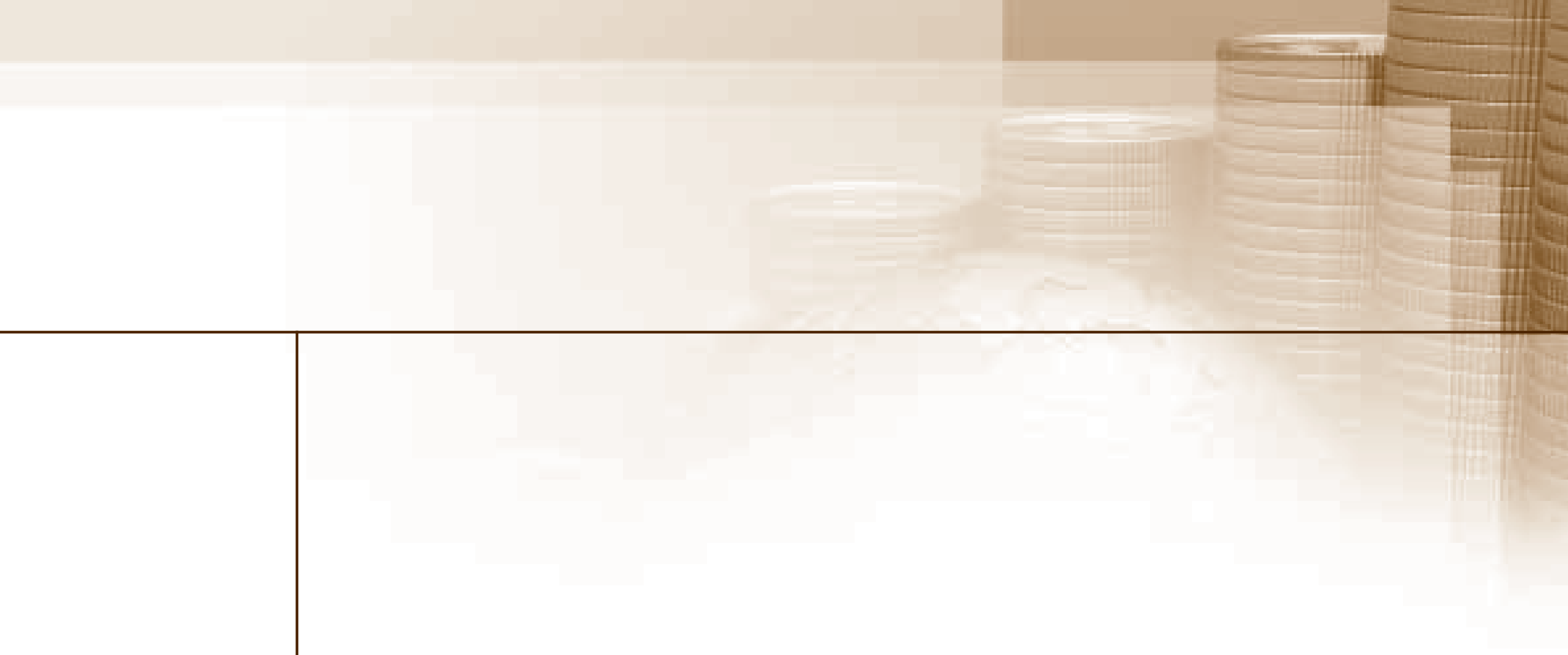
紫金礦業集團股份有限公司
ZIJIN MINING GROUP COMPANY LIMITED*

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

(Stock Code 股份代號：2899)

2007
ANNUAL REPORT 年度報告

*For identification purpose only
*僅供識別



Contents

Corporate Information

GENERAL

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

In December 2003, the Company was listed on the Stock Exchange of Hong Kong Limited. The Company was the first Mainland gold production enterprise listed overseas. In 2004, 2005, 2006 and 2007, the Company had continuously applied reserves to issue new shares four times. As at 31 December 2007, the Company has a total of 13,141,309,100 ordinary shares (Nominal value of RMB0.1 each) of which 4,005,440,000 shares are listed, representing 30.48% of the total issued share capital of the Company.

The Company and its subsidiaries (the "Group") are a comprehensive mining conglomerate in the PRC primarily engaged in gold production, and specifically engaged in the exploration, mining, and sale of gold and other non-ferrous metals. The Company produced about 52.294 tonnes of gold (including 24.827 tonnes of ore-produced gold) in year 2007. All major economic-efficiency indicators show that the Company is the most efficient operator in the industry in the PRC.

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 tonnes, 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.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ke Xiping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Yuchuan
Lin Yongjing
Su Congfu
Loong Ping Kwan

SUPERVISORS

Zheng Jingxing
Xu Qiang
Lin Jingtian
Lan Liying
Zhang Yumin

COMPANY SECRETARY

Fan Cheung Man

AUDIT COMMITTEE

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

AUTHORISED REPRESENTATIVE

Chen Jinghe
Liu Xiaochu

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1608, 16/F.,
West Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan,
Hong Kong

LEGAL ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1 Zijin Road,
Shanghang County,
Fujian Province,
The PRC

LEGAL CONSULTANT OF THE COMPANY

(Hong Kong laws)
Charltons

AUDITORS

International Auditors:
Ernst & Young

PRC Auditors:
Ernst & Young Hua Ming

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1806-1807, 18th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

WEBSITE

www.zjky.cn

STOCK CODE

2899

Financial Highlights

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

FINANCIAL INFORMATION AS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Restated)	(Restated)
Results					
Revenue	**14,871,268**	10,678,810	3,036,215	1,507,679	1,050,529
Cost of sales	**(9,295,361)**	(6,718,899)	(1,563,439)	(683,333)	(489,770)
Gross profit	**5,575,907**	3,959,911	1,472,776	824,346	560,759
Other income and gains	**238,991**	193,226	27,811	20,805	3,975
Selling and distribution costs	**(255,000)**	(143,074)	(66,058)	(10,319)	(4,926)
Administrative expenses	**(607,360)**	(417,505)	(244,885)	(167,579)	(114,027)
Other operating costs	**(318,248)**	(673,169)	(68,488)	(39,766)	(12,119)
Finance costs	**(292,683)**	(114,975)	(18,437)	(5,836)	(17,129)
Share of profits and losses:					
Associates	**72,371**	64,923	31,173	15,034	1,289
Jointly-controlled entities	**18,225**	–	–	–	–
Profit before tax	**4,432,203**	2,869,337	1,133,892	636,685	417,822
Income tax expenses	**(912,448)**	(510,821)	(263,829)	(178,816)	(94,948)
Profit for the year	**3,519,755**	2,358,516	870,063	457,869	322,874
Attributable to:					
Equity holders of the parent	**2,552,007**	1,704,514	703,637	417,619	313,906
Minority interests	**967,748**	654,002	166,426	40,250	8,968
	3,519,755	2,358,516	870,063	457,869	322,874

Financial Highlights

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**16,799,160**	11,349,397	5,475,378	3,266,112	2,695,401
Total liabilities	**9,680,547**	6,295,925	2,296,734	956,698	767,621
Minority interests	**1,781,587**	1,401,444	807,728	382,010	221,418
Equity holders of the parent	**5,337,026**	3,652,028	2,370,916	1,927,404	1,706,362

LIQUIDITY

	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**2,158,477**	1,939,408	1,029,836	888,747	1,114,466
Current ratio (%)	**66**	105	112.12	217.96	304.3
Trade receivables turnover (days)	**5.83**	4.45	4.18	1.24	0.8

Chairman's Statement

To all shareholders:

I wish to take this opportunity to express my sincere gratitude for your trust and support to Zijin Mining Group Company Limited. I am pleased to report herewith the operating results of the Group for the year ended 31 December 2007 as follows:

In 2007, with the good market conditions, the Group achieved a sales income (turnover) of RMB14,871,268,000, representing an increase of 39.26% over the previous year, and achieved a net profit after tax (net profit attributable to shareholders of the parent) of RMB2,552,007,000, representing an increase of 49.72% over the previous year. Earnings per share (basic) was RMB0.19, representing an increase of 49.72% over the previous year. (Earnings per share is based on the net profit attributable to shareholders of the parent in this year, and was RMB2,552,007,000 (for 2006 was RMB1,704,514,000) and the weighted average of issued ordinary shares of this year was 13,141,309,100 shares (for 2006 was 13,141,309,100 shares (adjusted)).

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 New York forward gold price has been pushed to reach a 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 bullion was RMB171.14 per gram (approximately US$728.76 per ounce), representing 8.87% increase over last year (2006: 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 to 8,000 per tonne in the second half of year 2007. As at the year end, the closing price of copper on the London Metal Exchange ("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 (2006: RMB51,336.74 per tonne).

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 zinc bullion was RMB23,642 per tonne, representing 11.88% decrease over last year (2006: RMB26,829 per tonne).

INDUSTRIAL POSITION

According to the statistics of the China Gold Association in 2007, the 2007 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 and 39,174 tonnes of copper in concentrate form, representing a growth of 17.22% over the previous year (2006: 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 (2006: 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.

Chairman's Statement

I. Production and Operation

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 in concentrate form at Chongli Zijin, which represented of 83.3% of total ore-produced gold of the Group. The other entities in the Group 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 refined gold, which remained stable compared to last year, of which, Luoyang Zijin Yinhui Gold Refinery Co., Ltd. ("Luoyang Yinhui") produced 26,051 kg (837,558 ounces) of refined gold, Xiamen Zijin Science and Technology Co., Ltd. produced 964 kg (30,993 ounces) of refined gold.

Sales income from the gold business of the Group represented about 59.68% of the total annual sales income, and the net profit of the gold business represented about 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, of which 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 in concentrate form.

Sales income from the copper mine business represented about 15.39% of the Group's 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 bullion, representing 175.86% increase over last year.

The major zinc production came from Wulatehouqi Zijin Zinc Mine which produced 28,748 tonnes of zinc in concentrate form and 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.

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

Sales income from zinc mine business represented about 18.66% of the Group's 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 the Group's total annual sales income, while representing about 1.42% of the total net profit of the Group.

II. Investment

In 2007, the Group completed 11 investment projects in the PRC amounting to approximately RMB1,487,000,000, which has largely 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 acquisition; 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 Yinhui through the acquisition of 34% entity interests in Luoning Huatai Mining Company Limited and expected a further increase in holding its equity interest.

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 (by an unconditional offer) of the 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 ("ZGC") in Tajikistan and accordingly controlled the development 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 Jinbao Mengku Iron Mine, construction in the Xinyi Zijin Tin and Gold Mines, tailings recycling technical innovation in Guizhou Shuiyindong Gold Mine, expansion in Wulatehouqi Zijin Zinc Mine, the construction of 150,000 tonnes/year 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 mining 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 in this year was the heaviest in history, 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 Copper Mine, investigation in Guizhou Wuchuan Bauxite Mine, investigation in Guizhou Shuiyindong Gold Mine and Wulagen Zinc and Lead Mine in Xinjiang Wuqia County, exploration survey in the deepest and surrounding area of Longjiangting Multi-metal Mine, survey in the Longdu Copper Mine in Yunan Shangri-la County, Lannitang Duge Copper Mine, east section of 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.

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 in authorisation 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 matter. 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. Safety And 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 Shares 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 ("CSRC") 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.

Chairman's Statement

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 strongly supported 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, Bayannaoer Zinc Refinery Plant, and Wulatehouqi Zijin should stablise 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 other mines 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, Bayannaoer 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, and 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 Wulagen 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 from 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.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
7 March 2008

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:

	2007			2006		
Product	**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			**14,871,268**			10,678,810

Note: (1) 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.

(2) The sales of zinc concentrates from Wulatehouqi Zijin and other subsidiaries to Bayannaoer Zijin was regarded as inter-company sales which was eliminated from the total sales of zinc concentrates.

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 the sales of gold by 9.48%; (ii) increase of the sales of copper by 27.3%, (iii) increase the sales of zinc bullion by 218.26% and (iv) the sales of iron concentrates has increased by 88.52%; and (2) increase in selling price factors. The average sales 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 bullion	**24.70**	35.90
Iron concentrates	**68.03**	56.64
Total (included processed and refined products)	**39.44**	37.08

The Group's overall gross profit margin increased by 2.36% from 37.08% in 2006 to 39.44% in 2007, which was mainly attributable to the increased production and selling prices of gold, copper, zinc, iron and silver. 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 increase of transportation costs.

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 was 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 against 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 bullion forward contracts is for the purpose of locking up the profit at certain reasonable prices. The Board has made adjustments to the volume in 2007 which limits the holding position 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 and other loans. 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 lending interest rates which caused a significant increase in interest expenses.

WORKING CAPITAL AND CAPITAL RESOURCES

As at 31 December 2007, the Group's cash and cash equivalents in the consolidated cash flow statement 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% over 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 selling 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 debt-to-capital ratio of the Group for the year ended 31 December 2007 is set out in note 45 of the financial statements.

For the details of the Group's pledged assets for the year ended 31 December 2007, please refer to note 14 and note 32 of the financial statements.

The Group's daily capital requirements and capital expenditures (including future foreign investment) 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.

TAX

Income taxes of the Group for the years of 2007 and 2006 were set out in the table below:

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

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

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Jinghe, aged 51, chairman, president, and chief engineer of the Company. He is currently a professor grade senior engineer, a specialist who enjoys a special allowance from the State Council, a delegate to the Tenth People's Congress of Fujian province, chairman of chairman group of China Mining Association, and the vice president of the China Gold Association. Mr. Chen graduated from Fuzhou University with a bachelor's degree in geology in 1982 and obtained an EMBA degree from Xiamen University. He was a team head of Minxi Geology Division from 1986 to 1992, founder and organiser for exploration of Zijinshan Gold and Copper Mine. He was the chairman and general manager of the Company from August 1993 to August 2000. In August 2000, he was appointed as chairman of the Company. Mr. Chen, the major leader in the development process of the Company, specialises in mine exploration, evaluation and exploitation management. He was awarded the "National Scientific Advancement Award", several awards from the province and ministry, and several national invention patents.

Mr. Liu Xiaochu, aged 61, vice-chairman of the Company and a supervisor of Hunan Nonferrous Metals Company Limited, which listed on the Hong Kong Stock Exchange in March 2006. He graduated from Fuzhou University with a bachelor's degree in physics in 1982. Mr. Liu was the division head, deputy department head and department head of the Fujian Economic Reform Commission from December 1986 to December 1999, and during this period, he instructed the reform and listing of enterprises in Fujian. He was the director and vice-president of Xinhuadu Industrial Company Limited from December 1999 to March 2002. Mr. Liu was appointed as the vice-chairman of the Company in August 2000. Mr. Liu is familiar with the company law, the listing rules, and the capital market.

Mr. Luo Yingnan, aged 51, vice-chairman of the Company, professor grade senior engineer. He graduated from Fuzhou University with a bachelor's degree in geology in 1982. Mr. Luo was the head of the Geological Unit for the Third Team of the Second Geological Prospecting Bureau under the Ministry of Metallurgy and the head of the Second Team from 1982 to 1992. Prior to joining the Company in July 2000, he was the manager of Longyan Metallurgy Industry Company from 1998 to 2000. He has been the chairman of Fujian Makeng Mining Company Limited since 1999. Mr. Luo was appointed as an executive director and a general manager of the Company from August 2000 to August 2006. Mr. Luo has extensive experiences in geology exploration, mine evaluation and operation of mining enterprises.

