



## ZIJIN MINING GROUP CO., LTD.\*

### 紫金礦業集團股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 2899)

## ANNUAL RESULTS ANNOUNCEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2006

#### Financial results

Revenue	+251.71% to RMB10,678,810,000
Gross profit	+168.87% to RMB3,959,911,000
Gross profit margin	37.08% as compared with 48.51% for Year 2005
Net profit attributable to equity holders of the parent	+142.24% to RMB1,704,514,000

#### Operating performance

Production of gold	+135.1% to 49,280 kg or 1,584,388 ounces
including: ore-produced gold	+35.6% to 20,700 kg or 665,520 ounces
Sales of gold	+130.78% to 48,572 kg or 1,561,625 ounces
Average selling price of gold	+31.82% to RMB157.19/g or RMB4,889/ounce
Production of copper	+102.83% to 40,302 tonnes
Sales of copper	+112.81% to 38,714 tonnes
Production of iron concentrates	+71.43% to 600,000 tonnes
Sales of iron concentrates	+45.27% to 486,700 tonnes
Production of zinc	+37.5 times to 54,703 tonnes
Sales of zinc	+32.5 times to 47,516 tonnes

(1 troy ounce = 31.1035g)

#### Highlights

- Proposed a final dividend of RMB0.09 per share, representing a payout ratio of 55.5%;
- Achieved a general growth in efficiency indices with gold remained as the main business, expanded its business by leveraging resources, with newly-added resources outstripping consumption; and
- As at 31 December 2006, the Group has recorded 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).

The Board of Directors (the “Board”) of Zijin Mining Group Co., Ltd.\* (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to the “Group”) for the year ended 31 December 2006.

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2006*

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

## CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i> (Restated)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	4,356,320	2,394,982
Land use rights	96,077	54,583
Long-term deferred assets	249,782	124,361
Other assets	854,279	172,463
Intangible assets	885,516	530,163
Goodwill	134,141	65,665
Interests in associates	664,770	361,754
Interests in jointly-controlled entities	103,354	5,295
Available-for-sale investments	274,163	90,928
Deferred tax assets	51,942	–
	<u>7,670,344</u>	<u>3,800,194</u>
<b>CURRENT ASSETS</b>		
Inventories	939,507	302,584
Prepayments, deposits and other receivables	476,070	243,615
Trade receivables	180,874	61,668
Bills receivable	13,105	7,693
Equity investments at fair value through profit or loss	80,003	6,100
Pledged deposits	49,585	23,688
Cash and cash equivalents	1,939,909	1,029,836
	<u>3,679,053</u>	<u>1,675,184</u>
<b>CURRENT LIABILITIES</b>		
Accrued liabilities and other payables	1,237,441	413,596
Trade payables and bills payable	307,888	213,165
Interest-bearing bank loans	1,448,917	630,627
Government grants	14,650	10,693
Tax payable	328,763	215,718
Derivative financial instruments	157,399	10,287
	<u>3,495,058</u>	<u>1,494,086</u>
<b>NET CURRENT ASSETS</b>	<u>183,995</u>	<u>181,098</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>7,854,339</u>	<u>3,981,292</u>

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

#### **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 for 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.

*(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 IFRS 6 has resulted in a change in accounting policy relating to the “Exploration and evaluation assets” as described in 3 “Summary of significant accounting policies”. 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, which 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.

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.

## 1. 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 <i>RMB'000</i>	2005 <i>RMB'000</i>
Revenue		
Sale of gold bullions	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 ( <i>note 1</i> )	(99,019)	(32,559)
	<u>10,678,810</u>	<u>3,036,215</u>
Other income		
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 ( <i>note 2</i> )	52,909	–
Excess over the cost of a business combination recognized in the income statement	20,696	–
Others	14,455	10,612
	<u>125,585</u>	<u>24,729</u>

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	–
	<u>67,641</u>	<u>3,082</u>
	<u>193,226</u>	<u>27,811</u>

*Note 1:* The sales taxes and levies consisted of resources tax, business tax, education surcharge and city construction tax.

*Note 2:* 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).

## 2. 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.

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	Ore-produced	Processed	Copper	Zinc	Ore	Corporate		
31 December 2006	gold	gold	cathodes	bullions	concentrates	and others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>								
Sales to external customers	2,688,270	4,610,760	336,425	968,233	1,988,396	86,726	-	10,678,810
Intersegment sales	33,318	-	25,239	-	257,218	93,982	(409,757)	-
Other revenue	-	-	-	-	-	-	-	-
Total	<u>2,721,588</u>	<u>4,610,760</u>	<u>361,664</u>	<u>968,233</u>	<u>2,245,614</u>	<u>180,708</u>	<u>(409,757)</u>	<u>10,678,810</u>
<b>Segment results</b>	<u>1,599,512</u>	<u>24,225</u>	<u>188,073</u>	<u>63,593</u>	<u>1,153,217</u>	<u>90,385</u>	<u>-</u>	<u>3,119,005</u>
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								<u>2,358,516</u>
<b>Assets and liabilities</b>								
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								<u>11,349,397</u>
Segment liabilities	620,371	153,211	502,316	162,006	770,992	330,221	-	2,539,117
Unallocated liabilities								3,756,808
Total liabilities								<u>6,295,925</u>
<b>Other segment information:</b>								
Depreciation and amortisation	146,463	13,456	25,395	15,322	106,729	15,292	-	322,657
Capital expenditure	<u>836,503</u>	<u>145,324</u>	<u>61,193</u>	<u>423,023</u>	<u>1,136,316</u>	<u>272,042</u>	<u>-</u>	<u>2,874,401</u>



