



ZIJIN MINING GROUP CO., LTD.\*

紫金礦業集團股份有限公司

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

(Stock code: 2899)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

### Financial results

Revenue	+39.26% to RMB14,871,268,000
Gross profit	+40.81% to RMB5,575,907,000
Gross profit margin	37.49% as compared with 37.08% for Year 2006
Net profit attributable to equity holders of the parent	+49.72% to RMB2,552,007,000

### Operating performance

Production of gold including: ore-produced gold	+6.12% to 52,294kg or 1,681,290 ounces +19.53% to 24,827kg or 798,206 ounces
Sales of gold Average selling price of gold bullions	+9.48% to 53,176kg or 1,709,662 ounces +8.87% to RMB171.14 /g or USD728.76 /ounce
Production of copper Sales of copper	+17.22% to 47,244 tonnes + 27.30% to 49,285 tonnes
Production of iron concentrates Sales of iron concentrates	+45.83% to 874,900 tonnes +88.52% to 917,505 tonnes
Production of zinc Sales of zinc	+121.93% to 159,168 tonnes +157.20% to 122,211 tonnes

(1 troy ounce = 31.1035g)

### Highlights

- At the end of 2007, the Group has maintained metal (ore) resources/reserves of gold resources of about 638 tonnes (included 98 tonnes of gold associated with other metals), platinum and palladium of about 151 tonnes, copper of about 9.37 million tonnes, zinc of about 3.19 million tonnes, nickel of about 0.67 million tonnes, lead of about 0.52 million tonnes, molybdenum of about 0.31 million tonnes, tin of about 0.1 million tonnes, iron ores of about 167.9 million tonnes, and coal of about 300 million tonnes, and new resources/reserves of bauxite of about 43.97 million, gallium of about 7,372 tonnes and tungsten of about 63,580 tonnes (on equity base for non-subsidiaries). The Group has become one of the enterprises that control most of the metal mineral resources in the PRC.
- In year 2008, the Group plans to produce gold of approximately 57.3 tonnes in 2008, of which approximately 29.7 tonnes are produced from mines, and approximately 27.6 tonnes are processed gold; copper metal of approximately 59,000 tonnes; zinc metal of approximately 149,000 tonnes; iron concentrates of approximately 1,260,000 tonnes; reduction iron of approximately 100,000 tonnes; processed copper of approximately 10,000 tonnes; silver metal of approximately 93 tonnes; and other new metal products like tin, tungsten and antimony. Please note that the said plan was made on the basis of the current market situation and the existing conditions of the Company. The Board may, pursuant to changes in circumstances, vary the production plan.

The Board of Directors (the “Board”) of Zijin Mining Group Co., Ltd.\* (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to the “Group”) for the year ended 31 December 2007.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	<b>2007</b>	2006
	<b>RMB'000</b>	RMB'000
		(Restated)
REVENUE	<b>14,871,268</b>	10,678,810
Cost of sales	<b>(9,295,361)</b>	(6,718,899)
Gross profit	<b>5,575,907</b>	3,959,911
Other income and gains	<b>238,991</b>	193,226
Selling and distribution costs	<b>(255,000)</b>	(143,074)
Administrative expenses	<b>(607,360)</b>	(417,505)
Other operating costs	<b>(318,248)</b>	(673,169)
Finance costs	<b>(292,683)</b>	(114,975)
Share of profits and losses of:		
Associates	<b>72,371</b>	64,923
Jointly-controlled entities	<b>18,225</b>	-
PROFIT BEFORE TAX	<b>4,432,203</b>	2,869,337
Tax	<b>(912,448)</b>	<b>(510,821)</b>
PROFIT FOR THE YEAR	<b>3,519,755</b>	2,358,516
Attributable to:		
Equity holders of the parent	<b>2,552,007</b>	1,704,514
Minority interests	<b>967,748</b>	654,002
	<b>3,519,755</b>	2,358,516
PROPOSED FINAL DIVIDEND	-	946,174
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<b>RMB0.19</b>	RMB0.13

## CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,003,718	4,356,320
Investment properties	58,329	-
Prepaid land lease payments	156,740	96,077
Long-term deferred assets	483,796	249,782
Other assets	1,604,573	854,279
Intangible assets	1,615,470	885,516
Goodwill	339,132	134,141
Interests in associates	1,374,378	762,187
Interests in jointly-controlled entities	274,937	5,937
Available-for-sale investments	462,178	274,163
Deferred tax assets	29,917	51,942
<b>Total non-current assets</b>	<b>12,403,168</b>	<b>7,670,344</b>
<b>CURRENT ASSETS</b>		
Inventories	1,044,245	939,507
Prepayments, deposits and other receivables	662,054	476,070
Trade receivables	293,870	180,874
Bills receivables	52,346	13,105
Equity investments at fair value through profit or loss	102,439	80,003
Derivative financial instruments	4,440	-
Pledged deposits	52,088	49,585
Cash and cash equivalents	2,184,510	1,939,909
<b>Total current assets</b>	<b>4,395,992</b>	<b>3,679,053</b>
<b>CURRENT LIABILITIES</b>		
Accrued liabilities and other payables	1,844,215	1,237,441
Trade and bills payable	590,262	307,888
Interest-bearing bank and other loans	3,682,778	1,448,917
Government grants	17,744	14,650
Tax payable	521,191	328,763
Derivative financial instruments	-	157,399
<b>Total current liabilities</b>	<b>6,656,190</b>	<b>3,495,058</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>(2,260,198)</b>	<b>183,995</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>10,142,970</b>	<b>7,854,339</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other loans	2,759,660	2,608,665
Provision for land restoration and environmental costs	50,856	50,856
Long-term other payables	185,713	141,346
Deferred tax liabilities	28,128	-
<b>Total non-current liabilities</b>	<b>3,024,357</b>	<b>2,800,867</b>
<b>Net assets</b>	<b>7,118,613</b>	<b>5,053,472</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	1,314,130	1,051,304
Reserves	4,022,896	2,600,724
	5,337,026	3,652,028
<b>Minority interests</b>	<b>1,781,587</b>	<b>1,401,444</b>
<b>Total equity</b>	<b>7,118,613</b>	<b>5,053,472</b>

Notes:

## IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 7	<i>Financial instruments: Disclosures</i>
IAS 1 Amendment	<i>Capital Disclosures</i>
IFRIC- 8	<i>Scope of IFRS 2</i>
IFRIC- 9	<i>Reassessment of Embedded Derivatives</i>
IFRIC- 10	<i>Interim Financial Reporting and Impairment</i>

The principal effects of adopting these new and revised accounting pronouncements are as follows:

**(a) IFRS 7 *Financial instruments: Disclosures***

This 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 the risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/ revised where appropriate.