Mr. Lan Fusheng, aged 44, senior engineer, executive director, and vice-chairman of the Company. He graduated from Fuzhou University with a bachelor's degree in geology in 1984 and obtained a master's degree in business administration from La Trobe University in 2000. He was the manager of Shanghang County Xinhui Jewellery Company from 1992 to 1994. Mr. Lan joined the Company in 1994 and was appointed as an executive director and a deputy general manager of the Company in August 2000. Mr. Lan has extensive experiences on managing the investment business of enterprises and mining project evaluation.

Directors, Supervisors and Senior Management

Mr. Huang Xiaodong, aged 53, director and senior vice president of the Company. He graduated from the Industrial University of Hefei with a specialisation in computing in 1980, and graduated from Xiamen University with an EMBA degree. Mr. Huang has been an engineer of the Computer Science Research Institute in Fujian, and division head of the Science and Technology Committee in Fujian. From 1995 to 2001, he has been the general manager and assistant to the general manager of the corporate department of Huamin (Group) Company Limited, and from 2002 to 2004, he was the deputy general manager of Chinalco (Fujian) Ruimin Company Limited. Mr. Huang has been appointed as the Company's chief economist from February 2005 to August 2006. Mr. Huang has extensive experiences in business management and international operations.

Mr. Zou Laichang, aged 40, chief engineer, director and senior vice president of the Company. He graduated from Forest University of Fujian with a bachelor degree in chemistry in 1990 and later obtained an MBA degree later. Mr. Zou was the head of the production division of the Shanghang County Forestry and Chemical Factory from August 1990 to March 1996. He has worked for the Company as the deputy director of gold refinery, the deputy head of the Institute of Mining and Refining Design and Research, the deputy chief engineer, and chief engineer, since March 1996. Mr. Zou specialises in hydrometallurgical concentration, and is one of the major science and technology innovators, and gained several awards from the province and ministries.

NON-EXECUTIVE DIRECTOR

Mr. Ke Xiping, aged 48, non-executive director of the Company. Mr. Ke graduated from Hubei Economics and Management School, majoring in business. Mr. Ke is vice chairman of the Xiamen Association of Commerce and Industry, a delegate to the 11th People's Congress for Fujian, a delegate to the 12th People's Congress for Xiamen City and a member of the People's Political Consultative Committee of Quanzhou City. He is one of the promoters of the Company and the chairman of Xiamen Hengxing Industrial Company Limited. Mr. Ke was appointed as a non-executive director of the Company in August 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Yuchuan, aged 74, an independent non-executive director of the Company, researcher, supervisor of doctoral students, and academician of the Chinese Academy of Engineering. Mr. Chen graduated from Donetsk Polytechnic University of the former Soviet Union, majoring in geology exploration. He was the chief engineer in the former geology and mine ministry, and head of the China Geology Science Institute. Currently, Mr. Chen is appointed as director of the Science Committee for the China Geology Science Institute, head of the Mine and Geology Specialist Committee, vice-chairman of the international committee of the cause of formation of deposit, member of the course evaluation team for the state council degree committee, part-time professor of Beijing University and Nanjing University, and member of the 9th national political consultative conference. Mr. Chen dedicates himself to deposit geology, geochemistry, regional metallogeny rules, estimation of metallogeny, and mine exploration. He is a famous geology specialist in the world.

Mr. Lin Yongjing, aged 65, is an independent non-executive director of the Company. He is also a senior accountant, a registered certified public accountant ("CPA"), and a registered appraiser. He graduated from Xiamen University with an accounting specialisation in July 1967. He was formerly the director and chief accountant of the Fujian Huaxing Certified Public Accountants. He was the head of Fujian Appraisal Centre, the director of the Fujian State-owned Property Bureau, and vice chief-officer of Fujian Provincial Financial Bureau, committee member of the 7th Provincial People's Political Consultative Conference of Fujian. He currently is the expert specially invited by Fujian Provincial State-owned Property Management Committee, specially invited expert of the Chinese State-owned Property Management Expert Committee, senior member of China Appraisal Society, specially invited professor of Fujian Economics & Management College and part time professor of Jiangxi University of Finance & Economics. In June 2005, he was appointed as an independent director of Fujian Sanmu Group Company Limited (A Share Company), and in October 2005, he was appointed as an independent director of Fujian Mindong Power Company Limited (A Share Company). He is an expert in finance, audit and asset management.

Mr. Loong Ping Kwan, aged 44, is a practicing solicitor admitted in Hong Kong. Mr. Loong graduated from the University of Hong Kong with a bachelor's degree in Art and is a founder of Messrs. Loong and Yeung in Hong Kong. Mr. Loong gained more than 19 years working experience in corporate finance, merger and acquisition. Mr. Loong is a associate (life member) of the Hong Kong Institute of Bankers. Mr. Loong was appointed as an independent non-executive director of the Company in August 2003.

Mr. Su Congfu, aged 62, is an independent non-executive director of the Company. He is also a professor grade senior engineer, former deputy director of Anhui Metallurgy Department, former head of the Metallurgy Department of Anhui Economics and Commerce Committee, and assistant inspector of the Bureau of Work Safety in Anhui. Mr. Su graduated from Beijing Steel Institute with a mining specialisation. He was the chief of Anqing Copper Mine, and assistant to the general manager of Tongling Non-ferrous Metal Group Company. He is dedicated to mining and processing, refining, producing and managing in the steel, non-ferrous metal and gold industries and he has substantial management experience in mining enterprises and has a higher standard of running the business.

SUPERVISORY COMMITTEE AND SUPERVISORS

Mr. Zheng Jingxing, aged 45, is a supervisor representing shareholders and chairman of the Supervisory Committee of the Company. He is tertiary educated, an accountant, and a delegate to the first and second People's Congress for Longyan City. He worked with Wuping Finance Bureau in 1983. In 1988 he was appointed as vice director and director of the Shanghang Finance Bureau. In May 2002, he was appointed as vice head of Shanghang County but has already resigned.

Mr. Xu Qiang, aged 57, is a supervisor representing shareholders, and vice-chairman of the Supervisory Committee. He is a senior accountant, registered CPA, registered valuer and a chief accountant of Fujian Huamao Limited Liability Accountants' Firm. He graduated from Fujian Provincial Party College in 1990. He was the deputy director of Fujian Huaxing Accountants' Firm from 1994 to 1999, and the director of Fujian Asset Valuation Centre from 1999 to 2001. Mr. Xu was appointed as a supervisor of the Company in August 2000. He is experienced in finance and audit.

Ms. Lan Liying, aged 43, currently a supervisor representing workers and staff of the Company. She is a registered CPA and the head of the Company's Audit Department. Ms. Lan was the head of the financial division of Shanghang County Jiannan Cotton Spinning Factory from 1985 to 1994 and the deputy manager of the Company's financial department from 1995 to 1999. Ms. Lan was appointed as a supervisor for the Company in August 2000. She specialises in finance and audit.

Mr. Lin Jingtian, aged 63, a supervisor representing shareholders of the Company. He is vice party secretary and disciplinary board secretary of the Communist Party in China of the Company. He graduated from CPLA Logistical College in military commanding in August 1981. He was the division chief for the combat service division of the Army 29th Corps, director and committee member for the logistics of Army 12th Division, party secretary for the logistic division of the party committee. After transferring to the civilian work, he was the committee member of the Shanghang County Communist Party, the director of Shanghang County Armed Forces Department, the party secretary and the director of the Committee of the People's Congress of Shanghang County. He has substantial administration experience and high ability.

Mr. Zhang Yumin, aged 57, a supervisor representing workers and staff of the Company. He is an accountant, the vice head of the Company's Audit Department. He was financial officer and assistant to the factory manager of Fujian Shunchang Yuankeng Cement Plant, manager of the financial department of the Xinhuadu Hotel. He joined the Company as the assistant finance manager and officer of assets department in 2000. He has been vice head of the audit department since February 2004. He has good knowledge of and substantial working experience in finance and audit.

SENIOR MANAGEMENT

Mr. Chen Jiahong, aged 38, engineer and vice president of the Company. He graduated from China Geology University (Wuhan) by distance learning with a bachelor's degree. Mr. Chen worked with the 801 team of Fujian No. 8 Geology Division from July 1990 to December 1992, and was responsible for the technology of the Fifth Engineer Section of No. 8 Geology Division from January 1993 to July 1994. In July 1994, he joined the Company as deputy chief of Zijinshan Mine, and then held the positions of chief of Zijinshan Mine, and also deputy head of the technology innovation department, and director of employees training centre of Zijinshan Gold Mine, deputy manager of the Company and director and general manager of Xinjiang Zijin Mining Company Limited. Mr. Chen was awarded with the model worker award in 1999 and the special prize for technology advancement award in 2000.

Mr. Xie Chengfu, aged 42, senior engineer and vice president of the Company. He graduated from Changchun Geology College with a bachelor's degree in mine exploration in 1990. Mr. Xie worked with Minxi Geology Division No. 8 Team from July 1990 to November 1992, and Fujian Geology Division Team No.2 from November 1992 to July 1994. In 1994, he joined Zijin as vice manager and manager of Xinhui Jewelry Company, plant manager of gold refinery, manager of Shanghang Copper Mine, and mine chief of Zijinshan Gold Mine, assistant of general manager and vice general manager of the joint – stock company. He was responsible for the establishment of Anhui Zijin Mining Holdings Company and he was its general manager. Mr. Xie is currently appointed as a director and general manager of Hunchun Zijin Mining Co., Ltd.

Directors, Supervisors and Senior Management

Mr. Liu Rongchun, aged 44, senior engineer and vice-president of the Company. He graduated from Zhongnan Industrial University with a bachelor's degree in engineering in 1984. From July 1984 to December 1993, Mr. Liu worked as the secretary of the communist youth league, head of the manufacturing plant, and head of the production division of Fujian Liancheng Zinc-lead Mine. Since 1993, Mr. Liu has been appointed as the vice-chief of the gold mine for Minxi Zijin Mining Group Co., Ltd., chief commander of establishment headquarter for Zijinshan Copper Mine, chief officer, secretary of the discipline council, assistant to general manager, vice general manager and head of Zijinshan Gold Mine. Currently, Mr. Liu is the general manager and director of Xinjiang Zijin Mining Co., Ltd.

Mr. Lin Hongfu, aged 34, engineer and vice-president of the Company. He graduated from Chongqing Steel college, majoring in smelting steel alloy. Mr. Lin completed his degree in management from China Geology University in July 2004. In 1997, Mr. Lin joined the Company as a maintenance worker for the Gold Refining Plant, and was promoted to associate director in the carbon regeneration plant, assistant to the factory director and director of the electroanalysis plant, associate factory director, factory director and vice president of Zijinshan Gold Mine. Now Mr. Lin is general manager and director of Neimenggu Bayannaoer Zijin Nonferrous Metals Company.

Mr. Zhou Zhengyuan, aged 60, chief financial officer of the Company. He graduated from Fujian Economics and Management College in 2000. Mr. Zhou worked as the workshop director of the Shanghang Craftwork Factory from February 1972 to October 1975. He was the director of the finance department, deputy manager and manager of Shanghang County Second Light Industry Company from October 1975 to December 1984, head of control division and head of the financial division of Shanghang County Second Light Industry Bureau from December 1984 to October 1994. He has worked for the Company as the manager of the finance department, the chief economist, the chief accountant and chief financial officer since October 1994.

Mr. Zheng Yuqiang, aged 54, economist and secretary to the Board of Directors. He graduated from Fujian Television Broadcasting University in enterprise management in 1986. Mr. Zheng was the division head of production for Fuzhou Construction Machinery Factory from December 1975 to February 1989, the director of the Electronics Factory for Shenzhen Dongnan Economic Development Company from March 1989 to May 1990, worked with Fuzhou Gas' engineering director division from May 1990 to February 1993, workshop director of Fuzhou Leilei Stone and Wood Company from March 1993 to October 1994, office head of Yifada (Fujian) Group Holdings Co., Ltd. from October 1994 to May 1996 and the director and secretary to the Board of Directors for Fujian Sannong Group Company Limited from May 1996 to May 2001. Mr. Zheng was appointed as the secretary to the Board of Directors and chief of directors office for the Company in June 2001.

Mr. Fan Cheung Man, aged 47, Company Secretary (HK) of the Company. Mr. Fan graduated from the University of New England, Australia in 1993 and holds a master's degree in business administration. He is an associate member of The Hong Kong Institute of Certified Public Accountants, and a fellow member of The Association of Chartered Certified Accountants, UK. He was a deputy general manager of Hungtai Electronic Factory from 1993 to 1994 and a financial controller of Vigers HK Limited from 1994 to 2002. Mr. Fan was appointed as the Company Secretary (HK) and Qualified Accountant for the Company in December 2004.

Report of the Directors

The Directors of the Company ("Directors") hereby submit the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRIMARY BUSINESS

The Company is principally engaged in the exploration, mining, processing, refining and sale of gold and non-ferrous metals and other mineral resources in the PRC, and is a large mining conglomerate primarily engaged in the production of gold and non-ferrous metals. The Company produces mainly gold bullion of 99.99% and 99.95% purity under the "ZIJIN" brand, copper cathodes and zinc bullion. Currently, the sales of gold products represent over 59% of the total revenue.

Details regarding the key business of the Company's subsidiaries, associates and jointly-controlled entities are set out in notes 21, 22 and 23 to the financial statements, respectively.

OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2007 are set out in the financial statements on pages 61 to 172.

MAJOR INVESTMENT AND ACQUISITION IN SUBSIDIARIES

Malipo Zijin Tungsten Company Limited

Malipo Zijin Tungsten Co., Ltd. ("Malipo Zijin Tungsten") was established on 16 February 2007, and its original registered capital was RMB0.1 billion and the paid-up capital was RMB20 million. The Company owned 49% of the shares. Malipo County State-owned Assets Holdings Company Limited owned 51% of the shares. In October 2007, the company enlarged its capital from RMB0.1 billion to RMB1 billion, the paid-up capital increased to RMB0.259 billion and the shareholding ratio was changed, the Company owned 85% of shares, Malipo County State-owned Assets Holdings Company Limited owned 10% of the shares, and Malipo Luowei Investment Co., Ltd. owned 5% of the shares. Currently, the company is mainly engaged in restructuring the mining business and consolidating the tungsten mines and other mineral resources in Malipo County under the guidance of the government.

Malipo Jinrong Mining Company Limited

Malipo Zijin Tungsten and Malipo County Tungsten Company Limited jointly formed the company on 20 September 2007 and its registered capital was RMB0.8 billion and its paid capital was RMB0.16 billion. Malipo Zijin Tungsten owns 95% shareholding of the company. The company is mainly engaged in exploration, process and sale of tungsten, tin and other minerals.

Xinjiang Wuqia Jinwang Mining Company Limited

The Company's wholly-owned subsidiary, Xinjiang Zijin Mining Company Limited ("Xinjiang Zijin"), entered into an agreement with the shareholders of Wuqia County Jinwang Mining Company Limited on 16 January 2007, pursuant to which its registered capital would be increased from RMB10 million to RMB100 million. Xinjiang Zijin has invested RMB60 million by cash, and holds 60% of the shares. The company's two original shareholders additionally invested a total of RMB30 million by cash and jointly hold 40% of the shares. The company is principally engaged in the development of Wulagen Lead Zinc Mine, which is currently in the exploration stage.

