.27

The share of tax attributable to associates and jointly-controlled entities amounting to RMB39,295,000 (2005: RMB13,074,000) is included in ''Share of profits of associates'' on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a profit of RMB1,115,852,000 (2005: RMB530,157,000) which has been dealt with in the financial statements of the Company (note 37).

12. PROPOSED FINAL DIVIDEND

	2006 **RMB'000**	2005 RMB'000
Proposed final dividend – RMB0.09 (2005: RMB0.08) per ordinary share	**946,174**	420,522

At the shareholders' meeting on 18 May 2006, the directors declared a final dividend of RMB420,522,000 in respect of the year ended 31 December 2005.

The proposed final dividend of RMB946,174,000 for the year ended 31 December 2006 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 IFRS.

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

On 18 May 2006, the proposal regarding the issue of new shares by conversion 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 2005, 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 2005.

The calculation of earnings per share amounts is based on the Group's profit attributable to equity holders of the parent of RMB1,704,514,000 (2005: RMB703,637,000) and the weighted average number of 10,513,047,280 ordinary shares (2005: 10,513,047,280 ordinary shares) in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2006 and 2005 have not been disclosed as there were no potential dilutive ordinary shares outstanding during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000 (note (a))	Electricity generation plant RMB'000	Mining assets RMB'000 (note (b))	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 2006	134,543	34,587	1,133,398	7,284	481,857	25,438	45,810	1,011,502	2,874,419
Additions	74,547	44,280	103,441	729	172,683	20,273	31,705	1,384,487	1,832,145
Additions through business combinations (note 38(a))	31,966	15,562	202,739	271	96,722	3,227	19,801	103,429	473,717
Transfer from/(to)	430,716	40,694	241,440	1,297	227,398	(262)	4,628	(945,911)	–
Disposals	(20,021)	(5,502)	(24,823)	–	(21,871)	(2,844)	(9,564)	–	(84,625)
Disposal of subsidiaries (note 38(b))	(1,153)	–	(864)	–	(1,922)	(195)	(886)	–	(5,020)
At 31 December 2006	650,598	129,621	1,655,331	9,581	954,867	45,637	91,494	1,553,507	5,090,636
Accumulated depreciation:									
At 1 January 2006	23,088	8,672	308,435	5,201	113,524	8,441	12,076	–	479,437
Depreciation charge for the year	24,100	8,800	141,656	1,415	70,213	7,680	10,725	–	264,589
Additions through business combinations (note 38(a))	1,671	2,854	15,585	–	9,683	480	1,851	–	32,124
Disposals	(16,458)	(61)	(9,457)	–	(9,760)	(1,578)	(2,922)	–	(40,236)
Disposal of subsidiaries (note 38(b))	(203)	–	(48)	–	(1,048)	(118)	(181)		(1,598)
At 31 December 2006	32,198	20,265	456,171	6,616	182,612	14,905	21,549	–	734,316
Net book value:									
At 31 December 2006	618,400	109,356	1,199,160	2,965	772,255	30,732	69,945	1,553,507	4,356,320

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

Group *(continued)*

	Buildings RMB'000 (note (a))	Electricity generation plant RMB'000	Mining assets RMB'000 (note (b))	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 combinations (note 38(a))	21,486	–	10,073	–	11,908	1,281	3,551	40,636	88,935
Transfers 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:									
At 1 January 2005	19,100	6,905	237,240	3,737	77,360	4,922	7,468	–	356,732
Depreciation charge for the year	4,204	1,767	81,842	1,881	41,648	3,644	4,932	–	139,918
Additions through business combinations (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

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

Company

	Buildings RMB'000	Electricity generation plant RMB'000	Mining assets RMB'000 (note (b))	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 2006	56,123	27,069	591,329	7,284	220,172	14,128	17,563	127,362	1,061,030
Additions	3,983	75	76,901	–	95,276	3,767	7,265	34,806	222,073
Transfer from/(to)	30,007	(2,503)	54,411	1,145	2,800	(877)	2,082	(87,065)	–
Disposals	(13,470)	(115)	(8,737)	–	(12,394)	(1,478)	(2,591)	–	(38,785)
At 31 December 2006	76,643	24,526	713,904	8,429	305,854	15,540	24,319	75,103	1,244,318
Accumulated depreciation:									
At 1 January 2006	19,485	8,128	271,944	5,201	71,172	5,774	6,749	–	388,453
Depreciation charge for the year	6,627	1,485	78,581	1,234	26,886	2,583	3,663	–	121,059
Disposals	(12,987)	(15)	(6,370)	–	(7,545)	(1,155)	(1,782)	–	(29,854)
At 31 December 2006	13,125	9,598	344,155	6,435	90,513	7,202	8,630	–	479,658
Net book value:									
At 31 December 2006	63,518	14,928	369,749	1,994	215,341	8,338	15,689	75,103	764,660

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

Company *(continued)*

	Buildings RMB'000	Electricity generation plant RMB'000	Mining assets RMB'000 (note (b))	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	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
Transfers 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:									
At 1 January 2005	17,974	6,779	226,602	3,737	61,024	3,840	4,987	–	324,943
Depreciation 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

As at 31 December 2006, equipment with a net book value of RMB17,668,000 (2005: RMB238,000) of the Group was pledged to a bank for a bank loan (note 31).

Notes:

(a) Included in the balance of the Group are building structures of Bayannaoer Zijin with a net book value of RMB334,499,000 (2005: RMB908,000) in respect of which Bayannaoer Zijin was in the process of applying for relevant real estate certificates as at 31 December 2006.

(b) Included in the balance of the Group and the Company are building structures located in the mines with a net book value of RMB77,903,000 (2005: RMB159,500,000) and RMB64,528,000 (2005: RMB77,391,000), respectively, in respect of which the Group and the Company were in the process of applying for the relevant land use right certificates as at 31 December 2006.

15. LAND USE RIGHTS

	Group RMB'000	Company RMB'000
Cost:		
At 1 January 2006	**59,294**	**34,645**
Additions	**46,161**	**927**
At 31 December 2006	**105,455**	**35,572**
Accumulated amortisation:		
At 1 January 2006	**4,711**	**4,132**
Provided during the year	**4,667**	**286**
At 31 December 2006	**9,378**	**4,418**
Net book value:		
At 31 December 2006	**96,077**	**31,154**

	Group RMB'000	Company 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:		
At 1 January 2005	4,131	3,861
Provided during the year	580	271
At 31 December 2005	4,711	4,132
Net book value:		
At 31 December 2005	54,583	30,513

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

16. LONG-TERM DEFERRED ASSETS

Group

	Land compensation costs RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2006 (restated)	**134,649**	**8,842**	**143,491**
Additions	**55,809**	**95,865**	**151,674**
At 31 December 2006	**190,458**	**104,707**	**295,165**
Accumulated amortisation:			
At 1 January 2006 (restated)	**17,015**	**2,115**	**19,130**
Provided during the year	**7,319**	**18,934**	**26,253**
At 31 December 2006	**24,334**	**21,049**	**45,383**
Net book value:			
At 31 December 2006	**166,124**	**83,658**	**249,782**
Cost (restated):			
At 1 January 2005	94,332	3,590	97,922
Additions	40,317	5,252	45,569
At 31 December 2005	134,649	8,842	143,491
Accumulated amortisation (restated):			
At 1 January 2005	9,601	1,610	11,211
Provided during the year	7,414	505	7,919
At 31 December 2005	17,015	2,115	19,130
Net book value:			
At 31 December 2005	117,634	6,727	124,361

16. LONG-TERM DEFERRED ASSETS *(continued)*

Company

	Land compensation costs RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2006	**117,016**	**2,200**	**119,216**
Additions	**23,712**	**1,681**	**25,393**
At 31 December 2006	**140,728**	**3,881**	**144,609**
Accumulated amortisation:			
At 1 January 2006	**15,748**	**37**	**15,785**
Provided during the year	**10,246**	**1,202**	**11,448**
At 31 December 2006	**25,994**	**1,239**	**27,233**
Net book value:			
At 31 December 2006	**114,734**	**2,642**	**117,376**
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:			
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

17. OTHER ASSETS

Group

	2006 RMB'000	2005 RMB'000 (Restated)
Prepayment for construction works	**128,714**	–
Prepayment for mining and exploration rights	**69,213**	53,061
Prepayment for land use rights	**40,095**	31,715
Exploration and evaluation costs	**50,932**	87,404
Loan to minority shareholders (note)	**80,000**	–
Prepaid investment costs	**455,143**	–
Others	**30,182**	283
Total	**854,279**	172,463

Company

	2006 RMB'000	2005 RMB'000
Prepayment for construction works	**29,738**	–
Prepayment for mining and exploration rights	**18,118**	1,981
Prepayment of land use rights	**4,768**	7,489
Loan to minority shareholders (note)	**80,000**	–
Prepaid investment costs	**247,232**	–
Total	**379,856**	9,470

Note: The loan to minority shareholders is interest-free, repayable by 2011 and secured by a 25% equity interests in a subsidiary.