**(b) Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures***

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

**(c) IFRIC- 8 *Scope of IFRS 2***

This interpretation requires IFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued any equity instruments, the interpretation has had no effect on these financial statements.

**(d) IFRIC- 9 *Reassessment of Embedded Derivatives***

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

**(e) IFRIC- 10 *Interim Financial Reporting and Impairment***

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group has no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

IFRS 2 Amendment	<i>Share-based Payment Vesting Conditions and Cancellations</i> <sup>1</sup>
IFRS 3 (Revised)	<i>Business Combinations</i> <sup>5</sup>
IFRS 8	<i>Operating Segments</i> <sup>1</sup>
IAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>1</sup>
IAS 23 (Revised)	<i>Borrowing Costs</i> <sup>1</sup>
IAS 27 Amendment	<i>Consolidated and Separate Financial Statements</i> <sup>5</sup>
IAS 32 and IAS 1 Amendments	<i>Puttable Financial Instruments</i> <sup>1</sup>
IFRIC- 11	<i>IFRS 2 – Group and Treasury Share Transactions</i> <sup>2</sup>
IFRIC- 12	<i>Service Concession Arrangements</i> <sup>4</sup>
IFRIC- 13	<i>Customer Loyalty Programmes</i> <sup>3</sup>
IFRIC- 14	<i>IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements on their Interaction</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2009

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 IFRS 8 may result in new or amended disclosures, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position

## 1. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of trade discounts and returns.

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

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sale of gold bullion	8,522,689	7,352,810
Sale of gold concentrates	458,513	235,609
Sale of copper concentrates	1,902,139	1,427,068
Sale of copper cathodes	414,090	344,508
Sale of zinc bullion	2,720,151	969,884
Sale of zinc concentrates	88,642	183,875
Sale of iron concentrates	450,136	175,270
Others	490,768	88,805
Less: Sales taxes and levies ( <i>note 1</i> )	(175,860)	(99,019)
	<b>14,871,268</b>	<b>10,678,810</b>
Other income		
Interest income	27,176	13,513
Rental income	4,335	1,664
Processing income	2,861	1,400
Dividend income	45,010	20,948
Profit from a jointly-controlled operation ( <i>note 2</i> )	22,363	52,909
Excess over the cost of a business combination recognised in the income statement	4,791	20,696
Hotel operating income	19,780	7,752
Others	53,090	6,703
	<b>179,406</b>	<b>125,585</b>
Gains		
Exchange gains	16,862	3,476
Gain on disposal of equity investments at fair value through profit or loss	40,692	33,993
Fair value gains on equity investments at fair value through profit or loss	2,031	30,172
	<b>59,585</b>	<b>67,641</b>
	<b>238,991</b>	<b>193,226</b>

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

*Note 2:* Pursuant to the cooperation agreements entered into between a subsidiary of the Group and two independent third parties dated 10 December 2005 and 9 March 2006, respectively, the subsidiary provided raw zinc ores to these two independent third parties for processing into zinc concentrates for sales. The profit derived thereon was shared between the subsidiary and the independent third parties according to the cooperation agreements. During the year ended 31 December 2007, the Group shared a profit from this jointly-controlled operation of RMB22,363,000 (2006: RMB52,909,000).

## 2. SEGMENT INFORMATION

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

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

- (a) the ore-produced gold segment is the production of gold bullions through the Group's integrated processes, i.e. mining, processing and refining;
- (b) the processed gold segment is the production of gold bullions by refining gold ore;
- (c) the copper cathodes segment is the production of copper cathodes;
- (d) the zinc bullions segment is the production of zinc bullions;
- (e) the ore concentrates segment comprises, principally, the production of gold concentrates, copper concentrates, zinc concentrates and iron concentrates; and
- (f) the corporate and others segment comprised, principally, the production of vitriol, copper ashes, silver, etc.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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 2007 and 2006.

Year ended	Ore-produced	Processed	Copper	Zinc	Ore	Corporate	Eliminations	Consolidated
31 December 2007	gold	gold	cathodes	bullions	concentrates	and others		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>								
Sales to external customers	3,895,524	4,541,611	396,545	2,713,895	2,894,954	428,739	-	14,871,268
Intersegment sales	11,317	-	16,340	-	785,802	174,887	(988,346)	-
Other revenue	-	-	-	-	-	73,412	-	73,412
<b>Total</b>	<b>3,906,841</b>	<b>4,541,611</b>	<b>412,885</b>	<b>2,713,895</b>	<b>3,680,756</b>	<b>677,038</b>	<b>(988,346)</b>	<b>14,944,680</b>
<b>Segment results</b>	<b>2,369,333</b>	<b>2,961</b>	<b>331,767</b>	<b>634,829</b>	<b>1,646,864</b>	<b>92,331</b>	<b>-</b>	<b>5,078,085</b>
Interest and dividend income								72,186
Unallocated expenses								(515,981)
Finance costs								(292,683)
Share of profits and losses of:								
Associates	-	-	(17,815)	-	84,262	5,924	-	72,371
Jointly-controlled entities	-	18,613	-	-	(388)	-	-	18,225
Profit before tax								4,432,203
Tax								(912,448)
<b>Profit for the year</b>								<b>3,519,755</b>
<b>Assets and liabilities</b>								
Segment assets	2,341,882	226,894	962,448	1,259,598	4,993,896	2,378,785	-	12,163,503
Interests in associates	-	-	119,685	-	1,107,974	146,719	-	1,374,378
Interests in jointly-controlled entities	13,090	172,697	-	-	89,150	-	-	274,937
Unallocated assets								2,986,342
<b>Total assets</b>								<b>16,799,160</b>
Segment liabilities	238,421	49,395	64,102	113,853	1,441,736	781,283	-	2,688,790
Unallocated liabilities								6,991,757
<b>Total liabilities</b>								<b>9,680,547</b>
<b>Other segment information:</b>								
Depreciation and amortisation	233,482	3,102	32,632	40,909	179,007	35,084	-	524,216
Unallocated								5,678
<b>Total depreciation and amortisation</b>								<b>529,894</b>
Capital expenditure	919,104	62,199	156,868	201,147	1,467,269	530,075	-	3,336,662
Unallocated								117,823
<b>Total capital expenditure</b>								<b>3,454,485</b>
Non-cash gains/(expenses)	(117,224)	-	32,277	14,792	-	-	-	(70,155)
Unallocated								42,723
<b>Total non-cash gains/(expenses)</b>								<b>(27,432)</b>
Impairment losses recognised in the income statement	50	-	-	-	-	-	-	50