Shangri-la Huaxi Mining Company Limited

On 30 January 2007, Yunnan Huaxi Mineral Resources Company Limited ("Yunnan Huaxi") and Mr. Zhang Bihong jointly invested and established Shangri-la Huaxi Mining Company Limited. Its registered capital is RMB10 million. Yunnan Huaxi invested RMB9 million, holding 90% of the shares. Mr. Zhang Bihong invested RMB1 million, holding 10% of the shares. The company increased its registered capital from RMB10 million to RMB40 million in March 2007. Each shareholder increased their investment proportionally by various installments. As at 28 March 2007, the company has received RMB17 million of increased capital, the remaining RMB 13 million of increased capital will be fully paid before March 2008. The company is principally engaged in geological exploration in Yunnan Diqing state.

Yuanyang County Huaxi Gold Company Limited

On 18 January 2007, Yunnan Huaxi and Yuanyang County Yuanhong Mining Development Co., Ltd. ("Yuanhong Mining") and six other natural persons jointly formed the company. Its registered capital is RMB90 million. Yunnan Huaxi owns 70% of the shares and Yuanhong Mining owns 20% of the shares, and Mr. Yang Hongwen and five other natural persons own 10% of the shares. The company in mainly engaged in the geological exploration and development of mineral resources.

Fujian Taixin Resources Development Company Limited

On 3 April 2007, Fujian Zijin Investment Company Limited ("Zijin Investment") entered into an agreement with the shareholders of Longyan Taixin Resources Development Company Limited ("Taixin Resources"), pursuant to which Zijin Investment unilaterally invested RMB6 million to increase the registered capital of Taixin Resources from RMB4 million to RMB10 million. Zijin Investment and the original shareholders of Taixin Resources held 60% and 40% of the shares respectively. The company is principally engaged in the exploration and development of Wuping County Beizhai Gold Mine. It is in exploration stage.

Shanghang Jinshan Mining Company Limited

On 26 May 2007, Fujian Zijin Investment Company Limited and Fujian Province Geologist Team Eight ("Geologist Team Eight") jointly established Shanghang Jinshan Mining Company Limited, with registered capital of RMB50 million. Zijin Investment invested RMB35 million, and holds 70% of the shares. Geologist Team Eight invested RMB15 million, and holds 30% of the shares. Each shareholder invested proportionally in instalments. The initial investment was RMB10 million and each shareholder invested proportionally by instalments thereafter. The remaining capital will be fully paid within two years. The company is mainly engaged in the exploration and development of Shanghang Luoboling Copper Mine and Nanshanping – Shicao Copper Mine. It is in exploration stage.

Xinjiang Jinhui Mining Development Company Limited

On 26 March 2007, Xinjiang Jinbao Mining Company Limited ("Xinjiang Jinbao") and Fuyun County Fukun Mining Company Limited ("Fuyun County Fukun Mining") jointly established Xinjiang Jinhui Mining Development Company Limited. Its registered capital was RMB5 million, with Xinjiang Jinbao investing RMB4.25 million, and holding 85% of the shares. Fuyun County Fukun Mining invested RMB0.75 million, and holds 15% of the shares. The company is principally engaged in geological exploration in Fuyun county.

Anhua Zijin Antimony Tungsten Mining Company Limited

Anhua Zijin Antimony Tungsten Mining Company Limited was established on 26 March 2007 with registered capital of RMB40 million. Hunan Zijin Mining Company Limited invested RMB38 million and holds 95% of the shares. Hunan Anhua Liaojiaping Antimony Tungsten Mine invested RMB2 million and holds 5% of the shares. Currently the company is mainly engaged in consolidating the antimony tungsten mining resources in Anhua county under the guidance of the government.

Hunan Jinfeng Mining Company Limited

On 1 January 2007, the Company and its wholly-owned subsidiary Gold Mountains (HK) International Mining Company Limited ("Gold Mountains Hong Kong") jointly established the Hunan Jinfeng Mining Company Limited with registered capital of RMB50 million. The Company invested RMB37.5 million and holds 75% of the shares. Gold Mountains Hong Kong invested RMB12.5 million and holds 25% of the shares. The initial paid up capital is RMB22.5 million. The company principally engages in the exploration and development of vanadium mine and other mineral resources.

ZGC

Xinjiang Zijin entered into a share transfer agreement with a listed company in the UK, Avocet Mining PLC on 28 June 2007, to acquire its wholly-owned subsidiary, Commonwealth & British Minerals (UK) Limited ("CBML"), at a consideration of US$55.1 million. Xinjiang Zijin paid US$45.1 million and the balance US$10 million will be paid from the escrow account according to the terms of the contract. CBML holds 75% of the equity interest in JV-Zeravshan LLC ("ZGC") which was formed in Tajikistan. As a result, Xinjiang Zijin indirectly controls ZGC. ZGC is principally engaged in the production of gold in Tajikistan. As this acquisition constitutes a discloseable transaction, the Company announced it on 28 June 2007.

Heilongjiang Zijin Longxing Mining Company Limited

On 29 June 2007, the Company's wholly-owned subsidiary, Zijin International Mining Company Limited ("Zijin International"), and Heilongjiang Longxing International Resources Development Group Company Limited ("Heilongjiang Longxing") entered into a capital increase agreement. Heilongjiang Zijin Longxing Mining Company Limited ("Heilongjiang Zijin Longxing") increased its registered capital from RMB5 million to RMB100 million and Zijin International invested RMB70 million and acquired 70% equity interest of Heilongjiang Zijin Longxing. Russia Siberia Longxing Company is a wholly-owned subsidiary of Heilongjiang Zijin Longxing. Russia Siberia Longxing Company owns a development right of Tuva Lead Zinc Mine by bidding at an international public auction.

MAJOR INVESTMENT AND ACQUISITION IN ASSOCIATE COMPANIES

Acquisition of equity interest in Monterrico Metals Plc

On 5 February 2007, Xiamen Zijin Tongguan Investment Company Limited ("Zijin Tongguan"), an associate company of the Company, made an offer to Monterrico Metals plc ("Monterrico"), which was listed on AIM, the UK, to fully acquire its equity interest at the consideration of 350 pence per share. From the date of the offer announcement until 11 April 2007, Zijin Tongguan acquired 50.17% equity interest in Monterrico. Zijin Tongguan then declared that the offer has become unconditional, and the offer remained open until 27 April 2007. By 27 April 2007, Zijin Tongguan acquired 89.9% equity interest in Monterrico, and controlled a substantial copper molybdenum mine in Rio-blanco, Peru. This information was price sensitive and the Company made announcements at each relevant stage of the acquisition. On 3 September 2007, Zijin Tongguan entered a share transfer agreement with Korea LS Company, Zijin Tongguan agreed to sell about 10% of Monterrico's total shareholding at the price of 370 pence per share to Korea LS Company. After the completion of the transaction, Zijin Tongguan still owned 79.9% equity interest in Monterrico.

Hunchun Jindi Tungsten Company Limited

On 28 July 2007, Hunchun Zijin Mining Company Limited, Jilin Haorong Non-ferrous metals Group ("Haorong Non-ferrous"), Jilin Dadi Non-ferrous Geological Exploration Company Limited ("Dadi Exploration"), Hunchun Frontier Economics Cooperation Infrastructure Investment Company Limited ("Infrastructure Investment"), and China Steel Group Jilin Ferroalloy Joint Stock Limited ("China Steel Ferroalloy") entered into the "Joint Exploration and Development of Jilin Hunchun Yangjingou Tungsten Gold Mine Agreement". According to the agreement, all parties agreed to invest in the establishment of the Hunchun Jindi Tungsten Company Limited to jointly explore and develop the Yangjingou Tungsten Gold Mine. The company's initial registered capital is RMB100 million, of which, Hunchun Zijin, Haorong Non-ferrous, Dadi Exploration, Infrastructure Investment and China Steel Ferroalloy will invest RMB40 million, RMB20 million, RMB15 million, RMB15 million and RMB10 million and hold 40%, 20%, 15%, 15%, and 10% of the shares respectively.

Fujian Haixia Kehua Joint Stock Company Limited

On 23 June 2007, the Group entered into an agreement with Fujian Jidian (Holdings) Company Limited ("Jidian Holdings") to jointly establish the Fujian Haixia Kehua Joint Stock Company Limited ("Haixia Kehua") with a registered capital of RMB230 million. Jidian Holdings subscribed to 165.6 million shares (representing 72% shareholdings) by assessed assets in kind. The Group subscribed to 64.4 million shares (representing 28% shareholdings) by cash. Haixia Kehua is mainly engaged in the production and sale of explosion equipment, and explosion projects and technical consulting services for civilian use.

Yulong Copper and Duobaoshan Copper

On 9 August 2007, the Company entered into a share transfer agreement with Western Mining Co., Ltd. ("Western Mining Group"). In the agreement, the Group agreed to acquired 20% equity interest of Duobaoshan Copper Co., Ltd. ("Duobaoshan Copper") for the consideration of RMB60 million from Western Mining Group. After the completion of this transaction, the Company owned 51% equity interest in Duobaoshan Copper and Duobaoshan Copper became a subsidiary of the Group.

On 9 August 2007, the Company entered into a share transfer agreement with Western Mining Joint Stock Co., Ltd. ("Western Mining JS"). In the agreement, the Company agreed to sell 17% equity interest of Tibet Yulong Copper Co., Ltd. ("Yulong Copper") for the consideration of RMB106.25 million to Western Mining JS. After the completion of this transaction, the Company's equity interest in Yulong Copper was reduced by 17% to 22% and Western Mining JS increased their holding in Yulong Copper to 58%.

Western Mining Group is the parent company of Western Mining JS. After these transactions, the Company and Western Mining JS became the holding company of Duobaoshan Copper and Yulong Copper respectively. These arrangements enabled the Company and Western Mining JS to focus on a single mine and accelerate the development of Duobaoshan Copper Mine and Yulong Copper Mine.

Save as those disclosed above, the Group did not have any other substantial purchases or disposals of subsidiaries and associated companies during this reporting period.

CONNECTED TRANSACTIONS

Acquisition of the minority interest in Longkou Jintai Gold Company Limited

On 16 January 2007, the Company invested RMB90 million to acquire 39% equity interest in Longkou Jintai Gold Company Limited ("Longkou Jintai") held by Longkou Jinxing Gold Company Limited. After the acquisition, the Company holds 90% equity interest in Longkou Jintai. The acquisition of minority interest constitutes a connected transaction, and the Company issued an announcement on 16 January 2007 accordingly.

Exploitation Contracts with Xinhuadu Engineering

On 16 October 2007, the Company and Fujian Xinhuadu Engineering Co., Ltd. ("Xinhuadu Engineering") entered into an agreement in relation to the provision of exploitation contracting services for Zijinshan Gold Mine for one year (from 1 January 2007 to 31 December 2007) for the cap amount of RMB0.17 billion. This agreement replaced the original agreement signed on 18 January 2006. On 16 October 2007, Qinghai West Copper Mining Co., Ltd. ("Qinghai West") and Xinhuadu Engineering entered into an agreement in relation to the provision of exploitation contracting services for Deerni Copper Mine for the period from 16 October 2007 to 31 December 2007 for the cap amount of RMB22.5 million. Xinhuadu Engineering is a promoter of the Company. Xinhuadu Engineering is a connected person of the Company pursuant to the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in relation to the transactions are more than 0.1% but less than 2.5% (except profit percentage), the transactions constitute exempt connected transactions of the Company under 14A.34 of the Listing Rules with exemption on the approval from Independent Shareholders and subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47. The Company issued an announcement on 16 October 2007 accordingly.

Trading Agreement between ZGC and Jinshan Trading

On 21 September 2007, the Company's subsidiary, ZGC, entered into a trading agreement with Shanghang County Jinshan Trading Co., Ltd. ("Jinshan Trading"). In the agreement Jinshan Trading agreed to sell mining facilities to ZGC for the consideration of US$5 million. Jinshan Trading is a promoter of the Company. Jinshan Trading is a connected person of the Company pursuant to the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in relation to the transactions are more than 0.1% but less than 2.5% (except profit percentage), the transactions constitute exempt connected transactions of the Company under 14A.32 of the Listing Rules with exemption on the approval from Independent Shareholders and subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47. The Company issued an announcement on 21 September 2007 accordingly.

Copper Concentrates Trading Agreement between Qinghai West and Shanxi Runlong

On 1 August 2007, the Company's subsidiary Qinghai West entered into a trading agreement with its shareholder Shanxi Runlong Mining Co., Ltd. ("Shanxi Runlong"). In the agreement Qinghai West agreed to sell copper concentrates to Shanxi Runlong for the period from 1 August 2007 to 31 December 2007 for the consideration of RMB0.25 billion. Shanxi Runlong is a connected person of the Company pursuant to the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in relation to the transactions are more than 0.1% but less than 2.5% (except profit percentage), the transactions constitute exempt connected transactions of the Company under 14A.34 of the Listing Rules with exemption on the approval from Independent Shareholders and subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47. The Company issued an announcement on 1 August 2007 accordingly.

Acquisition of Minority Interest in Funing Zhenglong

On 26 July 2007, the Company's wholly owned subsidiary Yunnan Jinfeng Mining Co., Ltd. ("Yunnan Jinfeng") entered into an equity interest acquisition agreement with two connected persons, Mr. Ran Houbi and Ms. Cao Shifen, to acquire 34.3% and 14.7% equity interest respectively of our subsidiary Funing Zhenglong Gold Mine Resources Development Co., Ltd. ("Funing Zhenglong") for a total consideration RMB66.3 million. After the completion of this transaction, Funing Zhenglong became a wholly owned subsidiary of the Group. The Company issued an announcement on 26 July 2007 accordingly.

Apart from the above disclosure, please refer to the note 40 of financial statements for the details of commodity purchase, labour offering and other continuing connected transactions.

DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES AND DISPOSAL OF ASSETS

Nil.

FINAL DIVIDEND

As audited by Ernst & Young, the Group's net profit for the year ended 31 December 2007 prepared under International Financial Reporting Standards ("IFRSs") and the generally accepted accounting principles of the PRC (the "PRC GAAP") was RMB2,552,007,000 and RMB2,548,322,000, respectively. With reference to the Company's development needs, the Board of Directors has proposed to pay no dividend for the year ended 31 December 2007.

RESERVES

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2007 are set out in note 38 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

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

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the statutory surplus reserve and public welfare fund. As at 31 December 2007, the Company's reserves available for distribution were approximately RMB1,985,650,000 (2006: RMB1,057,058,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Company and the Group for the year ended 31 December 2007 are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements of the Company's share capital of the Company are set out in note 37 to the financial statements.

DONATIONS

During the year 2007, donations made by the Group were RMB219.03 million, of which RMB178.85 million has been donated by Xinjiang Ashele Copper Mine.

BANK LOANS

Details of the Group's bank loans are set out in note 32 to the financial statements.

TAXATION

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

PRE-EMPTIVE RIGHTS

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

FINANCIAL HIGHLIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 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 ("Stock Exchange") on 17 May 2007. Details regarding the issue of new shares are set out in note 37 to the financial statements.

