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	Percentage of equity attributable to the Group 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	Percentage of equity attributable to the Group		Principal activities
		RMB'000	Direct	Indirect	
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	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	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	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	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 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 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 RMB'000	2005 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	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	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	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	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 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 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:

		2006		2005	
	Notes	**Fair value recognised on acquisition RMB'000**	**Carrying amount RMB'000**	Fair value recognised on acquisition RMB'000	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.