## 2. SEGMENT INFORMATION (continued)

Year ended 31 December 2006 (restated)	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
<b>Segment revenue:</b>								
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)	–
Other revenue	–	–	–	–	–	77,590	–	77,590
<b>Total</b>	<b>2,821,699</b>	<b>4,477,331</b>	<b>361,664</b>	<b>968,233</b>	<b>2,278,934</b>	<b>258,296</b>	<b>(409,757)</b>	<b>10,756,400</b>
<b>Segment results</b>								
	1,548,186	2,611	145,567	312,766	1,058,276	151,892	–	3,219,298
Interest and dividend income								34,461
Unallocated expenses								(334,370)
Finance costs								(114,975)
Share of profits and losses of associates	–	–	–	–	60,735	4,188	–	64,923
Profit before tax								2,869,337
Tax								(510,821)
<b>Profit for the year</b>								<b>2,358,516</b>
<b>Assets and liabilities</b>								
Segment assets	1,844,113	258,699	586,420	1,261,514	4,100,030	713,665	–	8,764,441
Interests in associates	–	–	336,750	–	335,733	89,704	–	762,187
Interests in jointly-controlled entities	2,000	–	–	–	3,937	–	–	5,937
Unallocated assets								1,816,832
<b>Total assets</b>								<b>11,349,397</b>
Segment liabilities	126,755	83,554	502,316	162,006	770,992	263,957	–	1,909,580
Unallocated liabilities								4,386,345
<b>Total liabilities</b>								<b>6,295,925</b>
<b>Other segment information:</b>								
Depreciation and amortisation	146,463	13,456	25,395	15,322	106,729	15,292	–	322,657
Non-cash gains/(expenses) Unallocated	(240,965)	–	(253,612)	–	–	–	–	(494,577)
<b>Total Non-cash gains/(expenses)</b>								<b>(430,412)</b>
<b>Capital expenditure</b>	<b>709,766</b>	<b>134,579</b>	<b>61,193</b>	<b>418,430</b>	<b>969,238</b>	<b>593,869</b>	<b>–</b>	<b>2,887,075</b>

### 3 PROFIT BEFORE TAX

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

	2007 RMB'000	2006 RMB'000
Cost of inventories sold	9,165,962	6,647,603
Amortisation of land use rights	7,049	4,667
Amortisation of long-term deferred assets	55,595	26,253
Amortisation of intangible assets	58,022	27,148
Provision for land restoration and rehabilitation costs	8,733	13,228
	<b>9,295,361</b>	<b>6,718,899</b>
Depreciation ( <i>note (i)</i> )	409,228	264,589
Research and development expenditures	43,118	39,016
Minimum lease payments under operating leases on land and buildings	4,335	2,203
Auditors' remuneration	3,720	2,600
Staff costs (including directors' remuneration):		
Salaries and other staff costs ( <i>note (ii)</i> )	496,274	281,093
Retirement benefits - defined contribution fund ( <i>note (iii)</i> )	11,665	7,006
	<b>507,939</b>	<b>288,099</b>
Provision/(reversal of provision) for inventory obsolescence	(321)	99
Provision/ (reversal of provision) for impairment of trade receivables*	(22)	1,584
Loss on disposal of property, plant and equipment*	4,916	1,337
Donations*	219,034	148,423
Losses on derivative financial instruments*	70,155	494,577
Impairment provision for property, plant and equipment*	393	-
Gains on disposal of subsidiaries*	-	(8,856)

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

*Notes:*

- (i) Depreciation of approximately RMB305,461,000 was included in the cost of sales for the year ended 31 December 2007 (2006: RMB223,457,000).
- (ii) Staff costs of approximately RMB217,260,000 were included in the cost of sales for the year ended 31 December 2007 (2006: RMB145,041,000).
- (iii) According to the relevant rules and regulations of the PRC, the Company and its subsidiaries incorporated in the PRC participate in defined contribution retirement plans. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Company and its subsidiaries are required to make contributions to the local social security bureau at rates ranging from 11% to 25% of the prior year's average basic salaries within the geographical area where the employees are under employment with the Company and its subsidiaries. The Company and its subsidiaries have no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

#### 4. FINANCE COSTS

	<b>Group</b>	
	<b>2007</b>	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans and other loans wholly repayable within five years	<b>326,327</b>	144,819
Less: Interest capitalised as construction in progress	<b>(33,644)</b>	(29,844)
	<b>292,683</b>	114,975

The interest capitalisation rate represents the cost of capital from raising the related borrowings and ranges from 5.18% to 7.20% (2006: 5.022% to 6.138%) per annum.

#### 5. TAX

	<b>2007</b>	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current		
– Hong Kong	<b>5,357</b>	4,357
– Mainland China	<b>868,573</b>	592,369
Underprovision/(overprovision) in prior years	<b>12,884</b>	(33,963)
Deferred	<b>25,634</b>	(51,942)
	<b>912,448</b>	510,821

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Provision for the PRC corporate income tax has been provided at the rate of 33% (2006: 33%) based on the taxable profits except for some subsidiaries enjoy tax concession.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries 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:

	<b>2007</b>		2006	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<b>4,432,203</b>		2,869,337	
At the PRC statutory tax rate	<b>1,462,630</b>	<b>33.00</b>	946,881	33.00
Expenses not deductible for tax	<b>34,128</b>	<b>0.77</b>	10,684	0.37
Income not subject to tax	<b>(15,013)</b>	<b>(0.34)</b>	(17,460)	(0.61)
Profits and losses attributable to associates and jointly-controlled entities	<b>(29,897)</b>	<b>(0.67)</b>	(21,425)	(0.75)
Differential tax rate on the profit of certain subsidiaries	<b>(552,151)</b>	<b>(12.46)</b>	(368,161)	(12.83)
Reduction of income tax in respect of the tax benefit on locally purchased machinery	<b>(133)</b>	<b>0.00</b>	(5,735)	(0.20)
Underprovision/(overprovision) in prior year	<b>12,884</b>	<b>0.29</b>	(33,963)	(1.18)
Tax charge at the Group's effective rate	<b>912,448</b>	<b>20.59</b>	510,821	17.80

The share of tax attributable to associates and jointly-controlled entities amounting to RMB54,942,000 (2006: RMB39,295,000) is included in "Share of profits and losses of associates and jointly-controlled entities" on the face of the consolidated income statement.