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

SHARE OPTION SCHEME

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

MAJOR SUPPLIERS AND CUSTOMERS

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

The Company's total purchases from the five largest suppliers and the largest supplier amounted to RMB1,579.03 million and RMB613.01 million respectively, representing 15.89% and 6.17% of the total purchases, respectively. All transactions between the Company and the related suppliers were entered into under normal commercial terms.

As far as the Directors are aware, none of the Directors, Supervisors or their respective associates (as defined in the Listing Rules of the Stock Exchange ("Listing Rules")), who own more than 5% equity interest of the Company had any interest in the above five largest suppliers in the year 2007.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

Pursuant to article 93 of the articles of association of the Company, the terms for Directors will be for three years, (commencing from the date of appointment or re-appointment) subject to re-appointment. Under the Company Law of the PRC, the term of appointment for supervisors is also three years, and subject to re-appointment. Remuneration of Directors and Supervisors can be amended at annual general meetings.

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

TERMS OF DIRECTORS AND SUPERVISORS

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

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

BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biography of directors, supervisors and senior management are set out on pages 21 to 25 in this report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 2007, the interests and short positions of directors, supervisors and chief executive in the share capital of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(a) Shareholdings of directors, supervisors or chief executive in the Company as at 31 December 2007

Director	Number of Domestic Shares/amount of equity interests held	Nature of interests	Long/short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Ke Xiping	800,850,000 *(note 1)*	Company & Personal	Long	8.77%	6.09%
Chen Jinghe	114,594,000	Personal	Long	1.25%	0.87%
Liu Xiaochu	4,828,350	Personal	Long	0.05%	0.04%

(b) Shareholding of Directors, chief executive or supervisors in the Company's subsidiaries as at 31 December 2007

1. On 10 July 2007, Mr. Chen Jinghe, a Director, and his wife Ms. Lai Jinlian, sold their shareholding of 34% and 32.7% respectively in Xiamen Jinhuang Technology Consultant Company Limited to an independent party. Xiamen Jinhuang Technology Consultant Company Limited holds 2,340,000 shares of Guizhou Zijin (the Company's subsidiary) and 3,000,000 shares of Bayannaoer Zijin (the Company's subsidiary). After the disposal of such interests, Mr. Chen Jinghe and Ms. Lai Jinlian do not hold any interest in these companies. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.

2. On 10 July 2007, Mr. Lan Fusheng, a Director, and his wife Ms. Lan Hongying, sold their shareholding of 51% and 49% respectively in Xiamen Diyuan Investment Co., Ltd. to an independent party. Xiamen Diyuan Investment Co., Ltd. holds 1,100,000 shares of Guizhou Zijin (the Company's subsidiary). After the disposal of such interests, Mr. Lan Fusheng and Ms. Lan Hongying do not hold any interest in the company. The relevant share transfer has been registered with the Domestic Shares Trust, and also filed with the Stock Exchange.

As at 31 December 2007, no director, chief executive or supervisor has shareholding in the Company's subsidiaries.

Notes:

(1) Xiamen Hengxing Industrial Company Limited holds 475,000,000 Domestic Shares in the Company, Mr. Ke Xiping owns 95.4% interest in Xiamen Hengxing Industrial Company Limited. Under Section 316 of the SFO, Mr. Ke Xiping is regarded as being interested in such shares. Mr. Ke Xiping also holds 325,850,000 Domestic Shares and therefore Mr. Ke Xiping holds 800,850,000 Domestic Shares in total.

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

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

SHAREHOLDING STRUCTURE

1. Change of issued shares

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

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

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

On 30 April 2007, the proposal for the "Conversion of Reserve Funds into Capital" was passed in the AGM of 2006. Based on 10,513,047,280 Shares at a nominal value of RMB0.1 each in issue by the end of 2006, the Company issued new shares to the shareholders on 2.5 to 10 basis at a nominal value of RMB0.1 each.

The distribution of new shares was completed on 15 May 2007 and the new H Shares were started to trade on 17 May 2007 on the Stock Exchange.

On 22 October 2007, a document entitled "The approval on the issue of the change in the nature of partial state-owned shares in Zijin Mining Group Co., Ltd." (reference no. (2007) 1177) issued by the State-owned Assets Supervision and Administration Commission of the People's Republic of China, confirmed that 150,715,210 Domestic Shares in the Company as held by Fujian Gold Group Co., Ltd. are the investment made by the relevant employees and are not stated-owned in nature. The said shares have been transferred to Mr. Lian Xiaoping and 162 other persons.

As at 31 December 2007, the Company issued 13,141,309,100 ordinary shares at nominal value of RMB0.1 each.

Unit: share

	31 December 2007	31 December 2006
Domestic Shares	**9,135,869,100**	7,308,695,280
H Shares	**4,005,440,000**	3,204,352,000
Total Shares	**13,141,309,100**	10,513,047,280

2. The Status of Major Shareholders

As at 31 December 2007, the Company has a total of 1,269 shareholders, of which 1,085 are holders of H Shares and 184 are holders of Domestic Shares.

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

	Shareholders' names	Class of Shares	Number of Shares held	Proximate percentage of shareholding in the registered capital
1.	Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	4,210,902,120	32.04%
2.	HKSCC Nominees Limited *(Note 1)*	H Shares	3,987,551,987	30.34%
3.	Xinhuadu Industrial Group Co., Ltd.	Domestic Shares	1,729,000,000	13.16%
4.	Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	475,000,000	3.61%
5.	Chen Fashu	Domestic Shares	448,601,999	3.41%
6.	Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	333,640,000	2.54%
7.	Ke Xiping	Domestic Shares	325,850,000	2.48%
8.	Li Rongsheng	Domestic Shares	220,305,000	1.68%
9.	Hu Yuesheng	Domestic Shares	206,630,000	1.57%
10.	Deng Ganbin	Domestic Shares	165,500,000	1.26%

Notes:

(1) HKSCC Nominees Limited is holding 3,987,551,987 H Shares in the Company as a nominee, representing 30.34% of the Company's Shares in issue. HKSCC Nominees Limited is a member of the Central Clearing and Settlement System, which carries out securities registration and trust business for customers.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2007, the interests and short positions of substantial shareholders (other than directors, supervisors and the chief executives of the Company) in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Name of Shareholder	Class of shares	Number of shares/equity interest held	Proximate percentage of shareholding in the registered capital	Proximate percentage of shareholding of Domestic shares	Proximate percentage shareholding in H shares	Long/short positions
Minxi Xinghang State-owned Assets Investment Co., Ltd.	Domestic Shares	4,210,902,120	32.04%	46.09%	–	Long
Xinhuadu Industrial Group Company Limited	Domestic Shares	1,729,000,000 *(Note 1)*	13.16%	18.93%	–	Long
Chen Fashu	Domestic Shares	2,177,601,999 *(Note 2)*	16.57%	23.84%	–	Long
Xiamen Hengxing Industrial Co., Ltd.	Domestic Shares	475,000,000 *(Note 3)*	3.61%	5.20%	–	Long
Ke Xiping	Domestic Shares	800,850,000 *(Note 4)*	6.09%	8.77%	–	Long
Merrill Lynch & Co., Inc.	H Shares	475,252,011 *(Note 5)*	3.62%	–	11.87%	Long
Merrill Lynch & Co., Inc.	H Shares	3,271,675 *(Note 6)*	0.02%	–	0.08%	Short

Notes:

(1) Xinhuadu Industrial Group Company Limited holds 1,729,000,000 Domestic Shares in the Company.

(2) Mr. Chen Fashu holds 73.56% interests in the issued share capital of Xinhuadu Industrial Group Company Limited, Under Section 316 of the SFO, Mr. Chen Fashu is deemed to be interested in 1,729,000,000 Domestic Shares in the Company. Mr. Chen Fashu also holds 448,601,999 Domestic Shares in the Company. Therefore, Mr. Chen Fashu is deemed to be interested in 2,177,601,999 Domestic Shares in the Company.

(3) Xiamen Hengxing Industrial Company Limited holds 475,000,000 Domestic Shares in the Company.

(4) Mr. Ke Xiping holds 95.4% interests in the issued share capital of Xiamen Hengxing Industry Company Limited. Under Section 316 of the SFO, Mr. Ke Xi Ping is deemed to be interested in 475,000,000 Domestic Shares in the Company. Mr. Ke Xiping also holds 325,850,000 Domestic Shares in the Company. Therefore, Mr. Ke Xiping is deemed to be interested in 800,850,000 Domestic Shares in the Company.

(5) Merrill Lynch & Co., Inc. is interested in 475,252,011 H Shares (Long position) of the Company (representing approximately 11.87% of the total issued H Shares). 457,963,594 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch Group, Inc., Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P., Fund Asset Management, L.P. and Blackrockm Inc. (on behalf of discretionary clients). 17,287,537 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe PLC., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings, and Merrill Lynch International. 880 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch, Pierce, Fenner & Smith Incorporated.

(6) Merrill Lynch & Co., Inc. is interested in 3,271,675 H Shares (Short position) of the Company (representing approximately 0.08 % of the total issued H Shares). 3,271,675 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe PLC., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings, and Merrill Lynch International.

Save as disclosed above, as far as the Directors, Supervisors and chief executive are aware, as at 31 December 2007, there are no interest or short position of other parties (other than Directors, Supervisors, the chief executive of the Company or senior management) in the shares or related securities of the Company which will fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or are the substantial shareholders (as defined in the Listing Rules) of the Company.

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

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2007 are set out in note 40 to the financial statements. Certain of these transactions constitute connected transactions/ongoing connected transactions under the Listing Rules at the time when such transactions were entered into and which are required to be disclosed under rule 14A.45 of the Listing Rules. Such transactions/ongoing connected transactions are summarised as follows:

Contracted parties	Relationship with the Company	Nature of transaction	RMB'000 2007	RMB'000 2006	Notes
Fujian Xinhuadu Engineering Company Limited	A shareholder's subsidiary	Exploitation & transportation services	**178,663**	86,164	(A) and A1
Shanxi Runlong Mining Company Limited	A shareholder of Qinghai West	Sale copper concentrates	**32,631**	–	(A) and A2
Shanghang County Jinshan Trading Co., Ltd.	A shareholder of the Company	Purchase of facilities/machines	**15,205**	–	(B) and B1
Longkou Jinxing Gold Co., Ltd.	Minority shareholder of Longkou Jintai	Purchase of shares of Longkou Jintai	**90,000**	–	(B) and B2
Ran Houbi/Cao Shifen	A shareholder of Funing Zhenglong	Purchase of shares of Funing Zhenglong	**66,300**	–	(B) and B3

Notes:

(A) With exemption on the approval from independent shareholders for such continuing connected transaction, the Directors (including the independent non-executive Directors) confirmed that: 1. such connected transactions has been or will continue to be conducted in the ordinary and usual course of business of the Group; 2. under normal commercial terms which are fair and reasonable and in the interests of shareholders as a whole; 3. pursuant to rule 14A.34 of the Listing Rules, it will be subject to reporting, announcement requirements.

A1 For the financial year ending 31 December 2007, the annual cap being the total value of transaction shall not exceed RMB192.5 million. The annual cap has been determined by reference to the Group's historical figures based on the relevant agreements, and on the possible increase in the Group's production scope in future.

A2 For the financial year ending 31 December 2007, the annual cap being the total value of transaction shall not exceed RMB250 million. The annual cap has been determined by reference to the Group's forecast sales volume, and on the possible increase in the Group's production scope in future.

(B) With exemption on the approval from independent shareholders for such connected transaction, the Directors (including the independent non-executive Directors) confirmed that: 1. such connected transactions has been or will continue to be conducted in the ordinary and usual course of business of the Group; 2. under normal commercial terms which are fair and reasonable and in the interests of shareholders as a whole; 3. pursuant to rule 14A.32 of the Listing Rules, it will be subject to reporting, announcement requirements.

B1 According to the agreement entered into between the Company's subsidiary ZGC in Tajikistan and Jinshan Trading, ZGC agreed to acquire facilities and machines from Jinshan Trading at a consideration of US$5 million. This transaction was disclosed on 21 September 2007.

B2 According to the agreement entered into between the Company and Longkou Jinxing, the Group agreed to acquire 39% equity interest of Longkou Jintai from Longkou Jinxing at a consideration of RMB90 million. This transaction was disclosed on 16 January 2007.

B3 According to the agreement entered into between the Company's wholly owned subsidiary Yunnan Jinfeng and Mr. Ran Houbi and Ms. Cao Shifen, Yunnan Jinfeng agreed to acquire 34.3% and 14.7% equity interest of Funing Zhenglong from Ran Houbi and Ms. Cao Shifen respectively at a total consideration of RMB66.3 million. This transaction was disclosed on 26 July 2007.

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

Accordingly, it is confirmed by the Directors that:

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

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

(c) Independent directors of the Group have confirmed that all the connected transactions of the Company or its subsidiaries involved in the year 2007 were:

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

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

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

(d) The Group's auditors have reviewed the transactions (details of which are set out in note 40 to the financial statements), and confirmed to the Board that:

1. the transactions have been approved by the Board;

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

3. the aggregated amounts of the transactions have not exceeded the respective annual caps as set out in Note A1 and Note A2 above.

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

MANAGEMENT CONTRACTS

There were no management and administrative contracts relating to the business as a whole or any principal operations of the Company entered into by the Company or existing for the year ended 31 December 2007.

MAJOR LITIGATION, ARBITRATION

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

ACQUISITIONS, DISPOSALS AND MERGERS

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the 2006 annual general meeting of the Company held on 30 April 2007 and the first extraordinary general meeting of the Company held on 26 March 2007, resolutions on amendments of the articles of association of the Company were passed. Details of the amendments to the articles of association are set out in the circulars of general meeting sent to the shareholders on 16 March 2007 and 28 February 2007, and the relevant announcement published on the Standard on the same date.

AUDITORS

In the coming Annual General Meeting, the Company will submit a resolution for the reappointment of Ernst & Young Hua Ming and Ernst & Young as the domestic and international auditors of the Company for the year 2008 respectively.

POST BALANCE SHEET EVENTS

The details of the Group's other events after the balance date are set out in note 46 to the financial statements.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
7 March 2008

Report of the Supervisory Committee

MEETINGS OF THE SUPERVISORY COMMITTEE IN THE REPORTING PERIOD

In 2007, the Supervisory Committee held three Supervisory Committee Meetings. The Second Meeting of the Third Supervisory Committee was held on 1 February 2007. In the meeting, the proposal of " Changes of Rules and Procedures of the Meeting of the Supervisory Committee" was considered, and the committee approved and agreed to table this resolution and its revised "Rules and Procedures of the Meeting of the Supervisory Committee" ("Rules and Procedures") to a shareholders' meeting to consider and approve, and proposed the shareholders' meeting to authorise the Supervisory Committee to revise the Rules and Procedures from time to time according to change of laws and the requests by relevant authorities. On 7 March 2007, the Third Meeting of the Third Supervisory Committee was held in Xiamen, in the meeting, the Company's 2006 consolidated financial report, 2006 supervisory report, and 2007 working plan of the Supervisory Committee were reviewed and passed. On 14 August 2007, the Fourth Meeting of the Third Supervisory Committee was held in Xiamen, in the meeting, the Company's 2007 consolidated interim financial report and a proposal of "Supervisory Committee's Reinforcement in Monitoring and Managing the Finance of Overseas Investments" ("Reinforcement Proposal") were reviewed and passed. The Reinforcement Proposal was also tabled to the board of directors for discussion.