The movement in exploration and evaluation costs during the year ended 31 December 2005 and 2006 is as follows:

	2006 RMB'000	2005 RMB'000
Group		
At 1 January	**87,404**	22,081
Additions	**12,674**	66,475
Amortisation for the year	**–**	(1,152)
Transferred to intangible assets	**(49,146)**	–
At 31 December	**50,932**	87,404

18. 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 2006	**569,298**	**2,000**	**4,568**	**575,866**
Additions	**197,987**	**500**	**1,485**	**199,972**
Additions through business combination (note 38(a))	**145,187**	**–**	**–**	**145,187**
Transferred from other assets	**57,669**	**–**	**–**	**57,669**
Disposals	**(14,240)**	**–**	**(539)**	**(14,779)**
Disposal of subsidiaries (note 38(b))	**(6,041)**	**–**	**–**	**(6,041)**
At 31 December 2006	**949,860**	**2,500**	**5,514**	**957,874**
Accumulated amortisation:				
At 1 January 2006	**44,980**	**167**	**556**	**45,703**
Provided for the year	**26,373**	**261**	**514**	**27,148**
Disposals	**–**	**–**	**(493)**	**(493)**
At 31 December 2006	**71,353**	**428**	**577**	**72,358**
Net book value:				
31 December 2006	**878,507**	**2,072**	**4,937**	**885,516**
Cost:				
At 1 January 2005	442,497	500	748	443,745
Additions	107,446	1,500	3,820	112,766
Additions through business combination (note 38(a))	32,715	–	–	32,715
Disposals	(12,848)	–	–	(12,848)
Disposal of subsidiaries (note 38(b))	(512)	–	–	(512)
At 31 December 2005	569,298	2,000	4,568	575,866
Accumulated amortisation:				
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

18. INTANGIBLE ASSETS *(continued)*

Company

	Mining rights RMB'000	Trading rights in Shanghai Gold Exchange RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2006	**173,828**	**500**	**652**	**174,980**
Additions	**5,160**	**–**	**28**	**5,188**
At 31 December 2006	**178,988**	**500**	**680**	**180,168**
Accumulated amortisation:				
At 1 January 2006	**21,837**	**150**	**–**	**21,987**
Provided for the year	**11,278**	**50**	**–**	**11,328**
At 31 December 2006	**33,115**	**200**	**–**	**33,315**
Net book value:				
31 December 2006	**145,873**	**300**	**680**	**146,853**
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:				
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

19. GOODWILL

Group

	RMB'000
31 December 2006	
Cost at 1 January 2006	**65,665**
Acquisition of subsidiaries (note 38(a))	**2,089**
Acquisition of further equity interests in subsidiaries from minority shareholder	**66,387**
Cost and carrying amount at 31 December 2006	**134,141**
31 December 2005	
Cost at 1 January 2005	15,767
Acquisition of subsidiaries (note 38(a))	41,370
Acquisition of further equity interests in a subsidiary from a minority shareholder	8,528
Cost and carrying amount at 31 December 2005	65,665

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% (2005: 5.58%).

Key assumptions were used in the value in use calculation of the subsidiaries for 31 December 2006 and 31 December 2005. 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. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Commodity price inflation

The basis used to determine the value assigned to commodity price inflation is the expectations of future changes in the market. The values assigned to key assumptions are based on external information sources.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	RMB'000	RMB'000
Unlisted shares, at cost	**2,115,032**	1,203,038
Due from subsidiaries	**223,799**	82,230
Loans to subsidiaries	**305,781**	66,711
	2,664,612	1,351,979
Impairment	**(21,300)**	(16,000)
	2,623,312	1,335,979

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB54,731,000 (2005: Nil) and RMB98,561,000 (2005: Nil), respectively, are unsecured, interest-free and are repayable on demand or within one year.

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

The loans to subsidiaries are unsecured, bear interest at rates ranging from nil to 5.82% (2005: Nil to 5.58%) per annum and have no fixed terms of repayment.

20. 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 RMB'000	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Guizhou Zijin Mining Company Limited ("Guizhou Zijin")	PRC	100,000	51%	5%	Gold mining and geological studies
Xiamen Zijin Sciences and Technology Company Limited ("Xiamen Zijin")	PRC	80,000	100%	–	Geological studies and provision of mining technical 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	100,000	97%	3%	Gold mining and geological studies
Fujian Zijin Copper Company Limited ("Zijin Copper")	PRC	129,000	–	51%	Manufacture and sale of copper alloy
Xinjiang Jinbao Mining Company Limited ("Xinjiang Jinbao")	PRC	50,000	–	56%	Iron mining and geological studies
Fujian Zijin Investment Company Limited ("Zijin Investment")	PRC	200,000	97%	3%	Investment holding
Bayannaoer Zijin Non-ferrous Metal Company Limited ("Bayannaoer Zijin")	PRC	300,000	75%	–	Refinery of zinc

20. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital RMB'000	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Zijin (International) Mining Company Limited ("Zijin International ")	PRC	50,000	95%	5%	Geological studies
Luoyang Yinhui Gold Refinery Company Limited ("Luoyang Yinhui")	PRC	100,000	70%	–	Gold and silver processing and geological studies
Yunnan Huaxi Mining Company Limited ("Yunnan Huaxi")	PRC	50,000	53%	–	Geological studies
Xinjiang Zijin Mining Company Limited ("Xinjiang Zijin")	PRC	100,000	100%		Mining products trading
Xiamen Zijin Construction Design Company Limited ("Construction Design")	PRC	3,000	51%		Construction design

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.

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

21. INTERESTS IN ASSOCIATES

	Group		Company	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Unlisted shares, at cost	**–**	–	**628,716**	275,610
Share of net assets	**762,187**	361,754	**–**	–
	762,187	361,754	**628,716**	275,610

Particulars of the principal associates are as follows:

Name	**Place of incorporation/ registration and operations**	**Registered/ issued share capital** RMB'000	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Fujian Makeng Mining Company Limited	PRC	150,000	31.5%	Iron mining and geological studies
Fujian Shanghang Ting River Hydro-electricity Limited	PRC	69,000	49%	Electricity generation
Tibet Yulong Copper Joint Stock Company Limited	PRC	625,000	39%	Copper mining and geological studies
Wuping Zijin Hydro Power Company Limited	PRC	60,000	48%	Electricity generation and investment holding
Wancheng Commercial Company Limited	PRC	12,000	25%	Lead and zinc mining
Heilongjiang Duobaoshan Copper Joint Stock Company Limited	PRC	30,000	31%	Copper mining

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.