**6. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a profit of RMB1,985,744,000 (2006: RMB1,115,852,000), which has been dealt with in the financial statements of the Company.

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

On 30 April 2007, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting. When calculating the earnings per share amount for the year ended 31 December 2007, 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 2006.

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB2,552,007,000 (2006: RMB1,704,514,000) and the weighted average number of 13,141,309,100 ordinary shares (2006: 13,141,309,100 ordinary shares) in issue during the year.

Diluted earnings per share amount for the years ended 31 December 2006 and 2007 have not been disclosed as there were no diluting events existed during these years.

**8. PROPOSED FINAL DIVIDEND**

The Board did not recommend the payment of any dividend for the year ended 31 December 2007. A final dividend of RMB946,174,000 was paid in respect of the year ended 31 December 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

In 2007, the slowdown of the global economic growth, the increase of financial risk, the expected downturn of the US economy, the impelling influence of geographical political tensions, the continuous upsurge of crude oil prices and substantial devaluation of the US dollar have caused gold to be one of the most valuable investments for the year. The international gold price was in the unstable adjustment period in the first half of year 2007. Starting from early September till the year end, the increase in gold price was accelerated. In addition, owing to the subprime crisis in the United States which began to spread throughout the credit market, the continuous upsurge of crude oil prices and the substantial devaluation of the US dollar in the second half year of 2007, the forward gold price in New York reached record high of US\$851 per ounce in last 20 years. As at the year end, the closing price of gold was US\$833.75 per ounce on the London Gold Market. The closing price of gold on the Shanghai Gold Exchange was RMB194.22 per gram.

In 2007, the Company's average selling price of gold bullions was RMB171.14 per gram (approximately US\$728.76 per ounce), representing 8.87% increase over last year (RMB157.19 per gram).

In the beginning of year 2007, with the increase in the demand of imported copper in the PRC, the copper price was on the increase in March and April. The copper price reached US\$8,335 per tonne in May. Nevertheless, owing to the slowdown of the economic growth in the United States, the copper price fluctuated and ranged US\$7,000-8,000 per tonne in the second half of year 2007. As at the year end, the closing price of copper on the LME was US\$6,708.5 per tonne. In 2007, the Company's average selling price of copper cathodes was RMB51,569.73 per tonne, representing 0.45% increase over last year (RMB51,336.74 per gram).

As at 4 May 2007, the price of zinc rebounded and reached US\$3,675 per tonne in the LME. The price fluctuated around US\$3,300 per tonne towards the end of June. Starting from July, the subprime crisis burst and spread all over the world. As at the year end, the price of zinc has rebounded slightly with a closing price of US\$2,388.5 per tonne on the LME. In 2007, the Company's average selling price of copper cathodes was RMB23,642 per tonne, representing 11.88% decrease over last year (RMB26,829 per gram).

### Industrial Position

According to the statistics of the China Gold Association in 2007, the national gold production in the PRC amounted to 270.491 tonnes, representing 12.67% growth over last year, including 236.518 tonnes of ore-produced gold, representing 10.88% growth over last year. The Group produced 52.294 tonnes of gold, including 24.827 tonnes of ore-produced gold, representing approximately 19.33% of the total gold output, and 10.50% of ore-produced gold in the PRC. Gold enterprises in the PRC recorded a total profit of RMB9,019,700,000. Profits (net product profits of gold) recorded by the Group was RMB2,387,000,000, representing 26.46% of the total profit recorded by the gold industry in the PRC.

### Business Overview

In the reporting period, the Group produced 52,294 kg (1,681,290 ounces) of gold, representing a growth of 6.12% over last year, including 24,827 kg (798,206 ounces) of ore-produced gold, representing 19.53% growth over last year, and 27,467 kg (883,084 ounces) of refined gold.

Copper output was 47,244 tonnes, including 8,070 tonnes of ore-produced copper cathodes, 39,174 tonnes of copper in concentrate form, representing a growth of 17.22% over the previous year(40,302 tonnes).

In the reporting period, the Group produced 159,168 tonnes of zinc, including 114,205 tonnes of zinc bullion and 44,963 tonnes of zinc in concentrate form, representing a growth of 121.93% over previous year (71,720 tonnes).

Output of iron concentrates was 874,900 tonnes, representing 45.82% growth over last year.

In 2007, the Group achieved a sales income of approximately RMB14,871,268,000, representing an increase of 39.26% over the previous year, and achieved profit after tax of approximately RMB2,552,007,000, an increase of 49.72% over the previous year. As at the end of 2007, the total assets of the Group amounted to approximately RMB16,799,160,000, representing a growth of 48.01% over the previous year, and net assets amounted to approximately RMB7,118,613,000, representing a growth of 40.86% over the previous year.

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

1. GOLD MINE BUSINESS

During the reporting period, the Group produced a total of 24,827 kg of ore-produced gold (798,206 ounces) representing 19.53% growth over last year, including 21,208 kg (681,853 ounces) of ore-produced gold bullion, 3,397 kg (109,216 ounces) gold in concentrate form and 222 kg (7,137 ounces) of gold associated with other metals.

The ore-produced gold production was mainly produced at the following mines: 15,893 kg (510,971 ounces) was produced at Zijinshan Gold Mine, 2,354 kg (75,682 ounces) was produced at Guizhou Shuiyindong Gold Mine, 1,422 kg (45,718 ounces) of gold was produced in the form of concentrates at Hunchun Shuguang Gold and Copper Mine and 1,012 kg (32,537 ounces) was produced at Chongli Zijin, which represented of 83.3% of total mine gold of the Group. The other group entities have produced 4,146 kg (133,297 ounces) of gold amounting to 16.7% gold outputs of the Group.

The Group took over the operation of ZGC project in Tajikistan in July 2007. After half a year's hard work, the prolonged loss making position was reversed. For the year ended 31 December 2007, 410 kg (13,182 ounces) of gold was produced and is expected to realise a profit in 2008.

During the reporting period, the Group produced 27,467 kg (883,084 ounces) of refinery gold, which remained stable compared to last year, of which, Henan Luoyang Zijin Yinhui Gold Refinery Plant produced 26,051 kg (837,558 ounces) of refined gold, Zijin Science and Technology produced 964 kg (30,993 ounces) of refined gold.

Sales income from the gold business of the Group represented 59.68% of the total annual sales income, and the net profit of the gold business represented 59.47% of the total net profit of the Group.