INDEPENDENT WORKING REPORT OF THE SUPERVISORY COMMITTEE

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

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

In 2007, the Board implemented all the resolutions passed in the 2006 Annual General Meeting, the 2006 profit distribution plan, the capitalisation of the Company's reserves, the plan for the changes to the Company's registered capital, amendments to the Articles of Association, payment plan of the 2006 remunerations of the Directors and Supervisors, and the resolution regarding the re-appointment of Ernst & Young for 2007. In the first extraordinary general meeting in 2007, the shareholders passed resolutions for A shares listing and the Company passed it's application to the CSRC. On 26 December 2007, the Issue Review Committee of the CSRC approved the application. The Company is waiting for the green light to issue A shares.

The management has implemented various resolutions by the Board, and further improved the internal control system according to relevant rules and regulations of the CRSC and The Stock Exchange of Hong Kong Ltd. The Company has established a reasonable internal control system for the practical operations and it has been executed smoothly.

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

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

After the inspection of the Group's reports, including 2006 annual report, 2007 interim financial report, connected transactions, external guarantees and donations, no violation of the laws, regulations, the articles of association or actions damaging the Company's interests has been found. The supervisory committee made a special audit on the Company's remuneration of senior management, special inspection of the payroll, business expenses, parent company's fund used by subsidiaries, and interest calculation and payment, and examined the forward contracts of selling gold and hedging transactions of copper, and accordingly provided its suggestions. The Committee also audited the Company's 2007 profit forecast and gave the audit opinions.

The Group's financial statements for the year 2007 were audited by Ernst & Young, which has issued an audited report with an unqualified opinion. During the year, the Group achieved a sales income of RMB14.871 billion and net profits of RMB2.552 billion, an increase of 49.72% over the previous year, and has satisfactorily completed the working plans for the year.

3. Connected transactions

Major connected transactions of the Company include:

1. "Sub-contracting contract of Zijinshan Gold Mine open pit mining project" and "Sub-contracting contract Deerni Copper Mine open pit mining project", in 2007, these transactions conducted between the Company and Xinhuadu Engineering was RMB178.663 million (cap was RMB192.5 million).

2. Qinghai West and its shareholder Shanxi Runlong entered an agreement to sell copper concentrates, in 2007, the transaction actually was RMB32.63 million (cap was RMB250 million).

   The above transactions are exempted from the approval of independent shareholders and the Company fulfilled the disclosure responsibility pursuant to Listing Rules 14A.34.

3. In 2007, the acquisition of Longkou Jintai equity interest from Longkou Jinxing at a consideration of RMB90 million.

4. In 2007, the acquisition of Funing Zhenglong equity interest from Mr. Ran Houbi and Ms. Cao Shifen for a consideration of RMB66.3 million.

5. In 2007, Jinshan Trading sold facilities and machines to ZGC for a consideration of RMB15.2 million (cap was US$5 million).

The above transactions are exempted from the approval of independent shareholders and the Company fulfilled the disclosure responsibility pursuit to Listing Rules 14A.32.

Upon review and examination, none of the Company's connected transactions has been discovered to be harmful to the Company's interests.

4. Donations during the year

The Company's total donations in 2007 amounted to RMB219.03 million of which Xinjiang Ashele donated RMB178.85 million. All these donations were used to support the development and social welfare of local communities and were paid to local finance authorities and non-profit making organisations.

5. Guarantees to external parties

Total utilised guarantees to external parties as at the end of 2007 amounted to RMB1,606.65 million of which RMB1,154.65 million was provided to subsidiaries, RMB452 million was provided to associated companies and jointly controlled entities including RMB15 million for Makeng Iron Mine, RMB140 million for Shangdong Guoda, RMB297 million for Zijin Tongguan, RMB230 million for Fuyun Jinshan, RMB150 million for Chongli Zijin, and RMB120 million for Yunnan Huaxi.

Save as disclosed above, the Supervisory Committee was not aware of any other guarantees taken out.

6. Future transactions

As to the future contracts of selling gold and hedging transactions of zinc and copper products, the confirmed investment loss was RMB70.155 million, of which RMB74.595 million loss was on the settlements.

7. Innovation and construction of systems

(1) The Company aims to promote a comprehensive and innovative internal control system. The Supervisory Committee will take the lead in internal audit, disciplinary audit and will streamline the internal control system. A newspaper, entitled "inspecting and auditing briefings", has been published. A notification system has been built on the discovery of substantial issues in the internal audit. The Supervisory Committee will try hard to find ways and methods for the supervision of regional management.

(2) Completely reinforce internal control and internal audit, focus on the responsibility system in auditing and strictly control the auditing in foreign investment, logistics, purchases and construction and achieved a good result.

(3) Actively apply the results in monitoring and internal audit, supervise and assist all units to build up a complete internal control system, which is in compliance with all rules and achieved a good result.

2008 WORKING PLAN

In 2008, with a foreseeable success in A shares listing, it will be an important period for strategic development of the Company. The supervisory committee will serve the development of the Group, execute resolutions of the Board, continuously improve working methods, and raise the management of the Group to a new level. In the new year, the Supervisory Committee will focus on the following:

1. Adopt the new development and promote innovation and system building

a. To streamline the Group's supervisory systems, build an effective regional supervisory system, and build and standardise a feedback system with complete plans and rules.

b. To explore ways to monitor overseas subsidiaries and try to build up a monitoring system for these subsidiaries that enables the Company to monitor the operation, finance and major financial issues of these subsidiaries periodically.

c. To enhance the building of systems, the continuing improvement of internal control systems and form an orderly and interlocking internal control system.

2. Enhance the monitoring system

a. To prevent the misuse of power, maintain discipline, strengthen the monitoring system, clearly set out job descriptions, and implement the responsibility system.

b. To learn from the success of the promotion of the effectiveness monitoring system and develop a corruption free and effective operation system.

c. To widen the reporting channels and seriously combat corruption. The Supervisory Committee should follow the rules and uphold its principles, and serve the people. It should strike a balance between strictness and leniency.

d. To strengthen the monitoring system so as to ensure the operations follow the rules and regulations properly.

3. Strengthen the ground work of internal control and further uplift the monitoring level

a. To strengthen the training of the members of the internal control team in respect of their thoughts, behavour, discipline, and ability.

b. To enhance the integrity of the members of the internal control team and protect the independence, authority, and effectiveness of the internal control system.

c. To try hard to overcome difficulties and get rid of interference, grasp the major issues and make improvement, and also continuously enhance the effectiveness of the internal control system.

d. To uphold the principles and to be enthusiastic to serve. When the members of the internal control team perform their monitoring duties, they should uphold the principles, be strict and impartial but they should also be enthusiastic to serve people, be sensitive and sensible at the same time.

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

Shanghang, Fujian, the PRC
7 March 2008

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules as the model code for the trading of securities by directors of the Group. The effective date was 23 December 2003. Following enquiries with all directors of the Company, the Group confirms that all directors have complied with the provisions of the Model Code for the year ended 31 December 2007.

BOARD COMPOSITION AND PRACTICE

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

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

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

For the year ended 31 December 2007, all the non-executive directors of the Company were appointed for 3 years from 18 August 2006 to 17 August 2009. Details are set out in the Report of the Directors.

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

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

Corporate Governance Report

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

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

The Board has convened five plenary board meetings for the year ended 31 December 2007, including the third, fourth, fifth, and sixth board meetings for the third term, and an extraordinary board meeting for the third term. The attendance of directors at the meetings was as follows:

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

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

NOMINATION AND REMUNERATION OF DIRECTORS

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

The major responsibilities of the nomination and remuneration committee are:

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

PROCEDURE AND BASIS FOR DETERMINATION OF REMUNERATION

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

During 2007, a meeting of the nomination and remuneration committee was held and all the members attended the meeting.

The committee members have evaluated and gave proposal on the remuneration plan and the award plan. The proposal was made by reference to the performance of the directors, the overall performance of the Group, the average salary of the local employees, etc.

ANNUAL REMUNERATION

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2007, the audit fees charged by the auditors of the Company was approximately RMB3.72 million, and the auditor did not charge any fees other than the audit fees.

AUDIT COMMITTEE

The audit committee comprises of independent non-executive directors, Mr. Lin Yongjing, Mr. Su Congfu, Mr. Chen Yuchuan, Mr. Loong Ping Kwan, non-executive director, Mr. Ke Xiping, and executive director Mr. Liu Xiaochu. The chairman of the audit committee is Mr. Lin Yongjing. During 2007, two meetings of the audit committee were held and all members attended the meetings.

The Board considers that members of the audit committee have sufficient professional knowledge and experience in accounting and financial management to enable them to perform their duties.

The terms of reference of the audit committee are published on the web site of the Company.

The major responsibilities of the audit committee are:

- To propose hiring or changing the external audit institution;
- To oversee the Company's internal audit system and its implementation;

- To audit the Company's financial information and its disclosure (including the annual report, the interim report and any feasible financial review);

- To audit the Company's financial reporting and internal control system and to audit major connected transactions;

- The audit committee has held meetings on a regular basis since its establishment and convened two meetings during the reporting period with 100% attendance.

At the meeting held in March 2007, the committee received the working report by the compliance and audit office and reviewed the audited report and connected transactions of the Group for 2006, and also submitted its concluding opinions on relevant connected transactions and the audit to the Board.

At the meeting held in August 2007, the committee reviewed the interim report and connected transactions of the Group for 2007, and reviewed the effectiveness of the Group's internal control system and also submitted its concluding opinions on the audit to the Board.

The annual report for the year ended 31 December 2007 of the Group has been reviewed by the audit committee.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL REPORTS

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

The responsibility statement made by the auditor of the Company in respect of financial reports of the Group is set out in the auditor's report on page 59 to 60.

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

The shareholding interests of senior management of the Group are detailed in "Interests and Short Positions of Directors, Supervisors and Chief Executive in the issued shares of the Company" on pages 36 to 37.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

Voting at the general meeting is by poll.

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

INVESTOR RELATIONS

The Board fully recognises that effective communication with investors is key to building investors' confidence and attracting new investors.

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

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

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

During the year, part of the articles of association of the Company were amended at the 2006 annual general meeting held on 30 April 2007 and the first extraordinary general meeting held on 26 March 2007. Please refer to the detailed information in the circulars or on the web site of the Group, www.zjky.cn.

The Group's first extraordinary general meeting of 2007 was held on 26 March 2007, at its headquarters in Shanghang County, Fujian Province and considered the following matters: 1. to authorise the Board to decide whether to effect the Share Consolidation; 2. to approve the issue of A shares including the type of securities to be issued, the place of listing, number of A Shares to be issued, target subscribers, nominal value, rights attached to A Share; basis for determining the issue price; method of issue; 3. to approve the conditions in relation to the use of proceeds; 4. to authorise the Board to determine the issue of A Shares; 5. to approve the effective time of the passed resolutions; 6. to approve the amendments to articles of association; 7. to approve the Rules and Procedures of the Board; 8. to approve the Rules and Procedures of the Shareholders' General Meeting; 9. to approve the Rules and Procedures of the Supervisory Committee; and 10. to approve the Independent Directors' Rules. All the above matters have been approved by voting at the general meeting.

The Group's first class meetings of 2007 for holders of Domestic Shares and H Shares were held on 26 March 2007 at its headquarters in Shanghang County, Fujian Province and considered the following matters: 1. to authorise the Board to decide whether to effect the Share Consolidation; 2. to approve the issue of A shares including the type of securities to be issued, the place of listing, the number of A Shares to be issued, target subscribers, nominal value, rights attached to A Share; basis for determining the issue price; method of issue; 3. to approve the conditions in relation to the use of proceeds; 4. to authorise the Board to determine the issue of A Shares; and 5. to approve the effective time of the passed resolutions. All the above matters have been approved by voting at the class meetings.

The Group's 2006 annual general meeting was held on 30 April 2007 at its headquarters in Shanghang County, Fujian Province and considered the following matters: 1. the directors' report for 2006; 2. the supervisors' report for 2006; 3. the audited financial and international auditors' report as at 31 December 2006; 4. the profit distribution plan for 2006; 5. to approve the proposed annual remuneration plan of directors and supervisors of the Company as at 31 December 2006; 6. to approve the appointment of Ernst & Young Hua Ming and of Ernst & Young as the domestic and international auditors of the Group for the year ended 31 December 2007; and to authorise the Board to determine the relevant remuneration; 7. management policy of connected transactions; 8. to approve the plan for capital conversion from the reserve fund of the Company; 9. the proposed amendments to the articles of association of the Company; 10. to approve the grant of a mandate to the Board of issuing not more than 20% of the total nominal value of domestic shares or H shares in issue; and 11. authorisation to the Board. All the above matters have been approved by voting at the general meeting.

As at 31 December 2007, the total market capitalisation of the Group was approximately HK$159 billion. The market capitalisation of H shares was approximately HK$48.5 billion.

INTERNAL CONTROL

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

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

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

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

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

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

Independent Auditors' Report

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

We have audited the financial statements of Zijin Mining Group Co., Ltd. set out on pages 61 to 172, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
7 March 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	**2007** **RMB'000**	2006 RMB'000 (Restated)
REVENUE	5	**14,871,268**	10,678,810
Cost of sales		**(9,295,361)**	(6,718,899)
Gross profit		**5,575,907**	3,959,911
Other income and gains	5	**238,991**	193,226
Selling and distribution costs		**(255,000)**	(143,074)
Administrative expenses		**(607,360)**	(417,505)
Other operating costs		**(318,248)**	(673,169)
Finance costs	6	**(292,683)**	(114,975)
Share of profits and losses of:			
Associates		**72,371**	64,923
Jointly-controlled entities		**18,225**	–
PROFIT BEFORE TAX	7	**4,432,203**	2,869,337
Tax	10	**(912,448)**	(510,821)
PROFIT FOR THE YEAR		**3,519,755**	2,358,516
Attributable to:			
Equity holders of the parent		**2,552,007**	1,704,514
Minority interests		**967,748**	654,002
		3,519,755	2,358,516
DIVIDENDS			
Proposed final	12	**–**	946,174
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**RMB0.19**	RMB0.13

Consolidated Balance Sheet

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,003,718**	4,356,320
Investment properties	15	**58,329**	–
Prepaid land lease payments	16	**156,740**	96,077
Long-term deferred assets	17	**483,796**	249,782
Other assets	18	**1,604,573**	854,279
Other intangible assets	19	**1,615,470**	885,516
Goodwill	20	**339,132**	134,141
Interests in associates	22	**1,374,378**	762,187
Interests in jointly-controlled entities	23	**274,937**	5,937
Available-for-sale investments	24	**462,178**	274,163
Deferred tax assets	35	**29,917**	51,942
Total non-current assets		**12,403,168**	7,670,344
CURRENT ASSETS			
Inventories	25	**1,044,245**	939,507
Prepayments, deposits and other receivables	26	**662,054**	476,070
Trade receivables	27	**293,870**	180,874
Bills receivable		**52,346**	13,105
Equity investments at fair value through profit or loss	28	**102,439**	80,003
Derivative financial instruments	33	**4,440**	–
Pledged deposits	29	**52,088**	49,585
Cash and cash equivalents	29	**2,184,510**	1,939,909
Total current assets		**4,395,992**	3,679,053
CURRENT LIABILITIES			
Accrued liabilities and other payables	30	**1,844,215**	1,237,441
Trade and bills payables	31	**590,262**	307,888
Interest-bearing bank and other loans	32	**3,682,778**	1,448,917
Government grants		**17,744**	14,650
Tax payable		**521,191**	328,763
Derivative financial instruments	33	**–**	157,399
Total current liabilities		**6,656,190**	3,495,058
NET CURRENT ASSETS/(LIABILITIES)		**(2,260,198)**	183,995
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,142,970**	7,854,339