21. INTERESTS IN ASSOCIATES *(continued)*

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

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

	Group	
	2006	2005
	RMB'000	RMB'000
Share of net assets of associates:		
Current assets	**272,328**	277,644
Non-current assets	**753,406**	328,035
Current liabilities	**(83,808)**	(150,013)
Non-current liabilities	**(179,739)**	(93,912)
Net assets	**762,187**	361,754
Share of the associates' revenue and profits:		
Revenue	**183,305**	81,551
Profits	**64,923**	31,173

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

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2006	2005
	RMB'000	RMB'000
Unlisted shares, at cost	**–**	–
Share of net assets	**5,937**	5,295
	5,937	5,295

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

Particulars of the major jointly-controlled entity is as follows:

Name	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Kingbao Mining Company Limited ("Kingbao Mining")	HK	50%	50%	50%	Nickel mining

The above table lists the jointly-controlled entity 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 jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

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

	Group 2006 RMB'000	Group 2005 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**333**	4,184
Non-current assets	**6,370**	1,211
Current liabilities	**(67)**	(100)
Non-current liabilities	**(699)**	–
Net assets	**5,937**	5,295

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 were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Listed equity investments, at fair value	**169,001**	13,760	**30,000**	–
Unlisted equity investments, at cost	**105,162**	77,168	**24,350**	49,850
	274,163	90,928	**54,350**	49,850

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.

24. INVENTORIES

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Raw materials and consumable supplies	**248,980**	87,966	**27,405**	25,436
Work in progress	**455,070**	148,124	**130,941**	127,186
Finished goods	**235,457**	66,494	**59,472**	36,056
	939,507	302,584	**217,818**	188,678

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance of the Group is a prepayment to a minority shareholder of a subsidiary of RMB66,784,000 (2005: Nil), which is unsecured, interest free and repayable in accordance with normal commercial terms.

Included in the 2005 balance of the Group is a loan advanced to an associate of RMB7,144,000 which is unsecured, bears interest at a rate of 8.37% per annum and was fully repaid in the current year (note 39(a)(viii)).

26. 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	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 4 months	**114,424**	53,110	**46,102**	19,074
Over 4 months but within 12 months	**65,702**	7,493	**14,090**	436
Over 1 year but within 2 years	**615**	1,065	**83**	625
Over 2 years	**133**	–	**30**	–
	180,874	61,668	**60,305**	20,135

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2006	2005
	RMB'000	RMB'000
Listed equity investments	**80,003**	6,100

The listed equity investments are carried at quoted market price at 31 December 2005 and 2006.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Cash and bank balances	**1,569,909**	984,464	**537,299**	275,186
Time deposits	**419,585**	69,060	**49,585**	21,688
	1,989,494	1,053,524	**586,884**	296,874
Less: Quality guarantee deposit pledged to a bank for gold bullions sold	**–**	(2,000)	**–**	(2,000)
Time deposit restricted for land restoration and environmental costs upon the closure of mines (note)	**(49,585)**	(21,688)	**(49,585)**	(21,688)
	(49,585)	(23,688)	**(49,585)**	(23,688)
Cash and cash equivalents in the consolidated balance sheet	**1,939,909**	1,029,836	**537,299**	273,186
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(501)**	(24,035)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**1,939,408**	1,005,801	**537,299**	273,186

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 three months and 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 reserved for land restoration and environmental costs upon the closure of mines. As at 31 December 2006, the Company has pledged bank deposits of RMB49,585,000 (2005: RMB21,688,000). The use of these bank deposits are subject to approval by the Shanghang Municipal Government.

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 RMB114,738,000 (2005: RMB118,277,000).

30. TRADE PAYABLES AND BILLS PAYABLE

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

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Within 1 year	**300,611**	211,108	**47,670**	73,715
Over 1 year but within 2 years	**7,068**	1,074	**2,011**	105
Over 2 years but within 3 years	**199**	344	**68**	213
Over 3 years	**10**	639	**10**	527
	307,888	213,165	**49,759**	74,560

Trade payables of the Group and the Company include trading balances due to the shareholders of RMB15,879,000 as at 31 December 2006 (2005: RMB3,211,000). The trade payables also include trading balances due to a minority shareholder of RMB13,120,000 as at 31 December 2006 (2005: RMB12,273,000). 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

	Effective interest rate (%)	Maturity	Group 2006 RMB'000	Group 2005 RMB'000	Company 2006 RMB'000	Company 2005 RMB'000
Bank loans:						
Unsecured	2.55-6.696	2007-2011	**3,307,152**	1,167,410	**1,994,035**	569,400
Secured	5.523-5.56	2007-2020	**750,430**	118,247	**–**	–
Total bank loans			**4,057,582**	1,285,657	**1,994,035**	569,400
Total bank loans			**4,057,582**	1,285,657	**1,994,035**	569,400
Less: Amounts due within one year included under current liabilities	5.53-6.696	2007	**(1,448,917)**	(630,627)	**(404,000)**	(409,800)
Amounts due after one year			**2,608,665**	655,030	**1,590,035**	159,600
Bank loans repayable:						
Within one year	5.53-6.696	2007	**1,448,917**	630,627	**404,000**	409,800
In the second year	5.18-5.85	2008	**727,000**	81,000	**184,800**	–
In the third to fifth years, inclusive	3.6-5.832	2008-2011	**1,787,235**	569,600	**1,405,235**	159,600
More than five years	2.55-6.20	2012-2020	**94,430**	4,430	**–**	–
			4,057,582	1,285,657	**1,994,035**	569,400

Certain bank loans are secured by guarantees from a minority shareholder of a subsidiary (note 39(c)(i)) and a pledge of equipment with a net book value of RMB17,668,000 as at 31 December 2006 (2005: RMB238,000) (note 14). Bank loans of certain subsidiaries are also secured by guarantees from the Company (note 39(c)(iii)).

32. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

The Company entered into forward contracts for the sale of copper and gold. The Group and the Company recorded a realised and unrealised losses of RMB347,465,000 (2005: Nil) and RMB147,112,000 (2005: RMB10,287,000), respectively, for the year.

The following is a summary of forward contracts as at 31 December 2006 and 2005:

	2006	2005
Gold		
– ounce	**137,600**	–
– average price (RMB/ounce)	**4,317**	–
– maturity	**Sep 2007 – Nov 2010**	–
Copper cathodes:		
– ton	**2,245**	4,400
– average price (RMB/ton)	**66,724**	37,088
– maturity	**Jan 2007 – Sep 2007**	May 2006 – Nov 2006

33. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

	Group and Company	
	2006 **RMB'000**	2005 RMB'000
At beginning of year	**37,628**	26,170
Additional provision for the year	**13,228**	11,458
At the end of year	**50,856**	37,628

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

34. DEFERRED TAX ASSETS

Deferred tax assets have been recognised in respect of the deductible temporary differences, which included the fair value losses on derivative financial instruments. The movement in deferred tax assets during the year is as follows:

Group and Company

	2006 **RMB'000**	2005 RMB'000
At beginning of year	**–**	–
Deferred tax credited to the income statement during the year (note 10)	**51,942**	–
Deferred tax assets at end of the year	**51,942**	–

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: 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.

35. LONG-TERM OTHER PAYABLES

		Group		Company	
	Notes	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Xinjiang Geological, Mining and Prospecting Development Bureau (新疆地質礦產堪察開發局)	(a)	**19,452**	25,936	**–**	–
Xinjiang Non-ferrous Metal Industry Company (新疆有色金屬工業公司)	(a)	**5,831**	7,776	**–**	–
Shanghang Finance Bureau (上杭縣財政局)	(b)	**39,298**	44,898	**39,298**	44,898
Fujian Minxi Geologist Team (福建省閩西地質大隊)	(c)	**1,833**	2,633	**1,833**	2,633
Bonuses of directors and senior executives	(d)	**15,338**	12,247	**15,338**	12,247
Yixingzhai Gold Mining Company (義興寨黃金有限責任公司)	(e)	**27,144**	–	**27,144**	–
Others		**32,450**	16,500	**32,448**	16,500
		141,346	109,990	**116,061**	76,278

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 (2005: RMB8,429,000) has been included in accrued liabilities and other payables as at 31 December 2006.