Year ended	Ore-produced	Processed	Copper	Zinc	Ore	Corporate		
31 December 2005	gold	gold	cathodes	bullions	concentrates	and others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>								
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	<u>1,665,390</u>	<u>716,790</u>	<u>36,319</u>	<u>-</u>	<u>616,612</u>	<u>79,883</u>	<u>(78,779)</u>	<u>3,036,215</u>
<b>Segment results</b>								
	<u>978,976</u>	<u>(1,359)</u>	<u>16,101</u>	<u>-</u>	<u>219,167</u>	<u>5,749</u>	<u>-</u>	<u>1,218,634</u>
Interest and dividend income								10,659
Unallocated expense								(108,137)
Finance costs								(18,437)
Share of profits and losses of associates	-	-	-	-	31,173	-	-	<u>31,173</u>
Profit before tax								1,133,892
Tax								<u>(263,829)</u>
Profit for the year								<u>870,063</u>
<b>Assets and liabilities</b>								
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								<u>640,794</u>
Total assets								<u>5,475,378</u>
Segment liabilities	608,047	23,526	272,150	30,140	200,191	71,292	-	1,205,346
Unallocated liabilities								<u>1,091,386</u>
Total liabilities								<u>2,296,732</u>
<b>Other segment information:</b>								
Depreciation and amortisation	110,578	270	-	269	48,345	6,907	-	166,369
Impairment loss recognized in income statement	6,857	-	-	-	-	-	-	6,857
Capital expenditure	<u>232,912</u>	<u>27,462</u>	<u>138,960</u>	<u>290,092</u>	<u>571,014</u>	<u>148,899</u>		<u>1,409,339</u>

### 3. PROFIT BEFORE TAX

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

	2006 RMB'000	2005 RMB'000
Cost of inventories sold	6,647,603	1,525,530
Amortisation of land use rights	4,667	580
Amortisation of long-term deferred assets	26,253	7,919
Amortisation of intangible assets	27,148	17,952
Provision for land restoration and rehabilitation costs	13,228	11,458
	<u>6,718,899</u>	<u>1,563,439</u>
Depreciation ( <i>note (i)</i> )	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):		
Salaries and other staff costs ( <i>note (ii)</i> )	281,093	158,958
Retirement benefits - defined contribution fund ( <i>note (iii)</i> )	7,006	10,252
	<u>288,099</u>	<u>169,210</u>
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*	(8,856)	4,879
Losses on derivative financial instruments*	494,577	10,287
Impairment provision for intangible assets*	-	6,857

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

*Notes:*

- (i) Depreciation of approximately RMB223,457,000 was included in the cost of sales for the year ended 31 December 2006 (2005: RMB118,039,000).
- (ii) 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).
- (iii) 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.

#### 4. FINANCE COSTS

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

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

#### 5. TAX

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

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.

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

	2006		2005	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>2,869,337</u>		<u>1,133,892</u>	
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	<u>(33,963)</u>	<u>(1.18)</u>	<u>(14,038)</u>	<u>(1.24)</u>
Tax charge at the Group's effective rate	<u><b>510,821</b></u>	<u><b>17.80</b></u>	<u><b>263,829</b></u>	<u><b>23.27</b></u>

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.

## 6. 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 included a profit of RMB1,115,852,000 (2005: RMB530,157,000), which has been dealt with in the financial statements of the Company.

## 7. 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 of the Company’s share premium was approved at the annual general meeting. 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 net profit attributable to ordinary 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 2005 and 2006 have not been disclosed as there were no potential dilutive ordinary shares outstanding during these years.

## 8. PROPOSED FINAL DIVIDEND

	<b>2006</b>	2005
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Proposed final dividend – RMB0.09 (2005: RMB0.08) per ordinary share	<b><u>946,174</u></b>	<u>420,522</u>

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 RMB0.09 per share 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 political 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 is US\$530 per ounce, and closing price was US\$632 per ounce. The trend of domestic gold price is 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 higher 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 gold output, and 11.51% of 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 recorded 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) mine gold, 28,510 kg (916,617 ounces) of refined gold, 70 kg (2,250 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 concentrates, 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 concentrate form, 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.

In 2006, 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, 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 from 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 Huichun Shuguang Gold and Copper Mine, which was amounted to about 88% of total mine gold of the Group. Remaining 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 (80,055 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, Henan Luoyang Zijin Yinhuai Company produced 27,660kg (889,289 ounces) of refinery gold, Zijin Science and Technology 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 Zijin.