Consolidated Balance Sheet

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,142,970**	7,854,339
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	32	**2,759,660**	2,608,665
Provision for land restoration and environmental costs	34	**50,856**	50,856
Long-term other payables	36	**185,713**	141,346
Deferred tax liabilities	35	**28,128**	–
Total non-current liabilities		**3,024,357**	2,800,867
Net assets		**7,118,613**	5,053,472
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	37	**1,314,130**	1,051,304
Reserves	38	**4,022,896**	2,600,724
		5,337,026	3,652,028
Minority interests		**1,781,587**	1,401,444
Total equity		**7,118,613**	5,053,472

Chen Jinghe
Director

Liu Xiaochu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

		Attributable to equity holders of the parent										
		Issued capital	Share premium account	Statutory surplus reserve	Public welfare fund	Capital reserve	Retained profits	Proposed final dividend	Exchange fluctuation reserve	Total	Minority interests	Total equity
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				note 38(a)	note 38(b)							
At 1 January 2006		525,652	820,139	199,438	99,768	4,497	300,900	420,522	–	2,370,916	807,728	3,178,644
Exchange realignment		–	–	–	–	–	–	–	(3,715)	(3,715)	(11)	(3,726)
Total income and expenses recognised directly in equity		–	–	–	–	–	–	–	(3,715)	(3,715)	(11)	(3,726)
Net profit for the year		–	–	–	–	–	1,704,514	–	–	1,704,514	654,002	2,358,516
Total income and expenses for the year		–	–	–	–	–	1,704,514	–	(3,715)	1,700,799	653,991	2,354,790
Dividends paid		–	–	–	–	–	–	(420,522)	–	(420,522)	–	(420,522)
Share of capital reserve of an associate		–	–	–	–	835	–	–	–	835	–	835
Share premium converted into issued share capital	37	525,652	(525,652)	–	–	–	–	–	–	–	–	–
Transfer to reserves		–	–	357,969	(99,768)	–	(258,201)	–	–	–	–	–
Acquisition of subsidiaries	39(a)	–	–	–	–	–	–	–	–	–	286,216	286,216
Investments in subsidiaries		–	–	–	–	–	–	–	–	–	191,029	191,029
Disposal of subsidiaries	39(b)	–	–	–	–	–	–	–	–	–	(10,127)	(10,127)
Acquisition of equity interests in subsidiaries from minority shareholders		–	–	–	–	–	–	–	–	–	(125,821)	(125,821)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(401,572)	(401,572)
Proposed final dividend	12	–	–	–	–	–	(946,174)	946,174	–	–	–	–
At 31 December 2006		1,051,304	294,487*	557,407*	–	5,332*	801,039*	946,174*	(3,715)*	3,652,028	1,401,444	5,053,472

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

		Attributable to equity holders of the parent										
	Notes	Issued capital RMB'000	Share premium account RMB'000	Statutory surplus reserve RMB'000 note 38(a)	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007		1,051,304	294,487	557,407	5,332	–	801,039	946,174	(3,715)	3,652,028	1,401,444	5,053,472
Changes in fair value of available-for-sale investment		–	–	–	–	115,586	–	–	–	115,586	–	115,586
Exchange realignment		–	–	–	–	–	–	–	(36,421)	(36,421)	(1,900)	(38,321)
Total income and expenses recognised directly in equity		–	–	–	–	115,586	–	–	(36,421)	79,165	(1,900)	77,265
Net profit for the year		–	–	–	–	–	2,552,007	–	–	2,552,007	967,748	3,519,755
Total income and expenses for the year		–	–	–	–	115,586	2,552,007	–	(36,421)	2,631,172	965,848	3,597,020
Dividends paid		–	–	–	–	–	–	(946,174)	–	(946,174)	–	(946,174)
Share premium converted into issued share capital	37	262,826	(262,826)	–	–	–	–	–	–	–	–	–
Transfer to reserves		–	–	197,424	–	–	(197,424)	–	–	–	–	–
Acquisition of subsidiaries	39(a)	–	–	–	–	–	–	–	–	–	275,663	275,663
Investments in subsidiaries		–	–	–	–	–	–	–	–	–	161,349	161,349
Disposal of subsidiaries	39(b)	–	–	–	–	–	–	–	–	–	(4,391)	(4,391)
Acquisition of equity interests in subsidiaries from minority shareholders		–	–	–	–	–	–	–	–	–	(197,066)	(197,066)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(821,260)	(821,260)
At 31 December 2007		1,314,130	31,661*	754,831*	5,332*	115,586*	3,155,622*	–*	(40,136)*	5,337,026	1,781,587	7,118,613

* These reserve accounts comprise the consolidated reserves of RMB4,022,896,000 (2006: RMB2,600,724,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,432,203**	2,869,337
Adjustments for:			
Finance costs	6	**292,683**	114,975
Share of profits and losses of associates and jointly-controlled entities		**(90,596)**	(64,923)
Interest income	5	**(27,176)**	(13,513)
Gain on disposal of equity investments at fair value through profit or loss	5	**(40,692)**	(33,993)
Fair value gains on equity investments at fair value through profit or loss	5	**(2,031)**	(30,172)
Excess over the cost of a business combination recognised in the income statement	5	**–**	(20,696)
Excess over the cost upon the acquisition of minority interests	5	**(4,791)**	–
Gains on disposal of subsidiaries	7	**–**	(8,856)
Unrealised losses/(gains) on derivative financial instruments		**(4,440)**	147,112
Depreciation	7	**409,228**	264,589
Amortisation of prepaid land lease payments	7	**7,049**	4,667
Amortisation of long-term deferred assets	7	**55,595**	26,253
Amortisation of other intangible assets	7	**58,022**	27,148
Provision/(reversal of provision) for inventory obsolescence	7	**(321)**	99
Provision/(reversal of provision) for impairment of trade receivables	7	**(22)**	1,584
Impairment provision for property, plant and equipment	7	**393**	–
Loss on disposal of property, plant and equipment	7	**4,916**	1,337
		5,090,020	3,284,948
Increase in inventories		**(1,440)**	(621,875)
Increase in prepayments, deposits and other receivables		**(39,230)**	(178,108)
Increase in trade receivables		**(93,487)**	(107,794)
Increase in bills receivable		**(39,242)**	(5,412)
Increase/(decrease) in accrued liabilities and other payables		**(78,117)**	627,838
Increase in trade and bills payables		**256,271**	89,606
Increase in long-term other payables		**57,180**	4,212
Increase in provision for land restoration and environmental costs		**–**	13,228
Cash generated from operations		**5,151,955**	3,106,643
Income tax paid		**(713,877)**	(500,355)
Net cash inflow from operating activities		**4,438,078**	2,606,288

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Net cash inflow from operating activities		**4,438,078**	2,606,288
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**27,176**	13,513
Dividends received from available-for-sale investments		**45,010**	–
Dividends received from associates		**87,697**	49,507
Purchase of available-for-sale investments		**(21,600)**	(148,968)
Purchase of equity investments at fair value through profit or loss		**(103,166)**	(91,268)
Proceeds from disposal of equity investments at fair value through profit or loss		**123,001**	81,530
Purchase of property, plant and equipment		**(1,816,380)**	(1,802,301)
Proceeds from disposal of property, plant and equipment		**41,816**	43,052
Additions to prepaid land lease payments		**(51,285)**	(13,419)
Additions to long-term deferred assets		**(276,628)**	(110,936)
Additions to other intangible assets		**(42,515)**	(199,972)
Additions to other assets, other than exploration and evaluation costs		**(1,132,161)**	(726,811)
Additions to exploration and evaluation costs		**(145,619)**	(12,674)
Proceeds from disposal of other intangible assets		**3,091**	14,286
Acquisition of associates		**(843,947)**	(384,182)
Investments in jointly-controlled entities		**(19,128)**	(642)
Proceeds from disposal of equity interests in an associate		**106,250**	–
Acquisition of subsidiaries	39(a)	**(322,044)**	(179,035)
Cash inflow/(outflow) from disposal of equity interests in subsidiaries	39(b)	**(6,820)**	20,609
Capital injection in an associate		**(34,300)**	–
Acquisition of equity interest in subsidiaries from minority shareholders		**(237,395)**	(165,064)
Decrease in non-pledged time deposits with original maturity of over three months when acquired		**(25,532)**	23,534
Increase in pledged deposits		**(2,502)**	(25,897)
Net cash outflow from investing activities		**(4,646,981)**	(3,615,138)

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	**2007** **RMB'000**	2006 RMB'000
Net cash outflow from investing activities		**(4,646,981)**	(3,615,138)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**4,356,358**	3,792,606
Repayment of bank loans		**(2,017,302)**	(1,044,811)
Repayment of long-term other payables		**(14,839)**	–
Interest paid		**(326,327)**	(144,819)
Dividends paid		**(946,174)**	(420,522)
Dividends paid to minority shareholders		**(809,377)**	(401,572)
Cash received from government grants		**24,284**	3,957
Cash received from minority shareholders upon investments in subsidiaries		**161,349**	161,344
Net cash inflow from financing activities		**427,972**	1,946,183
NET INCREASE IN CASH AND CASH EQUIVALENTS		**219,069**	937,333
Cash and cash equivalents at beginning of year		**1,939,408**	1,005,801
Movement in exchange fluctuation reserve		**–**	(3,726)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,158,477**	1,939,408
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**2,158,477**	1,939,408

Balance Sheet

31 December 2007

	Notes	**2007 RMB'000**	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**829,851**	764,660
Prepaid land lease payments	16	**52,075**	31,154
Long-term deferred assets	17	**116,478**	117,376
Other assets	18	**990,414**	379,856
Other intangible assets	19	**147,233**	146,853
Interests in subsidiaries	21	**3,777,507**	2,623,312
Interests in associates	22	**1,071,866**	628,716
Available-for-sale investments	24	**51,350**	54,350
Deferred tax assets	35	**8,655**	51,942
Total non-current assets		**7,045,429**	4,798,219
CURRENT ASSETS			
Inventories	25	**203,480**	217,818
Prepayments, deposits and other receivables	26	**572,176**	109,775
Trade receivables	27	**59,661**	60,305
Derivative financial instruments	33	**130**	–
Pledged deposits	29	**50,328**	49,585
Cash and cash equivalents	29	**488,809**	537,299
Total current assets		**1,374,584**	974,782
CURRENT LIABILITIES			
Accrued liabilities and other payables	30	**668,213**	463,263
Trade and bills payables	31	**181,873**	49,759
Interest-bearing bank and other loans	32	**1,926,778**	404,000
Government grants		**470**	300
Tax payable		**191,531**	123,214
Derivative financial instruments	33	**–**	157,399
Total current liabilities		**2,968,865**	1,197,935
NET CURRENT LIABILITIES		**(1,594,281)**	(223,153)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,451,148**	4,575,066
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	32	**1,415,030**	1,590,035
Provision for land restoration and environmental costs	34	**50,856**	50,856
Long-term other payables	36	**127,578**	116,061
Total non-current liabilities		**1,593,464**	1,756,952
Net assets		**3,857,684**	2,818,114
EQUITY			
Issued capital	37	**1,314,130**	1,051,304
Reserves	38	**2,543,554**	1,766,810
Total equity		**3,857,684**	2,818,114

Chen Jinghe
Director

Liu Xiaochu
Director

1. CORPORATE INFORMATION

Zijin Mining Group Co., Ltd. (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, copper and zinc 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and certain equity investments, which have been measured at fair value. These 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 include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. For the year ended 31 December 2006, acquisitions of minority interests were 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 was recognised as goodwill. However, in order to align with the accounting policy as adopted by the Company in preparing the statutory financial statements under the new Chinese Accounting Standards which were issued by the Ministry of Finance on 15 February 2006, the Company has changed, on a prospective basis, the accounting policy on acquisition of minority interests from using the parent entity extension method to the hybrid entity concept/parent entity method whereby the difference between the cost of additional interests in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interest is reflected partly as a goodwill and partly as a reduction in equity. The change of accounting policy has no significant impact on these financial statements.

2.2 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.

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

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.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(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. These new disclosures are shown in note 45 to the financial statements.

(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 of 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 should not be subsequently reversed. As the Group has no impairment losses previously reversed in respect of such assets, the interpretation has no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

The amendment to IFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised IFRS 3 and the revised IAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 8, which will replace IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt IFRS 8 from 1 January 2009.

The revised IAS 1 separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

IFRIC-11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC-11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

IFRIC-12 requires an operator under public-to-private services concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC-12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

IFRIC-13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

IFRIC-14 addresses how to assess the limit under IAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty scheme and defined benefit scheme, IFRIC-13 and IFRIC-14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

2.4 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 operates as a separate entity in which the Group and the other parties have an interest.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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 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. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

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.

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 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 Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 on acquisitions 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. The Group performs its annual impairment test of goodwill as at 31 December. 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.

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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is 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, but 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.

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).

2.4 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 and 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.

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 capitalised borrowing costs 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciations and accumulated impairment losses. Any gains or losses on the retirement or disposal of investment properties are recognised in the income statement in the year of the retirement or disposal. Such properties are depreciated on the straight-line basis between 30 to 35 years.

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, bi-polar plates, cost incurred to build up underground auxiliary lanes.

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. Bi-polar plates are used in zinc refinery process and is amortised based on unit-of-production method. Underground auxiliary lanes are constructed to reach the ore body after main shaft is constructed. Such costs are amortised based on unit-of-production method.

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 2 to 30 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid land lease payments

Prepaid land lease payments are stated at cost less accumulated amortisation and any impairment losses. The prepaid land lease payments are amortised on the straight-line basis over the 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 and available-for-sale financial assets, 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. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

2.4 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 less any allowance for impairment. 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 financial assets

Available-for-sale financial assets 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 financial assets 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. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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.

2.4 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 through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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 by adjusting the allowance account. 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.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets

If an available-for-sale asset 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. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. The related interest expense is recognised within "financial costs" in the income statement.

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

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 recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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 less 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: (i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments and hedging

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, i.e. 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.

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.

2.4 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 the 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 that are readily convertible into known amounts of cash, 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 sheets, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

Provisions

A provision is recognised when 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 will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in financial costs in the income statement.

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.

2.4 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.

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.

2.4 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.

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) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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, jointly-controlled entities and associates are currencies other than the 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 recognised 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

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out and hence has classified the leases as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately or leased out separately under a finance lease, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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

Judgement *(continued)*

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset's impairment no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event previously affecting the asset's value is no longer in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or its disposal; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Impairment of exploration and evaluation costs

The carrying value of exploration and evaluation costs is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of these assets, 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. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The aggregate carrying value of exploration and evaluation costs was RMB196,551,000 (2006: RMB50,932,000).

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 judgement 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 is 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

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 and, for mining related property, plant and equipment, on estimated mine lives (see further discussion below on mine reserves). 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.