(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 (2005: RMB5,600,000) has been included in accrued liabilities and other payables as at 31 December 2006.

35. LONG-TERM OTHER PAYABLES

Notes: *(continued)*

(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 installments from 2004 onwards. The current portion of RMB800,000 (2005: RMB800,000) has been included in accrued liabilities and other payables as at 31 December 2006.

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

(e) The balance represents an amount payable to Yixingzhai Gold Mining Company for the acquisition of 29% equity interest in Shanxi Zijin, which is unsecured, interest-free and repayable by fourteen equal monthly installments from November 2007.

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

An aged analysis of long-term other payables, based on the invoice date, is as follows:

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within two to five years	**92,043**	72,536	**66,758**	38,824
Over five years	**49,303**	37,454	**49,303**	37,454
	141,346	109,990	**116,061**	76,278

36. SHARE CAPITAL

	2006 Number of shares '000	2006 Nominal value RMB'000	2005 Number of shares '000	2005 Nominal value RMB'000
Registered	**10,513,048**	**1,051,304**	5,256,524	525,652
Issued and fully paid:				
Domestic shares of RMB0.10 each (2005: RMB0.10 each)	**7,308,696**	**730,868**	3,654,348	365,434
H shares of RMB0.10 each	**3,204,352**	**320,436**	1,602,176	160,218
	10,513,048	**1,051,304**	5,256,524	525,652

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

	2006 Number of shares '000	2006 Nominal value RMB'000	2005 Number of shares '000	2005 Nominal value RMB'000
At beginning of year	**5,256,524**	**525,652**	2,628,262	262,826
Share premium converted into share capital (note)	**5,256,524**	**525,652**	2,628,262	262,826
At end of year	**10,513,048**	**1,051,304**	5,256,524	525,652

Notes:

On 18 May 2006, 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 an additional 5,256,523,640 ordinary shares of RMB0.1 each on the basis of ten new ordinary shares to ten existing shares.

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.

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 pages 67 to 68 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
As 1 January 2005		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	11	–	–	–	–	530,157	–	530,157
Transfer to reserves		–	70,878	35,441	–	(106,319)	–	–
Proposed final dividend	12	–	–	–	–	(420,522)	420,522	–
At 31 December 2005		820,139	167,043	83,523	–	105,905	420,522	1,597,132
At 1 January 2006		**820,139**	**167,043**	**83,523**	**–**	**105,905**	**420,522**	**1,597,132**
Dividends paid		**–**	**–**	**–**	**–**	**–**	**(420,522)**	**(420,522)**
Share premium converted into share capital	36	**(525,652)**	**–**	**–**	**–**	**–**	**–**	**(525,652)**
Net profit for the year	11	**–**	**–**	**–**	**–**	**1,115,852**	**–**	**1,115,852**
Transfer to reserves		**–**	**248,222**	**(83,523)**	**–**	**(164,699)**	**–**	**–**
Proposed final dividend	12	**–**	**–**	**–**	**–**	**(946,174)**	**946,174**	**–**
At 31 December 2006		**294,487**	**415,265**	**–**	**–**	**110,884**	**946,174**	**1,766,810**

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 for period before 1 January 2006, 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.

Upon the revision to the Company Law of the PRC on 27 October 2005, the Company and its subsidiaries are not required to allocate certain profit after tax to PWF since 1 January 2006. The PWF brought forward from 2005 was transferred to SSR.

(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 2006, the Company's reserves available for distribution were approximately RMB1,057,058,000 (2005: RMB526,427,000).

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

Pursuant to the agreement entered into between the Company and Yunnan Wenshan Longxing Mining Company Limited (雲南文山隆興礦業有限公司) dated 20 January 2006, the Company acquired 51% equity interests in Yunnan Guangnan Longxing Mining Company Limited ("Guangnan Longxing") (廣南隆礦業有限公司) for a consideration of RMB25,500,000. Guangnan Longxing is engaged in gold mining and refining and its registered capital is RMB50,000,000 as at 31 December 2006.

Pursuant to the agreement entered into between the Company, Longkou Jinxing Gold Company Limited (龍口市金興黃金有限公司) and Longkou Gold Group Company Limited (龍口市黃金集團總公司) dated 11 April 2006, the Company acquired 51% equity interests in Longkou Jintai Gold Company Limited ("Longkou Jintai") (龍口市金泰黃金有限公司) for a consideration of RMB102,000,000. Longkou Jintai is engaged in gold mining activities and its registered capital is RMB200,000,000 as at 31 December 2006.

Pursuant to the agreements entered into between Zijin International, Mr. Liu Daonan and Mr. Huang Mao dated 31 May 2006 and 25 July 2006, Zijin International acquired 60% equity interests in Wulate Houqi Zijin Mining Company Limited ("Wulate Zijin") (烏拉特後旗紫金礦業有限公司) for a consideration of RMB6,000,000. The registered capital of Wulate Zijin is RMB10,000,000 as at 31 December 2006.

Pursuant to the agreements entered into between the Company and Mr. Xu Kaiyu dated 13 June and 15 June 2006, the Company acquired 35.48% equity interests in Hunan Zijin Mining Company Limited ("Hunan Zijin") (湖南紫金礦業有限公司) at a total consideration of RMB11,000,000. In addition, on 18 August 2006, the registered capital of Hunan Zijin increased from RMB31,000,000 to RMB50,000,000 and the Company further injected RMB19,000,000 into Hunan Zijin. The Company owned 60% equity interests in Hunan Zijin after the capital increment according to the agreements. Hunan Zijin is engaged in investment holding of mining companies and trading of mining rights.

Pursuant to the agreement entered into between Zijin Investment, Shanghang Finance Bureau (上杭縣財政局) and Shanghang Economic and Trade Bureau (上杭縣經濟貿易局) dated 14 July 2006, the Company acquired 100% equity interests in Fujian Shanghang Guanzhuang Marble Mine ("Guanzhuang Marble") (福建省上杭縣官莊大理石礦) for a consideration of RMB1,430,000. Guanzhuang Marble is engaged in marble mining and its registered capital is RMB2,380,000 as at 31 December 2006.

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

(a) Acquisition of subsidiaries *(continued)*

Pursuant to the agreement entered into between Hunchun Zijin, Mr. Jiang Zhenlong and Mr. Su Xiaofeng dated on 5 September 2006, Hunchun Zijin acquired 100% equity interests in Hunchun Jinfeng Mining Investment Company Limited (琿春金豐礦業投資有限公司) ("Hunchun Jinfeng") for a consideration of RMB75,000,000. Hunchun Jinfeng is engaged in investment holding of mining companies and mining rights and its registered capital is RMB10,000,000 as at 31 December 2006.

Pursuant to the agreements entered into between the Company, Hunchun Zijin, Hunchun Jinfeng and Longkou Jinfeng Joint Stock Company Limited ("Longkou Jinfeng") (龍口金豐股份有限公司) dated 31 December 2006, the Company, Hunchun Jinfeng and Hunchun Zijin acquired an aggregate 86.65% equity interests in Longkou Jinfeng for a consideration of RMB47,620,354. Longkou Jinfeng is engaged in gold mining and refining activities and its registered capital is RMB10,000,000 as at 31 December 2006.

Pursuant to the agreement entered into between Yunnan Jinfeng and Yunnan Zhongtao Economy and Trading Company Limited (雲南眾韜經貿有限公司) ("Yunnan Zhongtao") dated 28 October 2006, Yunan Zhongtao increased its capital from RMB5,000,000 to RMB35,000,000 and Yunnan Jinfeng injected RMB30,000,000 to acquire its 60% equity interests. Yunnan Zhongtao is a trading company and its registered capital is RMB35,000,000 as at 31 December 2006.