2. COPPER MINE BUSINESS

During the reporting period, the Group produced 47,244 tonnes of copper, representing a growth of 17.22% over last year. Xinjiang Ashele Copper Mine produced 28,494 tonnes of copper in concentrate form. Zijinshan Copper Mine produced 8,032 tonnes of copper cathodes. Hunchun Shuguang Gold and Copper Mine produced 4,024 tonnes of copper in concentrate form. The new operation in Qinghai Deerni Copper Mine produced 5,000 tonnes of copper concentrates.

Sales income from the copper mine business represented 15.39% of the annual total sales income, while it represented about 33.96% of the total net profit of the Group.

3. ZINC MINE BUSINESS

During the reporting period, the Group produced 159,168 tonnes of zinc, representing a growth of 121.93% over last year, of which 44,963 tonnes of zinc was produced in concentrate form, representing 48.29% increase over last year and 114,205 tonnes of zinc bullions, representing 175.86% increase over last year.

The major zinc production came from Wulatehouqi Zijin which produced 28,748 tonnes of zinc in concentrate form and Xinjiang Ashele Copper Mine which produced 9,808 tonnes of zinc from other associated metals. Other entities produced a total of 6,407 tonnes of zinc in concentrate form.

Bayannaer Zijin Zinc Refinery Plant produced a total of 114,205 tonnes of zinc bullions in the year.

Sales income from zinc mine business represented about 18.66% of total annual sales income, while net profit represented about 5.15% of the total net profit of the Group.

#### 4. IRON MINE AND OTHER BUSINESS

During the reporting period, the Group produced 0.8749 million tonnes of iron concentrates, representing a growth of 45.82% over last year. The Group produced silver of 83,237 kg and lead concentrates of 4,210 tonnes.

Sales income from other business including iron concentrates represented about 6.27% of total annual sales income, while representing about 1.42% of the total net profit of the Group.

#### *II. Investments*

In 2007, the Group completed 11 investment projects in the PRC amounting to approximately RMB1,487,000,000, which has dramatically increased the Group's resources in gold, silver, zinc, lead, tungsten, antimony and other minerals and therefore, the growth of the Group. These projects mainly included the expansion in the control of Zijinshan resources through the acquisition of the molybdenum mine in the Louboling near to the Zijinshan and the copper mine in Wuziqilong; the takeover of the control in exploration of the copper mine Heilungjiang Duobaoshan through a share requisition; the acquisition of the exploration rights in Xinjiang Wulagen Lead and Zinc Mine through capital injection to acquire 60% shareholding in Xinjiang Jinwang Company; the control of consolidating tungsten mines in Malipo County of Yunnan Province through the acquisition of 85% shareholding in the jointly-controlled entity; the control of exploration rights in the large scale tungsten mines in Hunchun Yangjinguo and the expansion in the upstream production in Luoyang through the acquisition of 34% entity interests; and a further expected capital injection in Luoning Huatai Company Limited.

In 2007, the Group made great progress in its internationalisation course. The Group has succeeded in the acquisition of 3 projects. Total investment amounted to approximately RMB2,000,000,000. The acquisition of the entire interest in Monterrico Metals plc, a company listed on AIM, in the United Kingdom through an associate company of the Group, Xiamen Zijin Tongguan Investment Development Co., Ltd. led to the control of the substantial and large copper molybdenum mine in Rio-blanco in Peru. The Group also successfully acquired a 75% equity interest in JV Zeravshan Limited Liability Company in Tajikistan and accordingly controlled the exploration right in the largest gold mine in Tajikistan. Through acquisition, the Group has obtained a 70% interest in the Russia Kuton Gold Mine and Tuva Lead Zinc Mine in Tuva Republic of Russia. It is now undergoing the preliminary preparation work for project construction.

#### *III. Construction Projects*

The total investment in the projects amounted to approximately RMB1,540,000,000. Construction projects have made good progress. Technical innovation in the Xinjiang Zinbao Mengku Iron Mine, construction in the Xinyi Zijin Tin and Gold Mines, mining recycling technical innovation in Guizhou Shuiyindong Gold Mine, expansion in Wulatehouqi Zijin Zinc Mine, the Fuyun Jinshan Reduction Iron Project and the expansion of domestic business have all been completed and production has begun, or is about to begin, at each site. Underground development and technical innovation in the combined exploration in the Zijinshan Gold and Copper Mines and technical innovation and expansion work in the Hunchun Shuguang Gold and Copper Mines, Hebei Dongping Gold Mine, Guizhou Shuiyindong Gold Mine and Xinjiang Ashele Copper Mine etc. have commenced and are in good progress. The construction of project in Mongolia Nari Tolgoi Gold Mine processing 450 tonnes of ore daily has been completed and will proceed to trial production. The construction work in the platinum and palladium mine in Sheba's Ridge Project in South Africa has commenced and is expected to proceed to production during the end of the current year. All these projects have contributed to the future growth of the Group.

#### *IV. Geological Exploration Projects*

With the excellence in geological expertise in the Group, four main geological exploration centres were formed, including headquarters, the southwest, the northeast and the northwest. The Group also gained two grade A qualifications in exploration. The geological exploration results were remarkable.

For the year ended 2007, the Group invested approximately RMB250,000,000 in geological exploration. The Group has completed drilling of 239,700 metres, exploration tunnels of 36,700 metres and basic analysis of 191,900 samples. The workload is the heaviest in the current year yet, which has led to fruitful results in geological exploration. Good progress has been made in the exploration in Wulatehouqi Sanguikou Zinc Mine, deep exploration in Zijinshan Mine, investigation in Guizhou Wuchuan Bauxite Mine, Guizhou Shuiyindong Dustpan Mine and Wulagen Zinc and Lead Mine in Xinjiang Wuqia County, exploration survey in the deepest and surrounding area of Longjiangting Copper and Gold Mine, survey in the Longdu Copper Mine in Yunan Shangri-la County, Lannitang Duge Copper Mine, Mengku Iron Mine in Xinjiang Fuyun County and Kuton Gold Mine in Russia. Meanwhile, prospect areas have been discovered. There are huge resources which will become the mineral reserves of the Group.