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 of the assets, or, where appropriate, the cash generating unit to which they belong, is 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. The carrying amount of property, plant and equipment at 31 December 2007 was RMB6,003,718,000 (2006: RMB4,356,320,000).

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 2007 was RMB339,132,000 (2006: RMB134,141,000). More details are given in note 20.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2007, no impairment losses have been recognised for available-for-sale assets (2006: Nil). The carrying amount of available-for-sale assets at 31 December 2007 was RMB462,178,000 (2006: RMB274,163,000).

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

Estimation uncertainty *(continued)*

Impairment of receivables

The provision for impairment of receivables of the Group is based on the evaluation of collectibility and the aging analysis of trade receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation on each balance sheet date. The carrying amount of trade receivables at 31 December 2007 was RMB293,870,000 (2006: RMB180,874,000).

Provision for land restoration and environmental costs

The provision for land restoration and environmental costs are based on estimates of future payments made by management. Estimates used are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The aggregate carrying value of provision was RMB50,856,000 (2006: RMB50,856,000).

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 taking 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.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses. 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

Management reviews the condition of the inventories of the Group and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. 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 bullion through the Group's integrated processes, i.e. mining, processing and refining;

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

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

(d) the zinc bullion segment is the production of zinc bullion;

(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 comprises, 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.

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 2007 and 2006.

Year ended 31 December 2007	Ore-produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullion RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:								
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 income	–	–	–	–	–	73,412	–	73,412
Total	3,906,841	4,541,611	412,885	2,713,895	3,680,756	677,038	(988,346)	14,944,680
Segment results	2,369,333	2,961	331,767	634,829	1,646,864	92,331	–	5,078,085
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)
Profit for the year								3,519,755
Assets and liabilities								
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
Total assets								16,799,160
Segment liabilities	238,421	49,395	64,102	113,853	1,441,736	781,283	–	2,688,790
Unallocated liabilities								6,991,757
Total liabilities								9,680,547
Other segment information:								
Depreciation and amortisation	233,482	3,102	32,632	40,909	179,007	35,084	–	524,216
Unallocated amounts								5,678
								529,894
Capital expenditure	919,104	62,199	156,868	201,147	1,467,269	530,075	–	3,336,662
Unallocated amounts								117,823
								3,454,485
Non-cash gains/(expenses)	(117,224)	–	32,277	14,792	–	–	–	(70,155)
Unallocated amounts	–	–	–	–	–	–	–	42,723
								(27,432)
Impairment losses recognised in the income statement	50	–	–	–	–	–	–	50

4. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2006 (restated)	Ore-produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullion 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)	–
Other income	–	–	–	–	–	77,590	–	77,590
Total	2,821,699	4,477,331	361,664	968,233	2,278,934	258,296	(409,757)	10,756,400
Segment results	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)
Profit for the year								2,358,516
Assets and liabilities								
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
Total assets								11,349,397
Segment liabilities	126,755	83,554	502,316	162,006	770,992	263,957	–	1,909,580
Unallocated liabilities								4,386,345
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	709,766	134,579	61,193	418,430	969,238	593,869	–	2,887,075
Non-cash gains/(expenses)	(240,965)	–	(253,612)	–	–	–	–	(494,577)
Unallocated amounts	–	–	–	–	–	–	–	64,165
								(430,412)

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:

	2007	2006
	RMB'000	RMB'000
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 (note (a))	**(175,860)**	(99,019)
	14,871,268	10,678,810
Other income		
Bank 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 (note(b))	**22,363**	52,909
Excess over the cost of a business combination recognised in the income statement	**–**	20,696
Excess over the cost upon the acquisition of minority interests	**4,791**	–
Hotel operating income	**19,780**	7,752
Others	**53,090**	6,703
	179,406	125,585
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
	59,585	67,641
	238,991	193,226

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 sale. 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).

6. FINANCE COSTS

	Group	
	2007	2006
	RMB'000	RMB'000
Interest on bank loans and other loans	**326,327**	144,819
Less: Interest capitalised as construction in progress (note 39(c))	**(33,644)**	(29,844)
	292,683	114,975

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

7. PROFIT BEFORE TAX

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

	Notes	**2007 RMB'000**	2006 RMB'000
Cost of inventories sold		**9,165,962**	6,647,603
Amortisation of prepaid land lease payments	16	**7,049**	4,667
Amortisation of long-term deferred assets	17	**55,595**	26,253
Amortisation of other intangible assets	19	**58,022**	27,148
Provision for land restoration and rehabilitation costs	34	**8,733**	13,228
		9,295,361	6,718,899
Depreciation (note (a))	14	**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 (note 8))			
Salaries and other staff costs (note (b))		**496,274**	281,093
Retirement benefits – defined contribution fund (note (c))		**11,665**	7,006
		507,939	288,099
Provision/(reversal of provision) for inventory obsolescence		**(321)**	99
Provision/(reversal of provision) for impairment of trade receivables*	26/27	**(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*	33	**70,155**	494,577
Impairment provision for property, plant and equipment*	14	**393**	–
Gains on disposal of subsidiaries*	39(b)	**–**	(8,856)

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

7. PROFIT BEFORE TAX *(continued)*

Notes:

(a) Depreciation of approximately RMB305,461,000 was included in the cost of sales for the year ended 31 December 2007 (2006: RMB233,457,000).

(b) 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).

(c) 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.

8. DIRECTORS' REMUNERATION

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

	Group	
	2007	2006
	RMB'000	RMB'000
Fees	**624**	724
Other emoluments:		
Salaries, allowances and benefits in kind	**12,741**	13,441
Discretionary bonuses	**8,816**	5,135
Pension scheme contributions	**23**	18
	22,204	19,318

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

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 (2006: Nil).

(a) Independent non-executive directors

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

	2007	2006
	RMB'000	RMB'000
Mr. Chen Yuchuan	**150**	50
Mr. Lin Yongjing	**150**	50
Mr. Su Congfu	**150**	50
Mr. Yao Lizhong*	**–**	197
Mr. Yang Dali*	**–**	221
Mr. Loong Ping Kwan	**174**	156
	624	724

* Independent non-executive director 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
2007					
Executive directors:					
Mr. Chen Jinghe	**–**	**3,565**	**4,560**	**–**	**8,125**
Mr. Liu Xiaochu	**–**	**1,873**	**1,020**	**–**	**2,893**
Mr. Lan Fusheng	**–**	**1,873**	**689**	**11**	**2,573**
Mr. Zou Laichang	**–**	**1,508**	**539**	**10**	**2,057**
Mr. Luo Yingnan	**–**	**1,873**	**1,779**	**–**	**3,652**
Mr. Huang Xiaodong	**–**	**1,873**	**229**	**2**	**2,104**
Non-executive director:					
Mr. Ke Xiping	**–**	**176**	**–**	**–**	**176**
	–	**12,741**	**8,816**	**23**	**21,580**
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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included four (2006: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2006: one) non-director, highest paid employee for the year are as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,508**	1,206
Discretionary bonuses	**1,369**	875
Pension scheme contributions	**10**	–
	2,887	2,081

The remuneration of the non-director, highest paid employee during the years ended 31 December 2007 and 2006 fell within the bands of HK$3,000,000 to HK$3,500,000 (equivalent to approximately RMB2,809,000 to RMB3,277,000) and HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB2,009,000 to RMB2,512,000), respectively. There was no arrangement under which the non-director, highest paid employee waived or agreed to waive any remuneration during the year (2006: 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 (2006: Nil).

10. TAX

	2007	2006
	RMB'000	RMB'000
Group:		
Current – Hong Kong	**5,357**	4,357
– Mainland China	**868,573**	592,369
Underprovision/(overprovision) in prior years	**12,884**	(33,963)
Deferred (note 35)	**25,634**	(51,942)
	912,448	510,821

10. TAX *(continued)*

Provision for Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the assessable profits arising in Hong Kong for 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, interpretation 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 those related to the following operations in the Group:

Note:

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 ("Bayannaoer Zijin") was granted a tax concession at a preferential rate of 15% as long as the sales of zinc bullion accounted for 70% of its 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 to 31 December 2007, as long as the subsidiary continued 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 is 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 is exempted from corporate income tax from 1 January 2004 to 31 December 2007.

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 enjoys a tax concession at a preferential rate of 15%.

10. TAX *(continued)*

Note: *(continued)*

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

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

On 16 March 2007, the National people's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to IAS 12, deferred tax assets and deferred tax 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. The change in the corporate income tax rate has had no significant impact on the results and financial position of the Group for the year ended 31 December 2007.

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 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 (note 38).

12. PROPOSED FINAL DIVIDEND

	2007	2006
	RMB'000	RMB'000
Proposed final dividend – Nil (2006: RMB0.09) per ordinary share	**–**	946,174

The Group did not recommend the payment of any dividend for the year ended 31 December 2007. At the shareholders' meeting on 30 April 2007, the directors declared a final dividend of RMB946,174,000 in respect of the year ended 31 December 2006.

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 IFRSs.

13. 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 (note 37). When calculating the earnings per share amount for the year ended 31 December 2006, 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 earnings per share amounts is based on the profit for the year attributable to 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 amounts for the years ended 31 December 2007 and 2006 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 2007	650,598	129,621	1,655,331	9,581	954,867	45,637	91,494	1,553,507	5,090,636
Additions	51,511	27,468	46,706	560	274,521	23,183	46,865	1,377,551	1,848,365
Additions through business combinations (note 39(a))	18,813	–	115,674	–	142,419	8,992	141,011	114,605	541,514
Transfer from/(to)	319,127	74,221	577,724	7,167	128,553	2,247	3,334	(1,112,373)	–
Transferred to investment properties (note 15)	(25,751)	–	–	–	–	–	–	(32,578)	(58,329)
Disposals	(9,261)	(2,065)	(10,574)	(139)	(36,969)	(2,970)	(16,159)	–	(78,137)
At 31 December 2007	1,005,037	229,245	2,384,861	17,169	1,463,391	77,089	266,545	1,900,712	7,344,049
Accumulated depreciation and impairment:									
At 1 January 2007	32,198	20,265	456,171	6,616	182,612	14,905	21,549	–	734,316
Depreciation charge for the year	46,797	14,118	176,611	1,282	128,557	12,481	29,382	–	409,228
Impairment provided for the year	–	–	–	–	393	–	–	–	393
Additions through business combinations (note 39(a))	7,928	–	15,853	–	100,933	8,105	96,473	–	229,292
Disposals	(3,307)	(109)	(4,287)	(80)	(17,622)	(1,810)	(5,683)	–	(32,898)
At 31 December 2007	83,616	34,274	644,348	7,818	394,873	33,681	141,721	–	1,340,331
Net book value:									
At 31 December 2007	921,421	194,971	1,740,513	9,351	1,068,518	43,408	124,824	1,900,712	6,003,718

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 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 39(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 39(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 39(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 39(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)*

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 2007	76,643	24,526	713,904	8,429	305,854	15,540	24,319	75,103	1,244,318
Additions	662	2,499	41,126	14	31,880	5,164	6,805	154,729	242,879
Transfer from/(to)	11,477	–	30,365	–	3,724	–	–	(45,566)	–
Disposals	(5,429)	(307)	(6,366)	–	(17,056)	(1,317)	(3,173)	(17,191)	(50,839)
At 31 December 2007	83,353	26,718	779,029	8,443	324,402	19,387	27,951	167,075	1,436,358
Accumulated depreciation and impairment:									
At 1 January 2007	13,125	9,598	344,155	6,435	90,513	7,202	8,630	–	479,658
Depreciation charge for the year	4,018	616	97,799	958	39,282	3,324	4,195	–	150,192
Impairment provided for the year	–	–	–	–	216	–	–	–	216
Disposals	(1,764)	(79)	(4,032)	–	(14,634)	(1,108)	(1,942)	–	(23,559)
At 31 December 2007	15,379	10,135	437,922	7,393	115,377	9,418	10,883	–	606,507
Net book value:									
At 31 December 2007	67,974	16,583	341,107	1,050	209,025	9,969	17,068	167,075	829,851

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 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

As at 31 December 2007, equipment with a net book value of RMB36,876,000 (2006: RMB17,668,000) of the Group was pledged to a bank for a bank loan (note 32).

Notes:

(a) Included in the balance of the Group are building structures of Bayannaoer Zijin and Fuyun Jinshan Mining Company Limited with a net book value of RMB465,530,000 (2006: RMB334,499,000) in respect of which Bayannaoer Zijin and Fuyun Jinshan Mining Company Limited were in the process of applying for the relevant real estate certificates as at 31 December 2007.

(b) Included in the balance of the Group and the Company are building structures located in the mines with a net book value of RMB101,649,000 (2006: RMB77,903,000) and RMBNil (2006: RMB64,528,000), respectively, in respect of which the Group and the Company were in the process of applying for the relevant land use rights certificates as at 31 December 2007.

15. INVESTMENT PROPERTIES

	Group	
	2007	2006
	RMB'000	RMB'000
Carrying amount at 1 January	**–**	–
Transferred from property, plant and equipment (note 14)	**58,329**	–
Carrying amount at 31 December	**58,329**	–

The Group's investment properties are situated in the Mainland China and are held under medium term leases.

16. PREPAID LAND LEASE PAYMENTS

	Group	**Company**
	RMB'000	**RMB'000**
Cost:		
At 1 January 2007	**105,455**	**35,572**
Additions	**67,712**	**21,467**
At 31 December 2007	**173,167**	**57,039**
Accumulated amortisation:		
At 1 January 2007	**9,378**	**4,418**
Provided during the year	**7,049**	**546**
At 31 December 2007	**16,427**	**4,964**
Net book value:		
At 31 December 2007	**156,740**	**52,075**

16. PREPAID LAND LEASE PAYMENTS *(continued)*

	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

The land use rights are situated in the Mainland China and are held under medium term leases.