Pursuant to the agreement entered into between the Company and Mrs. Zhou Xueqin and Mr. Guo Weisong dated 31 October 2006, the Company acquired 100% equity interests in Hengyang Shangqing Mining Company Limited ("Hengyang Shangqin") (衡陽尚卿礦業有限公司) for a consideration of RMB50,000,000. Hengyang Shangqing is engaged in the mining and dressing of iron ore activities and its registered capital is RMB50,000,000 as at 31 December 2006.

Pursuant to the agreement entered into between Yunnan Jinfeng, Mr. Ran Houbi and Mr. Cao Shifen, Funing Zhenglong Gold Mining Exploration Company Limited ("Funing Zhenglong") (富寧縣正龍金礦資源開發有限責任公司) increased its capital from RMB1,000,000 to RMB120,000,000 and Yunnan Jinfeng injected RMB61,200,000 to acquire 51% equity interests in Funing Zhenglong. Funing Zhenglong is engaged in gold mining activities and its registered capital is RMB120,000,000 as at 31 December 2006.

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

(a) Acquisition of subsidiaries *(continued)*

Pursuant to the 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 Dongkeng Gold Mine Company Limited ("Guangdong Xinyi") (廣東信宜東坑金礦有限責任公司) for a total consideration of RMB16,000,000. Guangdong Xinyi is engaged in gold mining activities and its registered capital is RMB20,000,000 as at 31 December 2005.

Pursuant to the 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 Mine Company Limited ("Xinyi Baoyuan") (信宜市寶源礦業有限公司) for 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 2005. During the year ended 31 December 2005, Zijin Investment further acquired 9.01% equity interests in Zijin Copper for 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 held 50.37% equity interests in Zijin Copper, which was accounted as a subsidiary as at 31 December 2005.

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 for 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") (九江南亞投資管理有限公司) and Beijing Fengde Investment and Consultancy Company ("Beijing Fengde") (北京市豐德創業投資諮詢限公司) dated 5 August 2005, the Company acquired 42% equity interests in Yunnan Huaxi for 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 for a consideration of RMB13,750,000.

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

(a) Acquisition of subsidiaries *(continued)*

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

	Notes	2006 Fair value recognised on acquisition RMB'000	2006 Carrying amount RMB'000	2005 Fair value recognised on acquisition RMB'000	2005 Carrying amount RMB'000
Property, plant and equipment	14	**441,593**	**441,593**	88,194	88,194
Intangible assets	18	**145,187**	**17,678**	32,715	32,715
Land use rights		**3,340**	**3,340**	–	–
Long-term deferred assets		**41,599**	**41,599**	–	–
Available-for-sale investments		**34,367**	**34,367**	1,500	1,500
Interests in associates		**–**	**–**	14,549	14,549
Cash and cash equivalents		**249,715**	**249,715**	125,181	125,181
Inventories		**28,435**	**28,435**	34,576	34,576
Trade receivables		**12,021**	**12,021**	280	280
Prepayments, deposits and other receivables		**56,113**	**56,113**	180,173	180,173
		1,012,370	**884,861**	477,168	477,168
Trade payables		**(5,469)**	**(5,469)**	(24,147)	(24,147)
Accrued liabilities and other payables		**(197,996)**	**(197,996)**	(80,510)	(80,510)
Interest-bearing bank loans		**(24,695)**	**(24,695)**	(16,000)	(16,000)
Tax payable		**(50,637)**	**(50,637)**	–	–
Minority interests		**(286,216)**	**(265,950)**	(125,198)	(125,198)
		(565,013)	**(544,747)**	(245,855)	(245,855)
		447,357	**340,114**	231,313	231,313
Excess over the cost of business combinations recognised in the income statement	5	**(20,696)**		–	
Goodwill arising on acquisition	19	**2,089**		41,370	
		428,750		272,683	

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

(a) Acquisition of subsidiaries *(continued)*

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

	Notes	2006 Fair value recognised on acquisition RMB'000	2006 Carrying amount RMB'000	2005 Fair value recognised on acquisition RMB'000	2005 Carrying amount RMB'000
Consideration:					
Satisfied by cash		**(428,750)**		(267,643)	
Transfer from interests in jointly-controlled entities		**–**		(5,040)	
		(428,750)		(272,683)	
Cash consideration		**(428,750)**		(267,643)	
Net cash acquired		**249,715**		125,181	
Net cash outflow		**(179,035)**		(142,462)	

Since the acquisition, the aforementioned subsidiaries contributed RMB413,016,000 to the Group's turnover and RMB209,512,000 to the consolidated profit for the year ended 31 December 2006. For the year ended 31 December 2005, the acquisition of the aforesaid subsidiaries had no significant impact on the Group's revenue and the consolidated profit for the year.

Had the subsidiaries' acquisitions taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB10,760,542,000 (2005: RMB3,038,509,000) and RMB1,708,491,000 (2005: RMB870,921,000), respectively.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(b) Disposal of subsidiaries

	Notes	2006 RMB'000	2005 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	**3,422**	3,748
Intangible assets	18	**6,041**	512
Land use rights		**283**	–
Long-term deferred assets		**861**	–
Cash and cash equivalents		**394**	142
Inventories		**13,288**	251
Trade receivables		**490**	2,843
Prepayments, deposits and other receivables		**301**	11,093
Available-for-sale investments		**100**	–
Trade payables		**(352)**	(75)
Accrued liabilities and other payables		**(1,989)**	(2,774)
Interest-bearing bank loans		**(565)**	–
Minority interests		**(10,127)**	(7,196)
		12,147	8,544
Gains/(losses) on disposal of subsidiaries	7	**8,856**	(4,879)
		21,003	3,665
Satisfied by:			
Cash		**21,003**	3,665

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:		
Cash consideration	**21,003**	3,665
Net cash disposed of	**(394)**	(142)
Net cash inflow	**20,609**	3,523

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

(b) Disposal of subsidiaries *(continued)*

On 25 April 2006, Yunnan Huaxi entered into an agreement with Yunnan Aluminum Company Limited (雲南鋁業股份有限公司) to dispose of its 51% equity interests in Yunnan Wenshan Aluminum Company Limited (雲南文山鋁業有限公司) for a consideration of RMB15,300,000. The disposal resulted in a gain on disposal of RMB9,451,553 for the year.

In accordance with the shareholders' resolution dated 12 April 2006, the shareholders of Hubei Gedian Dida Nanometer Technology Development Company Limited ("Nanometer Technology") (湖北葛店開發區地大納米技術開發有限公司) agreed to dissolve the company. The assets of Nanometer Technology was sold to repay its liabilities. The disposal resulted in a loss on disposal of RMB730,943 for the year.

On 29 June 2006, Yunnan Huaxi entered into an agreement with Mr. Hu Yuyou and Mr. Yu Demin to dispose of its 60% equity interests in Yingjiang Hualong Mining Company Limited (盈江華龍礦業有限公司) for a consideration of RMB5,700,000. The disposal resulted in a gain on disposal of RMB454,657 for the year.

On 23 June 2006, Xiamen Zijin entered into an agreement with Mr. Li Jianguo to dispose of its 51% equity interests in Wuhan Dida Nanometer Rare-earth Materials Development Company Limited ("Nanometer Rare-earth") (武漢地大納米稀土材料發展有限公司) for a consideration of RMB3,000. The disposal resulted in a loss on disposal of RMB318,817 for the year.

On 22 September 2005, Xiamen Zijin entered into an agreement with Mr. Libing 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 ended 31 December 2005.

On 26 November 2005, Zijin Investment entered into an agreement with Mr. Zhu Minghai to dispose of its 60% equity interests in Guizhou Province Huangping Country Xingda Mining Company Limited for a consideration of RMB3,006,000. The disposal resulted in a loss on disposal of RMB438,000 for the year ended 31 December 2005.

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, had a gain on disposal of subsidiaries of RMB8,856,450 for the year ended 31 December 2006 (2005: loss of RMB4,879,000).