At the end of 2007, the Group has maintained metal (ore) resources/reserves of gold resources of about 638 tonnes (included 98 tonnes of gold associated with other metals), platinum and palladium of about 151 tonnes, copper of about 9.37 million tonnes, zinc of about 3.19 million tonnes, nickel of about 0.67 million tonnes, lead of about 0.52 million tonnes, molybdenum of about 0.31 million tonnes, tin of about 0.1 million tonnes, iron ores of about 167.9 million tonnes, and coal of about 300 million tonnes, and new resource/reserves of bauxite of about 43.97 million, gallium of about 7,372 tonnes and tungsten of about 63,580 tonnes (on equity base for non-subsidiaries). The Group has become one of the enterprises that control most of the metal mineral resources in the PRC.

As at 31 December 2007, the Group has a total of 172 mine exploration rights, covering an area of 5,224.44 sq.km. The Group has 35 mining rights, covering an area of 51.8682 sq.km.

#### *V. Management*

Pursuant to the relevant law and legislation and the articles of association of the Company, the Group has built up an efficient and systematic structure which has fully utilised the enthusiasm and motivation of different entities. The management members of the Group are diligent, responsible and work in an innovative manner. The operational management standard has been enhanced. The Group has established and modified the management system. There are 13 categories and 141 items of the management system documentation which has been released and carried out. The administrative functions and responsibilities within the Group have become more precise.

#### *VI. Safe Environmental Protection*

The Group firmly believe in the view, in relation to environmental protection, of “Beautiful and peaceful environment is ever preferred to luxury gold and silver” and have adopted the policies of “safety and prevention first” and “coexistence of development and protection”. Together with the environmental review in A Share Listing, the Group has rectified and amended the environmental protection and related management system for all of the subsidiaries and reinforced the environment protection views in each of our staff. Maintaining environmental safety is the corporate goal. Being responsible to life and the environment, focusing on safety production and environmental protection work are the most effective environmental safety mechanisms.

#### *VII. A Share Listing*

With the hard work of all parties, the Company’s application for listing in A Share has been approved by the Issue Review Committee of the China Securities Regulatory Commission on 26 December 2007. A Share Listing will have great influence in the future development of the Group. Also, the process of A Share Listing has enhanced the regulation of the management standard.



## MANAGEMENT DISCUSSION AND ANALYSIS

The management of the Group sincerely reports the discussion and analysis of 2007 operating results.

### Operating Results

In 2007, the management fully and seriously implemented various resolutions of the shareholders and the Board meetings, and has captured the favourable opportunity of rising commodity prices, carefully organised production, and recorded sales income of RMB14,871,268,000 in the year, representing an increase of RMB4,192,458,000, or 39.26% over the previous year.

The table below sets out the sales by products for the two years ended 31 December 2006 and 2007:

Product	2007			2006		
	Unit price RMB	Volume	Amount/ RMB'000	Unit price RMB	Volume	Amount/ RMB'000
Gold products	168.89/g	53,176.47kg	8,981,202	156.23/g	48,572.14 kg	7,588,419
Copper concentrates	46,106.37/t	41,255.45t	1,902,139	44,591/t	32,003.5 t	1,427,068
Copper cathodes	51,569.73/t	8,029.71t	414,090	51,336.74/t	6,710.75 t	344,508
Zinc bullion	23,642/t	115,055.92t	2,720,151	26,829/t	36,151 t	969,884
Zinc concentrates	12,388.26/t	7,155.32t	88,642	16,179/t	11,365 t	183,875
Iron concentrates	490.61/t	917,504.90t	450,136	360.13/t	486,682.69 t	175,270
Others			490,768			88,805
Less: Sales Tax and levies			(175,860)			(99,019)
Total			<u>14,871,268</u>			<u>10,678,810</u>

*Note:* The sales of gold include refined and processed gold of 27,467.45 kg. The sales of silver products, brass plate and strips and lead products included in the sales amounted to approximately RMB138,003,800, RMB90,975,000 and RMB54,036,000 respectively.

The Group's revenue in 2007 has increased by 39.26% over 2006, which was mainly attributable to (1) increase in sales volume and production volume caused by (i) increase in gold sales by 9.48%; (ii) increase of the sales of copper by 27.3%, (iii) increase the sales of zinc by 218.26% and (iv) the sales of iron concentrates has increased by 88.52%; and (2) increase in selling price factors. The average unit price for gold, copper concentrates and iron concentrates has increased by 8.1%, 3.39% and 36.23% respectively.

### An Analysis of Gross Profit and Gross Profit Margin

The Group is mainly engaged in mine development. The Group's cost of sales mainly includes mining, processing, and refining costs, ore transportation cost, raw materials consumption, public management expenses, salaries and depreciation of fixed assets employed for production. The table below sets out details of the gross profit margin for the two years ended 31 December 2006 and 2007.

Product	2007 %	2006 %
Gold (gold produced from ores and gold concentrates)	67.86	69.86
Gold (processed gold)	0.24	0.52
Copper concentrates	77.18	83.25
Copper cathodes	78.16	73.86
Zinc concentrates	71.95	76.83
Zinc bullions	24.70	35.90
Iron concentrates	68.03	56.64
Others	—	—
Total (included processed and refined products)	39.44	37.08

The Group's overall gross profit margin increased 2.36% from 37.08% in 2006 to 39.44% in 2007. The overall gross profit margin was not changed substantially which was mainly attributable to the high operation cost of new mines and the substantial increase of the prices of raw materials like diesel oil and chemical products.

### **Selling and Distribution Costs**

The Group's selling and distribution costs have increased by 78.23% from RMB143,074,000 in 2006 to RMB255,000,000 in 2007. The significant increase was mainly attributable to the increase in transportation costs resulting from the increase in the sales of iron concentrates, and zinc bullion in the year 2007. The increase in oil price and transportation volume caused the transportation costs to increase.

### **Administration Expenses**

The Group's administration expenses in 2007 amounted to RMB607,360,000, which have increased by 45.47% from RMB417,505,000 in 2006. The increase is mainly due to (1) growth in salary and staff benefits for staff and senior management; (2) the substantial increase of preoperating cost and stamp duty; (3) the increase in advertising expenses, office expenses, and traveling expenses owing to enlargement of business operation; and (4) increase of depreciation due to increase of fixed assets.

### **Other Operating Expenses**

The Group's other operating expenses are RMB318,248,000 in 2007 which decreased by RMB354,920,000 over RMB673,169,000 in 2006. The decrease was mainly attributable to the combined effect of an increase in donations amounting to RMB70,611,000 and the reduction in the loss in derivative financial instruments amounting to RMB424,422,000.

### **Derivative Financial Instruments**

As at 31 December 2007, the Group has recorded a settlement loss of RMB74,595,000 (2006: RMB347,465,000)

As at 31 December 2007, the Group did not hold any gold forward contracts whereas the Group has entered and held 415 tonnes of copper cathodes and 300 tonnes of zinc bullion forward contracts. The Group recorded unrealised gain of RMB4,440,000 (2006: unrealised loss of RMB147,112,000).