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. Bayannaer Refinery Plant produced 334 tonnes of copper from other associated metals.

Copper mine business grew rapidly. Its sales income represented 16.4% of the annual total 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. Yunnan Huaxi 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 Bayannaer Refinery Plant. In order to avoid duplicate calculation, its production was not included in our statistics.

Bayannaer Refinery Plant 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 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 tonnes 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 mine represented about 2.5% of total sales income, while represented about 1% of net profit.

## *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 and 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-Zinc Mine and adjacent mines and Tuyen Quang Iron Mine, and became a substantial shareholder of Ridge Mining, a company listed on the London Stock Exchange. The Group recently announced an acquisition offer to Monterrico Metals plc, 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.

After three years of construction and development, Anhui Tongling Jiaochong Gold and Multi-metal Ore Mine was just set-up and trial production has been commenced.

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 projects 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 nearly acquired mine exploration rights which covers 740 sq.km. The Group has 27 mining rights, covering an area of 41.3 sq.km. If 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 tonnes, 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 approval.

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. Sanguikou of Neimeng Dongshengmiao 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 Group was awarded as the “National Recognized Enterprise Technical Center” by five national ministries collectively. The Group 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 application 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 Bayannaer 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 to 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. Only one light injury has been reported and it caused certain economic loss. The accident is an important lesson to the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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 251.7% over the previous year. The table below shows sales by products for the two years ended 31 December 2005 and 2006. 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:

Product	2006			2005		
	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 Zijin sold 27,660 kg gold was the main reason of the growth; (ii) 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)	<b>73.66</b>	66.02
Gold (processed gold)	<b>0.52</b>	0.51
Gold concentrates	<b>51.7</b>	51.51
Copper concentrates	<b>83.25</b>	62.88
Copper cathodes	<b>81.45</b>	50.63
Zinc concentrates	<b>76.83</b>	–
Zinc bullions	<b>35.9</b>	–
Iron concentrates	<b>56.64</b>	59.32
Others	–	–
Total (included processed gold)	<b>37.08</b>	48.51
Total (excluded processed gold)	<b>63.59</b>	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 Copper Gold 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 RMB117.45 million and the increase of loss in derivative financial instruments amounting 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 (deducted the provision in 2005). The actual effect to the net profit of the equity holders is RMB296,027,000.

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 RMB157.399 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 great support from the local governments and people. In this year, the increase was mainly contributable to the donation from Xinjiang Ashele Copper Co., Ltd. to the local society and authorities.

### **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 increase 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 companies 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 (Adjusted in 2005: 10,513,047,280 Shares) in issue during the year.

## **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 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. Hunchunshuguang 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 secured 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 new business potential, and prepare for 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 Zinc industry will continue to be the major development of the Company. The Bayanaoer Zine Refinery Plant expects to consolidate the production process for production of recycled by-products. Wulatehouqi Lead and Zinc mine will further increase 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.

The emphases in 2007 are on combined open pit exploitation of Zijinshan Gold and Copper Mine, expansion project of Huichun 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, Wulaehouqi 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, 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-Zinc 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, and 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, the Group will allocate about RMB1.5 billion on acquisition of resources and RMB150 million on exploration respectively.

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 of the Company.

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 research, design, and implementation.

In the three years since listing, the honest 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.

## **SUPPLEMENTAL INFORMATION**

### **Final Dividend**

As audited by Ernst & Young, the Company's net profit for the year ended 31 December 2006 prepared under IFRSs was RMB1,704,514,000, while the net profit for the year ended 31 December 2006 prepared under PRC accounting standards was RMB1,725,193,000. The Board of Directors has proposed to pay dividends of RMB0.09 per Share in cash 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% (based on profit prepared 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.

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

The proposed distribution of final dividends and capital conversion are subject to approval by shareholders at the Annual General Meeting to be held lately. The Company shall shortly announce the timetable for the closure of register of members, the date of the Annual General Meeting and other details in relation to capital conversion in a circular and the notice of the Annual General Meeting.



## **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.

## **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.

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

## **Corporate Governance**

The Corporate Governance Report of the Company has been set out in its 2006 Annual Report. The Audit Committee of the Board held a meeting on 7 March 2007 for the purpose of reviewing the annual report of the Group and giving advice and recommendations to the Board. Save as disclosed below, the Board acknowledges that the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) without deviations.

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 CG Code, the effective operation of the Group will not be impaired as Mr. Chen is responsible for the effective operation of the Board as Chairman of the Board and has made sufficient delegation in the daily business operation of the Group as the President.

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

Hong Kong, 8 March 2007

*As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Liu Xiaochu, Luo Yingnan, Lan Fusheng, Huang Xiaodong, and Zou Laichang as executive directors, Mr. Ke Xiping as non-executive director, and Messrs. Chen Yuchuan, Su Congfu, Lin Yongjing, and Loong Ping Kwan as independent non-executive directors.*

\* *For identification purpose only*

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