The results of the subsidiaries disposed of in the year ended 31 December 2006 had no significant impact on the Group's consolidated revenue and the consolidated profit for the year.

(c) Major non-cash transactions

During the year, the Group capitalised interest expenses of RMB29,844,000 (2005: RMB23,105,000) in property, plant and equipment (note 6).

On 26 June 2006, a minority shareholder of Chongli Zijin injected land use right of RMB29,685,000 as capital injection for 36% equity interest in Chongli Zijin.

Included in long term other payable as at 31 December 2006 is a balance of RMB27,144,000 (2005: Nil) representing the unpaid balance for the acquisition of 29% equity interests in Shanxi Zijin from minority shareholders (note 35 (e)).

39. RELATED PARTY TRANSACTIONS

(a) 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	2006 RMB'000	2005 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	(i)	**83,164**	87,434
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 Guizhou Zijin	Construction service fees	(i)	**41,110**	75,820
Gansu Jianxin Group Company Limited (甘肅建新實業集團有限公司)	A shareholder of Bayannaoer Zijin	Purchase of zinc concentrates	(i)	**59,774**	–
Xiamen Hengxing Mining Company Limited (廈門恒興礦業有限公司)	A shareholder of Hunchun Zijin	Purchase of 1.13% equity interests in Hunchun Zijin	(ii)	**5,625**	–
Fujian Shanghang Hongyang Mine Engineering Company Limited (福建上杭鴻陽礦山工程有限公司)	A shareholder of Hunchun Zijin	Purchase of 6.75% equity interests in Hunchun Zijin	(ii)	**33,750**	–
Hunchun Gold and Copper Mining Company Limited (琿春金銅礦業有限公司)	A shareholder of Hunchun Zijin	Purchase of a 9.125% equity interests in Hunchun Zijin	(iii)	**–**	13,688
Fujian Xinhuadu Engineering Company Limited (福建省新華都工程有限責任公司)	A shareholder	Purchase of 10% equity interests in Jiuzhaigou Zijin	(iv)	**8,000**	–

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) 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: *(continued)*

Name of related party	Relationship with the Company	Nature of transaction	Notes	2006 RMB'000	2005 RMB'000
China Metallurgy Geology Prospecting Engineering Northwestern Division (中國冶金地質勘查工程總局西北分局)	A shareholder of Xinjiang Zijin	Purchase of 20% equity interests in Xinjiang Zijin	(v)	**20,000**	–
Fujian Shanghang Daguangming Group (福建上杭大光明集團)	A shareholder of Wuping Zijin Hydro Power Company Limited	Purchase of 10% equity interests in Wuping Zijin Hydro Power	(vi)	**9,295**	–
Yixingzhai Gold Mining Company Limited (義興寨黃金礦業有限公司)	A shareholder of Shanxi Zijin	Purchase of 34% equity interests in Shanxi Zijin	(vii)	**54,100**	–
Wuping Zijin Hydro- Power Company Limited (武平縣紫金水電有限公司)	An associate	Loan	(viii)	**–**	7,144

Notes:

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

(ii) These transactions were conducted pursuant to agreements entered into between the Company and the counterparty dated 26 July 2006. These transactions were entered in accordance with the terms mutually agreed between the parties.

(iii) 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.

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) 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: *(continued)*

Notes: *(continued)*

(iv) The transaction was conducted pursuant to an agreement entered into between the Company and Fujian Xinhuadu Engineering Company Limited dated 18 November 2006. The transaction was entered in accordance with the terms mutually agreed between the parties.

(v) The transaction was conducted pursuant to an agreement entered into between the Company and China Metallurgy Geology Prospecting Engineering Western-North Division dated 27 September 2006. The transaction was entered in accordance with the terms mutually agreed between the parties.

(vi) The transaction was conducted pursuant to an agreement entered into between Zijin Investment and Fujian Shanghang Daguangming Group dated 20 September 2006. The transaction was entered in accordance with the terms mutually agreed between the parties.

(vii) Pursuant to an agreement entered into between the Company and Yixingzhai Gold Mining Company Limited dated 25 October 2006, the Company purchased 29% equity interests of Shanxi Zijin from Yixingzhai Gold Mining Company Limited at a consideration of RMB46,144,000.

Pursuant to an agreement entered into between Zijin International and Yixingzhai Gold Mining Company Limited dated 25 October 2006, Zijin International purchased 5% equity interests in Shanxi Zijin from Yixingzhai Gold Mining Company Limited at a consideration of RMB7,956,000. These transactions were entered in accordance with the terms mutually agreed between the parties.

(viii) Pursuant to an agreement entered into between Zijin Investment and other shareholders of Wuping Zijin Hydro Power 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 Power Company Limited in 2005. The loan is unsecured, bears interest at 8.37% per annum and was fully repaid in the current year.

(b) Details of compensation of key management personnel of the Group is disclosed in note 8 and note 9 to the financial statements.

39. RELATED PARTY TRANSACTIONS *(continued)*

(c) (i) 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 2006, the guarantee was utilised to the extent of RMB116,000,000 (2005: RMB116,000,000).

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

Name of associate	Nature of guarantee	**2006 RMB'000**	2005 RMB'000
Fujian Longyan Makeng Mining Company Limited	Corporate guarantee Maximum guarantee	**15,000**	15,000
	Guarantee utilised	**11,250**	11,250

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

Name of subsidiary	Nature of guarantee	**2006 RMB'000**	2005 RMB'000
Guizhou Zijin	Corporate guarantee Maximum guarantee	**25,000**	25,000
	Guarantee utilised	**10,000**	20,000
Xinjiang Ashele	Corporate guarantee Maximum guarantee	**127,000**	173,400
	Guarantee utilised (note)	**127,000**	173,400
Zijin Investment	Corporate guarantee Maximum guarantee	**90,000**	20,000
	Guarantee utilised	**43,000**	2,000

39. RELATED PARTY TRANSACTIONS *(continued)*

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

Name of subsidiary	Nature of guarantee	**2006 RMB'000**	2005 RMB'000
Xiamen Zijin	Corporate guarantee Maximum guarantee	**60,000**	–
	Guarantee utilised	**7,000**	–
Zijin Copper	Corporate guarantee Maximum guarantee	**531,300**	4,172
	Guarantee utilised	**170,617**	4,172
Yunnan Huaxi	Corporate guarantee Maximum guarantee	**55,000**	–
	Guarantee utilised	**40,000**	–
Zijin International	Corporate guarantee Maximum guarantee	**50,000**	–
	Guarantee utilised	**50,000**	–
Fujian Shanghang Zijin Hydro Power Company Limited	Corporate guarantee Maximum guarantee	**40,000**	–
	Guarantee utilised	**40,000**	–
Qinghai West Mining Company Limited	Corporate guarantee Maximum guarantee	**110,000**	–
	Guarantee utilised	**110,000**	–
Bayanaoer Zijin	Corporate guarantee Maximum guarantee	**380,000**	–
	Guarantee utilised	**380,000**	–

39. RELATED PARTY TRANSACTIONS *(continued)*

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

Name of subsidiary	Nature of guarantee	2006 RMB'000	2005 RMB'000
Xinjiang Zijin	Corporate guarantee Maximum guarantee	**50,000**	–
	Guarantee utilised	**50,000**	–
Fuyun Jinshan Mining Company Limited	Corporate guarantee Maximum guarantee	**230,000**	–
	Guarantee utilised	**79,000**	–
Tongling Zijin Mining Company Limited	Corporate guarantee Maximum guarantee	**20,000**	–
	Guarantee utilised	**20,000**	–

Note:

As at 31 December 2006, a long term bank loan of Xinjiang Ashele amounting to RMB127,000,000 (2005: RMB177,000,000) was secured by guarantees provided by the Company and Xinjiang Non-ferrous Metal Industry (Group) Company Limited (note 39(c)(i)) above.