The entering into gold, copper and zinc forward contracts is for the purpose of locking up the profit at certain reasonable prices. The Board has made adjustments to the transaction volume in 2007 which limits the transaction volume of copper cathodes not exceeding 25% of the total annual planned production, the total holding position of gold not exceeding 25% of total annual planned production from mines, and the total holding position of zinc not exceeding 1,000 tonnes. The Board has effectively controlled the risk arising from forward selling contracts.

### **Donation and Social Responsibility**

As at 31 December 2007, the Group donated RMB219,034,000 (2006: RMB148,423,000) which included the Company's donation of RMB24,909,800, Xinjiang Ashele's donation of RMB178,851,000. The Board considered that it is their corporate responsibility to increase donations to build schools and improve the infrastructure and environment of the community especially in the time of high metal prices and great support from the local governments and people.

### **Finance Costs**

The Group's finance costs in 2007 amounted to RMB292,683,000, with an increase of 154.55% over RMB114,975,000 in 2006, which was mainly attributable to an increase in external investment and the fact that the Company and its subsidiaries increased the interests bearing bank loan. In comparison with the beginning of the reporting year, long term loans increased by RMB150,995,000 and short term loans increased by RMB2,233,861,000. In the meantime, under the tight national fiscal policy, the banks frequently adjusted the leading interest rates which caused a great increase in interest expenses.

## **Working Capital and Capital Resources**

As at 31 December 2007, the Group's cash and cash equivalents amounted to RMB2,158,477,000 representing an increase of RMB219,069,000, or 11.29% over the previous year.

During the year, net cash inflow generated from the Group's operating activities amounted to RMB4,438,078,000, an increase of RMB1,831,790,000 or 70.29% the previous year. The main reasons for the increase in the cashflow generated from the Group's operating activities were (i) the increase in sales volume and price of gold; (ii) the increase in the production and sales price of copper of the Company and its controlling subsidiaries; and (iii) the increase in sales volume and prices of zinc and iron.

During the year, the net cash outflow generated from the Group's investing activities amounted to RMB4,646,981,000, an increase of RMB1,031,843,000 or 28.54% over the previous year. The main reasons for the increase in investment activities were (i) the increase of the Group's external investment; and (ii) the Company's technology upgrade in gold and copper mines and the increase of input for the subsidiaries infrastructure.

During the year, net cash inflow generated from the Group's financing activities amounted to RMB427,972,000, an decrease of RMB1,518,211,000 or 78.01% below the previous year, which was mainly due to more repayment of bank loans (increase by RMB972,491,000 over last year) being made and high dividend being paid during the year (increase by RMB933,457,000 over last year).

As at 31 December 2007, the Group's total borrowings amounted to RMB6,442,438,000 (31 December 2006: RMB4,057,582,000) of which the amount repayable within two years was approximately RMB5,586,278,000, the amount repayable within three to five years was approximately RMB817,730,000, and the amount repayable in over five years was RMB38,430,000. All the bank borrowings bore interest rates between 2.25% to 7.49% (2006: 2.55% to 6.696%).

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

## **Profits Attributable to Shareholders of the Parent and Earnings per Share**

The Group's profits attributable to shareholders of the parent as at 31 December 2007 was approximately RMB2,552,007,000, representing an increase of 49.72% over approximately RMB1,704,514,000 in 2006.

For the year ended 31 December 2007, the Group's earnings per share (basic) was RMB0.19, representing an increase of 49.72% over the previous year. The calculation of earnings per share amounts is based on the profit for the year attributable to shareholders of the parent of RMB2,552,007,000 (2006: RMB1,704,510,000) and the weighted average number of 13,141,309,100 ordinary shares (2006 (restated): 13,141,309,100 shares) in issue during the year.

## **PROSPECTS**

### **Business Environment**

It is expected that the world's economic growth will slowdown in 2008 owing to the influence of the US subprime crisis to the world's economy and the increase in the future financial risk. The currency function of gold will become more important to the market. The investment in gold has been accelerated. The unstable geographical politics, the continuous upsurge of crude oil prices and the US dollar devaluation trends have driven the gold price to a new high. It is expected that the bullish gold market will continue in the year 2008.

Externally, the copper market in 2008 will have high inflation. Internally, the supply and demand of copper will not have significant imbalance. As a result, the price level of copper on the Shanghai Metals Exchange is expected to fluctuate greatly at a high level position.

The zinc market is expected to experience a great fluctuation in 2008. The expected worldwide inflation, the devaluation trends of the US dollar and the increase in production cost has sustained the zinc price. However, the unclear future development in western countries and oversupplied zinc will significantly restrict further increase in the zinc price.

## **Business Objectives**

In year 2008, the Group plans to produce gold of approximately 57.3 tonnes, of which approximately 29.7 tonnes are produced from mines, and approximately 27.6 tonnes are processed gold; copper metal of approximately 59,000 tonnes; zinc metal of approximately 149,000 tonnes; iron concentrates of approximately 1,260,000 tonnes; reduction iron of approximately 100,000 tonnes; processed copper of approximately 10,000 tonnes; silver metal of approximately 93 tonnes; and other new metal products like tin, tungsten and antimony. Please note that the said plan was made on the basis of the current market situation and the existing conditions of the Company. The Board may, pursuant to changes in circumstances, vary the production plan.

## **Business Strategies**

The Group aims to have a proper understanding of the current economic situation so as to strengthen the gold leading position and enhance the cost control; to accelerate the preliminary preparation and construction progress of projects; to obtain a good result in resources control; to proceed towards internationalisation and to get a fruitful performance; to obtain large external investment opportunities; to implement district management mechanisms; to attract and train up expertise and talent in order to improve the efficiency of work; and to improve the cohesion of the Company.

### *1. Production and operation*

Zijinshan Gold Mine, Guizhou Shuiyindong Gold Mine, Hunchun Gold and Copper Mine, Hebei Dongping Gold Mine and other gold mines should seize market opportunities and increase production under an environmental protection and production safety basis. Luoyang Yinhui should maintain production capacity and enhance the performance through investment in the mining industry so as to maintain the leading position in gold markets.

Copper and zinc mines like Ashele Copper Mine, Bayannaer Zinc Refinery Plant, and Wulatehouqi Zijin should stabilise the production capacity, explore new business potential, reduce waste and take positive steps to mitigate the impact on profit caused by possible price-cuts. Deerni Copper Mine should put effort into stabilising its production and achieving the production targets as soon as possible.