40. CONTINGENT LIABILITIES

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

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Corporate guarantees in respect of bank loans granted to:				
Subsidiaries	**–**	–	**1,768,300**	222,572
An associate	**15,000**	15,000	**15,000**	15,000
	15,000	15,000	**1,783,300**	237,572

As at 31 December 2006, 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 RMB1,126,617,000 (2005: RMB199,572,000) and RMB11,250,000 (2005: RMB11,250,000), respectively.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its land and building to third parties under operating lease arrangements, with leases negotiated for terms ranging from two to ten years.

At 31 December 2006, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,535**	1,935	**335**	354
In the second to fifth years, inclusive	**4,822**	5,446	**22**	87
Over five years	**5,000**	6,200	**–**	–
	11,357	13,581	**357**	441

41. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its land and building 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 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Within one year	**589**	1,600	**16**	31
In the second to fifth years, inclusive	**2,078**	761	**–**	16
	2,667	2,361	**16**	47

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	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Contracted, but not provided:				
Acquisition of plant, machinery and mining assets	**355,698**	197,205	**48,454**	51,264
Acquisition of exploration and mining rights	**240,000**	–	**240,000**	–
Capital injection in subsidiaries	**–**	–	**139,184**	63,598
Capital injection in associates	**41,452**	44,200	**–**	33,000
Acquisitions of minority interests	**66,300**	52,500	**–**	52,500
Acquisition of equity interests in subsidiaries	**328,685**	–	**11,465**	–
	1,032,135	293,905	**439,103**	200,362
Authorised, but not contracted for:				
Acquisition of a 70% equity interest in China Gold Development Group (Hong Kong) Company Limited	**–**	161,418	**–**	161,418
	–	161,418	**–**	161,418
	1,032,135	455,323	**439,103**	361,780

43. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

The Group conducts its major operations in Mainland China and is exposed to market risk from changes in interest rates and commodity prices. Financial assets of the Group include cash, deposits with banks, trade and bills receivables, commodity selling price, 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.

(a) 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 Limited, the Agriculture Bank of China Company Limited, the Bank of China Limited, the China Construction Bank Corporation, the Bank of Communications Company Limited, the Industrial Bank Company Limited, the China Everbright Bank Company Limited, the China Minsheng Banking Corporation Limited, the China Citic Bank, the China Merchants Bank Company Limited, 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 RMB56,642,000 (2005: RMB5,700,000) and RMB18,519,000 (2005: RMB1,000,000), 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 an 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 or group counterparties.

(b) 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.

(c) Interest rate risk

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

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

43. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

(continued)

(d) Foreign exchange risk

The forward contracts for the sale of gold are denominated in US dollars. Fluctuation of the US dollars against RMB can affect the results of operation of the Group.

(e) Commodity price risk

The Group exposure to commodity price risk relates principally to the market price fluctuation on gold, copper and zinc which can affect the Group's results of operations.

(f) 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

(a) Pursuant to the agreement entered into between the Company and Longkou Jinxing Gold Company Limited (龍口金興黃金有限公司) dated 16 January 2007, the Company purchased 39 % equity interests in Longkou Jintai at a consideration of RMB 90,000,000. Longkou Jintai is engaged in gold mining activities and its registered capital is RMB 200,000,000 as at 31 December 2006.

44. POST BALANCE SHEET EVENTS *(continued)*

(b) On 1 February 2007, the Board of Directors resolved that the Company would apply to the China Securities Regulation Committee ("CSRC") for the issue of a maximum of 150,000,000 A shares of RMB1.00 each or 1,500,000,000 A shares of RMB0.1 each.

At the same time, the Board of Directors also proposes that the Company will effect a share consolidation by which every ten issued H shares or domestic shares of RMB0.10 each will be consolidated into one consolidated H share or one consolidated domestic share of RMB1.00 each. The proposed share consolidation is subject to: (i) the approval of the Company's shareholders at the forthcoming extraordinary general meeting dated 26 March 2007; (ii) consent from the CSRC regarding the share consolidation and the proposed issue of A shares; and (iii) the approval from The Stock Exchange of Hong Kong Limited.

(c) On 5 February 2007, Xiamen Zijin Tongguan Investment Development Company Limited, an associate company of the Group, proposed to acquire the entire issued and to be issued share capital of Monterrico Metal plc., a company incorporated in England and Wales whose shares are quoted on the AIM operated by London Stock Exchange plc. at an offer price of 350 pence (in cash) for each Monterrico share. Details of the acquisition had been disclosed in the circular to shareholders of Monterrico Metal plc on 5 March 2007.

(d) On 8 March 2007, the Board of Directors proposed a final dividend of RMB0.09 per ordinary share, totaling approximately RMB946,174,000. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(e) On 8 March 2007, the Board of Directors proposed to convert an amount of RMB262,826,182 in the Company's surplus reserve fund into 2,628,261,820 shares of RMB0.1 each and the Company will issue additional new shares on the basis of 2.5 new ordinary shares for every 10 existing ordinary shares to shareholders.

45. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, 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.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 March 2007.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of Zijin Mining Group Co., Ltd.* (the "Company") for the year ended 31 December, 2006 will be held at 9:00 a.m. on 30 April, 2007, Monday, at the conference room on the 1st floor of the Company's office building at No. 1 Zijin Road, Shanghang County, Fujian Province, the PRC to consider, approve and authorise the following businesses:

ORDINARY RESOLUTIONS

1. to consider and approve:

    1.1 the Report of the Directors of the Company for 2006;

    1.2 the Report of the Supervisory Committee of the Company for 2006;

    1.3 the consolidated audited financial statements and the Report of the international auditors of the Company for the year ended 31 December, 2006;

2. to consider and approve the profit distribution proposal of the Company and the relevant declaration and payment of a final dividend for the year ended 31 December, 2006;

3. to consider and approve the remuneration of the Directors and Supervisors for the year ended 31 December, 2006;

4. to consider and approve, the reappointment of Ernst & Young Hua Ming and Ernst & Young as the Company's domestic and international auditors respectively for the year ended 31 December, 2007, and to authorise the Board of Directors to determine their remuneration;

5. to consider, approve and adopt the management policy of connected transactions ("Management Policy of Connected Transactions") (as set out in Appendix 1 to the Circular) in substitution and to the exclusion of the existing management policy, such Management Policy of Connected Transactions shall take effect conditional upon the listing of A Shares; and to authorize and empower the Board to make further amendments of the Management Policy of Connected Transactions in order to fulfill the listing rules (changes from time to time) of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Ltd.

SPECIAL RESOLUTIONS

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

    To convert a sum of RMB262,826,182 in the Company's reserve fund into 2,628,261,820 shares of a nominal value of RMB0.1 each. On the basis of the issued share capital of 10,513,047,280 shares as at the end of 2006, shareholders will be offered additional 2.5 ordinary shares for each 10 ordinary shares they hold.