ZGC project in Tajikistan should implement technical innovation and logistics protection in order to improve the production capacity of the gold mine and realise profit. The management should build up the image of the Company in overseas markets so as to increase the confidence of investors in the overseas operation of the Company.

The mines of other kinds of metal should follow the annual production plans, stabilise production, increase the production capacity and contribute to the growth of the Group.

### *2. Project construction and initial works*

The Group should take effective measures to carry out the projects and initial work, including: the improvement of technology and expansion of Zijinshan Gold and Copper Mines, Hunchun Shuguang Gold and Copper Mines, Ashele Copper Mine, Mengku Iron Mine, Guizhou Shuiyindong Gold Mine, Hebei Dongping Gold Mine, Malipo Tungsten Mine, ZGC Gold Mine, Bayannaer Zinc Refinery Plant; and the initial work of Heilongjiang Duobaoshan Copper Mine, Mengku Iron Mine East Phase, Wulagen Zinc Mine, Sanguikou Zinc Mine, Tuva Lead Zinc Mine and other projects. These projects, after completion and commencement of production, will play a key role in the future development and growth of the Group.

### 3. *Geological Exploration*

Geological exploration is still a key method to increase the Group's resources. Firstly, the Group will conduct exploration research on the surrounding area and the deepest part of the existing mines focusing on Zijinshan, Shuiyindong, Ashele, Mengku, Hunchun, Wulatehouqi, Deerni, Tajikistan locations. Secondly, the Group will explore the locations with good results in preliminary exploration and report the feasible exploration quantity in a timely manner. The Group will also pay attention to the exploration in Welaehouqi Zinc Mine, Xichuan Hongyuan Shuajinsi Gold Mine, Aleitai Copper and Iron Mine, Copper Mine in Rio-blanco of Peru, and Russia Kuton Gold Mines. Thirdly, the Group will screen and search for potential primary exploration projects and commence the geological exploration systematically. Fourthly, the Group will place emphasis on the registration of exploration rights and the protection work in potential locations.

### 4. *External Investments*

The acquisition of projects is the shortcut to substantially increase the Group's resources. Resources acquisition should follow the rules of "priority in gold, invest in large projects, no distinction for projects in the PRC or international projects" and the Group will aim to achieve a fast and outstanding development.

For the acquisition projects in the PRC, the Group will pay more attention to the screening process, the due diligence and the verification work. Decisions should be made prudently so as to ensure the quality of the initial work. In addition, the Group will closely monitor large projects and will make every effort to get new resources.

Internationalisation is the Group's established strategy. In the process of internationalisation, risks should be addressed and mitigated. Attention needs to be paid to the interaction effect of overseas products and PRC products, and research on possible methods in the acquisition of projects should be made. Along with the rapid growth of the Group, it should place emphasis on those teams which have overseas management experience and technology so as to achieve the goal of internationalisation steadily.

### 5. *Production Safety and Environmental Protection*

The Group will adopt the principle of "production safety first and environmental protection in top priority". The relationship between development and production safety and environmental protection should be addressed appropriately. Responsibility in production safety and environmental protection should be fully implemented and the "rejection policy in safety production" should be firmly executed. Training in production safety and environmental protection issues should be provided to the management. Production safety and environmental protection production management systems should be enhanced. Reward and punishment examination systems should be developed. Production safety and environmental protection issues should be addressed by means of technology. The rules relating to environmental issues should be enforced strictly. Social responsibilities should be taken seriously and continuous development should be made.

### 6. *Human Resources*

The Group should recruit talent from various sources without any restriction, especially in recruiting senior staff locally and from overseas. The Group will place emphasis on staff training by implementing training schemes at various levels. It will also improve its employment system and perfect the appraisal and remuneration systems. The Group will carry out its management principle of "People First" in order to maintain harmonious interpersonal relationships within the Group.

### 7. *Management*

The Group will give a clear description of the responsibilities and power of various posts and segregate the management at various levels. The Group will also take positive steps to develop and establish a regional investment and supervision management model, which will become a management standard for the Group. Regional supervision and management will be formed as a management centre, investment centre, human resources centre, logistic centre, protection centre and supervisory centre. Departments at headquarters should enhance business management skills and enhance the supervision, investigation and direction of subsidiaries. The Group will pay attention to the annual plans and budgets. The Group will also establish a strong information platform and a simple and effective management mechanism.

2007 is a milestone in the history of the Group. With the leadership of the management team and the support, guidance and assistance of the community, and proper decision making and leadership by the board of directors and shareholders, the endeavours of all staff, and a good market situation, the Group achieved its annual operation targets, completed a variety of assignments, and at the same time achieved a harmonious, fast and sustainable growth. 2008 will be an important and meaningful year for future development. Especially after the foreseeable A Share Listing, the Group will proceed to a new stage of development. The Group will follow the “Three Step Walk” rule to lay down a concrete foundation. The Group has to seize the development opportunities and achieve substantial growth. The Group believes that 2008 will be a brilliant year for the Group with the endeavours of all employees and the support of the community.

## **SUPPLEMENTAL INFORMATION**

### **Pre-emptive Rights**

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

### **Purchase, Redemption or Sale of Listed Securities of the Company**

On 15 May 2007, the Company issued 2,628,261,820 new shares by transferring the surplus reserve fund. Of these new shares, 801,088,000 H Shares commenced its listing on the Main Board of the Stock Exchange of Hong Kong Limited on 17 May 2007. The details of the issue of new shares has been set out in the note 37 to the financial statements of the 2007 annual report.

Neither the Company nor any of its subsidiaries purchased, redeemed, sold or wrote off any of the Company’s listed securities as of 31 December 2007.

### **Corporate Governance**

The Corporate Governance Report of the Company has been set out in its 2007 Annual Report. The Audit Committee of the Board held a meeting on 6 March 2008 for the purpose of reviewing the annual report of the Group and giving advice and recommendations to the Board. Save as disclosed below, the Board acknowledges that the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) without deviations.

Mr. Chen Jinghe is both the Chairman of the Board and President of the Company. The Board considers that although such structure deviates from Rule A.2.1 of the CG Code, the effective operation of the Group will not be impaired as Mr. Chen is responsible for the effective operation of the Board as Chairman of the Board and has made sufficient delegation in the daily business operation of the Group as the President.

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

Fujian, the PRC, 7 March 2008

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

\* The Company’s English name is for identification purpose only