7. to consider and approve various proposals for amendments to certain provisions of the articles of association of the Company but those provisions shall be independent and will not affect the effectiveness of other provisions;

 7.1 in view of the transfer regarding domestic shares of the Company in 2006 and upon the approval of the above 6th resolution, there will be a change in the registered capital and share structure of the Company,

  7.1.1 to amend the Article 16 of the articles of association of the Company as:

"The current share capital structure of the Company is: 13,141,309,100 ordinary shares of the Company in issue of a nominal value of RMB0.1 per share, inter alia:

Minxi Xinghang State-owned Assets Investment Company Limited holds 4,210,902,120 shares, representing 32.04% of the total number of ordinary shares in issue of the Company,

Xinhuadu Industrial Company Limited holds 1,729,000,000 shares, representing 13.16% of the total number of ordinary shares in issue of the Company,

Xiamen Hengxing Industrial Company Limited holds 475,000,000 shares, representing 3.61% of the total number of ordinary shares in issue of the Company,

Chen Fashu holds 448,601,999 shares, representing 3.41% of the total number of ordinary shares in issue of the Company,

Shanghang County Jinshan Trading Company Limited holds 333,640,000 shares, representing 2.54% of the total number of ordinary shares in issue of the Company,

Ke Xiping holds 325,850,000 shares, representing 2.48% of the total number of ordinary shares in issue of the Company,

Li Rongsheng holds 220,305,000 shares, representing 1.68% of the total number of ordinary shares in issue of the Company,

Hu Yuesheng holds 206,630,000 shares, representing 1.57% of the total number of ordinary shares in issue of the Company,

Deng Ganbin holds 165,500,000 shares, representing 1.26% of the total number of ordinary shares in issue of the Company,

Chen Xiaoqing holds 154,501,000 shares, representing 1.18% of the total number of ordinary shares in issue of the Company, Xie Fuwen holds 153,000,000 shares, representing 1.16% of the total number of ordinary shares in issue of the Company,

Fujian Gold Group Company Limited holds 150,715,210 shares, representing 1.15% of the total number of ordinary shares in issue of the Company,

Lin Yu holds 132,060,000 shares, representing 1% of the total number of ordinary shares in issue of the Company,

Chen Jinghe holds 114,594,000 shares, representing 0.87% of the total number of ordinary shares in issue of the Company,

Wu Wenxiu holds 97,010,000 shares, representing 0.74% of the total number of ordinary shares in issue of the Company,

He Xixiang holds 88,490,000 shares, representing 0.67% of the total number of ordinary shares in issue of the Company,

Chen Yunlan holds 65,220,000 shares, representing 0.50% of the total number of ordinary shares in issue of the Company,

Fujian Minxi Geologist holds 30,616,770 shares, representing 0.23% of the total number of ordinary shares in issue of the Company,

Chen Zhiyong holds 19,747,951 shares, representing 0.15% of the total number of ordinary shares in issue of the Company,

Liu Xiaochu holds 4,828,350 shares, representing 0.04% of the total number of ordinary shares in issue of the Company,

Ye Lucheng holds 4,828,350 shares, representing 0.04% of the total number of ordinary shares in issue of the Company,

Chen Zhicheng holds 4,828,350 shares, representing 0.04% of the total number of ordinary shares in issue of the Company, and

Shareholders of foreign shares listed overseas holds 4,005,440,000 shares, representing 30.48% of the total number of ordinary shares in issue of the Company.

7.2 to amend the Article 19 of the articles of association of the Company as:

"The registered capital of the Company is RMB1,314,130,910."

8. to consider and authorise the Board of Directors of the Company (among other thing):

   (a) to issue, allot and deal with once or more than once during the Relevant Period (as defined below) additional Shares, whether Domestic Shares or H Shares, which shall not exceed 20 per cent of the aggregate nominal amount of Domestic Shares or H Shares of the Company in issue as of the date of passing this Resolution, subject to obtaining approval from any government and/or regulatory authorities in accordance with the applicable laws. In the exercise of their power to allot and issue shares, the authority of the Board of Directors shall include (but not limited to):

      (i) the determination of the number of additional shares to be issued;

      (ii) the determination of the issue price of additional shares;

      (iii) the determination of the opening and closing dates for the issue of additional shares;

      (iv) the determination of the number of additional shares (if any) to be issued to existing shareholders;

      (v) to grant or give authorization to grant offers, to enter into or give authorization to enter into agreements and to exercise options for the purpose of exercising the said powers;

   (b) upon the exercise of the powers pursuant to paragraph (a) above, the Board of Directors may during the Relevant Period grant or give authorization to grant offers, to enter into or give authorization to enter into agreements and to exercise or give authorization to exercise options and that the relevant additional Shares relating thereto may only be allotted and issued after the expiry of the Relevant Period; and

   (c) to amend the Articles of Association, if applicable, subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company Law of the People's Republic of China (as the same may be amended from time to time) and that all necessary approvals from the relevant PRC government authorities are obtained; and

   (d) for the purpose of this Resolution:

      "Relevant Period" means the period from the day of the passing of this resolution until whichever is the earlier of:

      (i) twelve months from the date of the passing of this resolution;

      (ii) the conclusion of the next annual general meeting of the Company; and

      (iii) the date on which the mandate granted by this Resolution is revoked or varied by a special resolution of the shareholders in the general meeting; and

9. for the purpose of the above Resolutions No. 6, 7, and 8, to authorise the Board of Directors of the Company:

   (a) to approve, execute and make all such documents, deeds and matters as it may consider necessary in connection therewith;

   (b) to make such amendments to the Articles of Association of the Company as it thinks fit; and

   (c) to make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities.

10. to consider and approve resolutions (if any) proposed by any shareholder holding 3% or above of the total number of Shares having voting rights at the general meeting.

By order of the Board of Directors
Chen Jinghe
Chairman

Fujian, the PRC, 16 March, 2007

Notes:

(A) The Company's register of H Shares members will be closed from Saturday, 31 March, 2007 to Monday, 30 April, 2007 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares of the Company whose names appear on the register of members on Monday, 30 April, 2007 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfers must be lodged with the Registrar of H Shares of the Company no later than 4:30 p.m. on Friday, 30 March, 2007.

The address of the Hong Kong Registrar of H Shares is:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

(B) Holders of H Shares and Domestic Shares who intend to attend the AGM must complete and return the reply slip in writing to the Secretariat of the Board of the Company twenty days before the AGM, that is Tuesday, 10 April, 2007.

Details of the Office for the Secretariat of the Board of the Company is as follows:

1 Zijin Road
Shanghang County
Fujian Province
People's Republic of China
Tel: (86) 597 384 1468
Fax: (86) 592 396 9667

(C) Holders of H Shares who has the right to attend and vote at the AGM are entitled to appoint one or more proxies (whether or not a member) to attend and vote on his behalf. For those shareholders who appoint more than one proxy, such proxies can only exercise their voting rights by way of polls. Shareholders who intend to appoint one or more proxies should first read the Company's 2006 annual report.

(D) The instrument appointing a proxy must be in writing and signed by the appointer or his attorney duly authorised in writing. In the event that such instrument is signed by an attorney of the appointer, an authorization that authorized such signatory shall be notarized.

(E) To be valid, the form of proxy (and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, then together with such power of attorney or other authority) must be deposited at the Company's Registrar of H Shares of the Company - Computershare Hong Kong Investor Services Limited no later than 24 hours before the specified time for the holding of the AGM. The address is: Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(F) Holders of Domestic Shares who has the right to attend and vote at the AGM are entitled to appoint one or more proxies (whether or not a member) to attend and vote on his behalf. Notes (C) and (D) are also applicable for holders of Domestic Shares, but to be valid, the relevant proxy forms or other authorisation documents must be delivered to the Board secretariat of the Company at the address set out in Note (B) above 24 hours before the specified time for the holding of the AGM, its address is set out in Note (B) above.

(G) If a proxy is appointed to attend the AGM on behalf of a shareholder, the proxy must indicate its identification and the authorisation instrument with the date of issue and duly signed by the proxy and its legal representative, and in the case of legal representative of legal person shareholders, such legal representative must indicate its own identification and effective document to identify its identity as legal representative. If a legal person shareholder appoints a company other than its legal representative to attend the AGM, such representative must indicate its own identification and the authorisation instrument bearing the company chop of the legal person shareholder and duly authorised by its legal representative.

(H) The AGM is expected to last for half a day, and shareholders attending the AGM will be responsible for their own travelling and accommodation expenses.

(I) The H share register of the Company will be closed from 31 March 2007 (Saturday) to 30 April, 2007 (Monday) (both dates inclusive), during which no transfer of shares will be registered. Holders of H Shares whose names appear on the H share register of members of the Company on 30 April, 2007 (Monday, being the record date) are entitled to attend the Annual General Meeting of the Company to be convened on 30 April, 2007 (Monday) in Shanghang, Fujian and to receive the final dividends and additional ordinary shares to be issued pursuant to the capital conversion scheme.

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