17. LONG-TERM DEFERRED ASSETS

Group

	Land compensation costs RMB'000	Bi-polar plates RMB'000	Under-ground auxiliary lanes RMB'000	Others RMB'000	Total RMB'000
Cost:					
At 1 January 2007	**190,458**	**–**	**30,165**	**74,542**	**295,165**
Additions	**53,915**	**63,385**	**114,504**	**57,805**	**289,609**
At 31 December 2007	**244,373**	**63,385**	**144,669**	**132,347**	**584,774**
Accumulated amortisation:					
At 1 January 2007	**24,334**	**–**	**1,716**	**19,333**	**45,383**
Provided during the year	**19,801**	**14,860**	**13,748**	**7,186**	**55,595**
At 31 December 2007	**44,135**	**14,860**	**15,464**	**26,519**	**100,978**
Net book value:					
At 31 December 2007	**200,238**	**48,525**	**129,205**	**105,828**	**483,796**
Cost:					
At 1 January 2006	134,649	–	–	8,842	143,491
Additions	55,809	–	30,165	65,700	151,674
At 31 December 2006	190,458	–	30,165	74,542	295,165
Accumulated amortisation:					
At 1 January 2006	17,015	–	–	2,115	19,130
Provided during the year	7,319	–	1,716	17,218	26,253
At 31 December 2006	24,334	–	1,716	19,333	45,383
Net book value:					
At 31 December 2006	166,124	–	28,449	55,209	249,782

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

Company

	Land compensation costs RMB'000	**Others** RMB'000	**Total** RMB'000
Cost:			
At 1 January 2007	**140,728**	**3,881**	**144,609**
Additions	**13,032**	**1,483**	**14,515**
At 31 December 2007	**153,760**	**5,364**	**159,124**
Accumulated amortisation:			
At 1 January 2007	**25,994**	**1,239**	**27,233**
Provided during the year	**14,513**	**900**	**15,413**
At 31 December 2007	**40,507**	**2,139**	**42,646**
Net book value:			
At 31 December 2007	**113,253**	**3,225**	**116,478**
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

18. OTHER ASSETS

Group

	2007 RMB'000	2006 RMB'000
Prepayment for construction works	**247,006**	128,714
Prepayment for mining and exploration rights	**746,480**	69,213
Prepayment for land use rights	**23,379**	40,095
Exploration and evaluation costs	**196,551**	50,932
Loan to minority shareholders (note)	**80,000**	80,000
Prepaid investment costs	**256,942**	455,143
Others	**54,215**	30,182
Total	**1,604,573**	854,279

Company

	2007 RMB'000	2006 RMB'000
Prepayment for construction works	**98,415**	29,738
Prepayment for mining and exploration rights	**8,240**	18,118
Prepayment of land use rights	**16,379**	4,768
Loan to minority shareholders (note)	**80,000**	80,000
Prepaid investment costs	**771,646**	247,232
Exploration and evaluation costs	**15,734**	–
Total	**990,414**	379,856

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

18. OTHER ASSETS *(continued)*

The movements in exploration and evaluation costs during the year ended 31 December 2007 and 2006 are as follows:

Group

	2007	2006
	RMB'000	RMB'000
At 1 January	**50,932**	87,404
Additions	**145,619**	12,674
Transferred to other intangible assets	**–**	(49,146)
At 31 December	**196,551**	50,932

Company

	2007	2006
	RMB'000	RMB'000
At 1 January	**–**	–
Additions	**15,734**	–
At 31 December	**15,734**	–

19. OTHER 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 2007	**949,860**	**2,500**	**5,514**	**957,874**
Additions	**119,258**	**–**	**919**	**120,177**
Additions through a business combinations (note 39(a))	**670,781**	**–**	**–**	**670,781**
Disposals	**(62)**	**–**	**(2,920)**	**(2,982)**
At 31 December 2007	**1,739,837**	**2,500**	**3,513**	**1,745,850**
Accumulated amortisation:				
At 1 January 2007	**71,353**	**428**	**577**	**72,358**
Provided for the year	**57,450**	**255**	**317**	**58,022**
Disposals	**–**	**–**	**–**	**–**
At 31 December 2007	**128,803**	**683**	**894**	**130,380**
Net book value:				
31 December 2007	**1,611,034**	**1,817**	**2,619**	**1,615,470**
Cost:				
At 1 January 2006	569,298	2,000	4,568	575,866
Additions	197,987	500	1,485	199,972
Additions through a business combinations (note 39(a))	145,187	–	–	145,187
Transferred from other assets	57,669	–	–	57,669
Disposals	(14,240)	–	(539)	(14,779)
Disposal of subsidiaries (note 39(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

19. OTHER INTANGIBLE ASSETS *(continued)*

Company

	Mining rights RMB'000	Trading right in Shanghai Gold Exchange RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2007	**178,988**	**500**	**680**	**180,168**
Additions	**6,729**	**–**	**85**	**6,814**
At 31 December 2007	**185,717**	**500**	**765**	**186,982**
Accumulated amortisation:				
At 1 January 2007	**33,115**	**200**	**–**	**33,315**
Provided for the year	**6,378**	**50**	**6**	**6,434**
At 31 December 2007	**39,493**	**250**	**6**	**39,749**
Net book value:				
31 December 2007	**146,224**	**250**	**759**	**147,233**
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

20. GOODWILL

Group

	2007	2006
	RMB'000	RMB'000
Cost at 1 January	**134,141**	65,665
Acquisition of subsidiaries (note 39(a))	**–**	2,089
Acquisition of further equity interests in subsidiaries from minority shareholders	**204,991**	66,387
Cost and carrying amount at 31 December	**339,132**	134,141

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 the cash-generating units of these subsidiaries has 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 15% and cashflow beyond the three-year period are extrapolated using a growth rate of 4% which is the estimated inflation rate in the PRC.

Key assumptions used in the value in use calculation of the subsidiaries for 31 December 2007 and 31 December 2006 are as follows:

Gross margins

The basis used to determine the value assigned to the future gross margins is the average gross margins achieved in 2007, 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.

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.

21. INTERESTS IN SUBSIDIARIES

	Company 2007 RMB'000	2006 RMB'000
Unlisted shares, at cost	**3,170,508**	2,115,032
Due from subsidiaries	**223,799**	223,799
Loans to subsidiaries	**404,500**	305,781
	3,798,807	2,664,612
Impairment	**(21,300)**	(21,300)
	3,777,507	2,623,312

An impairment was recognised for certain unlisted investments with a carrying amount of RMB21,300,000 (2006: RMB21,300,000) (before deducting the impairment loss) because the actual ore reserve of the subsidiaries turned out to be much lower than the Company's expectation. There was no change in the impairment account during the current and prior years.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB307,633,000 (2006: RMB54,731,000) and RMB101,763,000 (2006: RMB98,561,000), 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 7.23% (2006: Nil to 5.82%) per annum and have no fixed terms of repayment.

21. 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	Percentage of equity attributable to the Group		Principal activities
		RMB'000	Direct	Indirect	
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
Hunchun Zijin Mining Company Limited ("Hunchun Zijin")	PRC	200,000	96.63%	3.37%	Gold mining and geological studies
Fujian Zijin Copper Company Limited ("Zijin Copper")	PRC	129,000	–	51%	Manufacture and sale of copper alloys
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	97.5%	2.5%	Investment holding
Bayannaoer Zijin Non-ferrous Metal Company Limited ("Bayannaoer Zijin")	PRC	300,000	78%	–	Refinery of zinc concentrates
Wulate Houqi Zijin Mining Company Limited ("Wulate Zijin")	PRC	50,000	–	73%	Zinc mining

21. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital RMB'000	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Zijin (International) Mining Company Limited ("Zijin International")	PRC	100,000	95%	5%	Geological studies
Luoyang Yinhui Gold Refinery Company Limited ("Luoyang Yinhui")	PRC	150,000	70%	–	Gold and silver processing and geological studies
Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele")	PRC	250,000	51%	–	Copper mining and geological studies
Yunnan Huaxi Mining Company Limited ("Yunnan Huaxi")	PRC	100,000	53%	–	Geological studies
JV Zeravshan LLC ("ZGC")	Tajikistan	US$24,249	–	75%	Gold mining
Yuanyangxian Huaxi Gold Company Limited ("Yuanyang Huaxi")	PRC	90,000	–	70%	Mining of gold, silver, copper, etc. and geological studies
Qinghai West Copper Company Limited ("Qinghai West")	PRC	120,000	60%	–	Copper mining

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 were not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

22. INTERESTS IN ASSOCIATES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**–**	–	**1,071,866**	628,716
Share of net assets	**1,364,378**	762,187	**–**	–
Loan to an associate	**10,000**	–	**–**	–
	1,374,378	762,187	**1,071,866**	628,716

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment.

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
Tibet Yulong Copper Joint Stock Company Limited ("Tibet Yulong")	PRC	625,000	22%	Copper mining and geological studies
Wancheng Commercial Company Limited ("Wancheng Commercial")	PRC	12,000	25%	Lead and zinc mining
Fujian Haixia Kehua Company Limited	PRC	230,000	28%	Dynamite production
Xiamen Zijin Tongguan Investment Development Company Limited ("Zijin Tongguan")	PRC	1,350,000	45%	Investment holding of mining companies

22. INTERESTS IN ASSOCIATES *(continued)*

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.

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

The Group's trade receivable balance with an associate is disclosed in note 27 to the financial statements.

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

	Group	
	2007	2006
	RMB'000	RMB'000
Share of net assets of associates:		
Current assets	**760,421**	272,328
Non-current assets	**1,585,036**	753,406
Current liabilities	**(327,813)**	(83,808)
Non-current liabilities	**(653,267)**	(179,739)
Net assets	**1,364,377**	762,187
Share of the associates' revenue and profit:		
Revenue	**303,739**	183,305
Profit	**72,371**	64,923

The statutory audited financial statements of the associates were not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

23. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	2006
	RMB'000	RMB'000
Share of net assets	**255,809**	5,937
Loans to jointly-controlled entities	**19,128**	–
	274,937	5,937

The loans to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

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

Particulars of the principal jointly-controlled entities are 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
Russia Lankatasikaya Closed Mining Company Limited ("Lankatasikaya")	Russia	50%	50%	50%	Metal mining, exploitation and processing
Shandong Guoda Gold Company Limited ("Shandong Guoda")	PRC	50.05%	60%	50.05%	Gold and cathode copper mining, exploitation and processing

The above table lists the jointly-controlled entities 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 2007 RMB'000	Group 2006 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**155,237**	333
Non-current assets	**329,888**	6,370
Current liabilities	**(210,103)**	(67)
Non-current liabilities	**(19,213)**	(699)
Net assets	**255,809**	5,937
Share of the jointly-controlled entities' revenue and profit:		
Revenue	**550,513**	–
Profit	**18,225**	–

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

The statutory audited financial statements of the above companies were not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investments, at fair value	**331,526**	169,001	**30,000**	30,000
Unlisted equity investments, at cost	**130,652**	105,162	**21,350**	24,350
	462,178	274,163	**51,350**	54,350

Available-for-sale investments consist of investments in equity securities which were designated as available-for sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The unlisted equity investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for such equity investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the value estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

25. INVENTORIES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials and consumable supplies	**354,367**	248,980	**35,283**	27,405
Work in progress	**461,753**	455,070	**156,907**	130,941
Finished goods	**228,125**	235,457	**11,290**	59,472
	1,044,245	939,507	**203,480**	217,818

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**340,390**	242,904	**36,793**	13,962
Deposits and receivables	**330,141**	241,660	**541,383**	101,757
	670,531	484,564	**578,176**	115,719
Impairment	**(8,477)**	(8,494)	**(6,000)**	(5,944)
	662,054	476,070	**572,176**	109,775

The movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**8,494**	7,029	**5,944**	4,903
Impairment losses recognised/ (reversal of impairment provision) (note 7)	**(17)**	1,465	**56**	1,041
At 31 December	**8,477**	8,494	**6,000**	5,944

Note: Included in the prepayments of the Group are prepayments from related parties and an associate of RMB15,244,000 (2006: RMB66,784,000) and RMB8,121,000 (2006: Nil), respectively, which are unsecured, interest-free and are reclassified to inventory after the receipt of the goods.

Included in the other receivables of the Group are receivables from a jointly-controlled entity and a related party of RMB17,234,000 (2006: Nil) and RMB3,885,000 (2006: Nil), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

27. TRADE RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**294,038**	181,047	**59,746**	60,383
Impairment	**(168)**	(173)	**(85)**	(78)
	293,870	180,874	**59,661**	60,305

27. TRADE RECEIVABLES *(continued)*

The sales of gold bullion are settled on the transaction dates. The credit period on the sales of other products such as copper cathodes, zinc bullion and ore concentrates range from 30 to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the respective invoice dates of the sales of goods, is as follows:

	Group		**Company**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 4 months	**255,186**	125,579	**46,884**	45,398
Over 4 months but within 12 months	**38,014**	54,548	**12,535**	14,822
Over 1 year but within 2 years	**627**	630	**165**	92
Over 2 years	**211**	290	**162**	71
	294,038	181,047	**59,746**	60,383

The movements in the provision for impairment of trade receivables are as follows:

	Group		**Company**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**173**	54	**78**	54
Impairment losses recognised/ (reversal of impairment provision) (note 7)	**(5)**	119	**7**	24
	168	173	**85**	78

27. TRADE RECEIVABLES *(continued)*

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**255,061**	125,564	**46,859**	45,372
Less than 1 month past due	**18,960**	36,891	**12,535**	14,822
1 to 6 months past due	**19,054**	17,657	**–**	–
More than 6 months past due	**795**	762	**267**	111
	293,870	180,874	**59,661**	60,305

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Trade receivables of the Group include trading balances due from an associate and a related company of RMB4,774,000 (2006: Nil) and RMB4,849,000 (2006: Nil), respectively, as at 31 December 2007. The balances due from an associate and a related company are unsecured, interest-free and repayable in accordance with normal credit terms to those offered to the major customers of the Group.

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2007	2006
	RMB'000	RMB'000
Listed equity investments	**102,439**	80,003

The listed equity investments are carried at quoted market prices at 31 December 2007 and 2006.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**2,040,043**	1,569,909	**488,910**	537,299
Time deposits	**196,555**	419,585	**50,227**	49,585
	2,236,598	1,989,494	**539,137**	586,884
Less: Quality guarantee deposit pledged to a bank for gold bullion sold	**(1,860)**	–	**(100)**	–
Time deposit restricted for land restoration and environmental costs upon the closure of mines (note)	**(50,228)**	(49,585)	**(50,228)**	(49,585)
Cash and cash equivalents in the consolidated balance sheet	**2,184,510**	1,939,909	**488,809**	537,299
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(26,033)**	(501)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**2,158,477**	1,939,408	**488,809**	537,299

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB1,891,172,000 (2006: RMB1,149,150,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. 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 deposit to a bank which are reserved for land restoration and environmental costs upon the closure of mines. As at 31 December 2007, the Company has pledged bank deposits of RMB50,228,000 (2006: RMB49,585,000). The use of these bank deposits are subject to approval by the Shanghang Municipal Government.

30. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**1,669,683**	863,162	**617,587**	397,176
Accrued liabilities	**174,532**	374,279	**50,626**	66,087
	1,844,215	1,237,441	**668,213**	463,263

Included in the balance of the other payables of the Group and the Company is an amount payable to the Social Security Fund of RMB107,946,000 (2006: RMB114,738,000).

Other payables are non-interest-bearing.

31. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**582,560**	300,611	**165,432**	47,670
Over 1 year but within 2 years	**4,254**	7,068	**13,657**	2,011
Over 2 years but within 3 years	**1,824**	199	**1,302**	68
Over 3 years	**1,624**	10	**1,482**	10
	590,262	307,888	**181,873**	49,759

Trade payables of the Group and the Company include trading balances due to related parties of RMB29,808,000 (2006: RMB15,879,000) and RMB23,974,000 (2006: RMB15,879,000), respectively, as at 31 December 2007. The balances due to the related parties are unsecured, interest-free and are repayable in accordance with normal commercial terms.

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

32. INTEREST-BEARING BANK AND OTHER LOANS

	Effective interest rate (%)	Maturity	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Bank loans:						
Unsecured	2.25-7.49	2008-2020	**5,905,110**	3,307,152	**2,841,830**	1,994,035
Secured	5.83-7.27	2008-2013	**37,350**	750,430	**–**	–
			5,942,460	4,057,582	**2,841,830**	1,994,035
Other loans:						
Secured	4.935	2008	**499,978**	–	**499,978**	–
Total bank loans and other loans			**6,442,438**	4,057,582	**3,341,808**	1,994,035
Total bank loans and other loans			**6,442,438**	4,057,582	**3,341,808**	1,994,035
Less: Amounts due within one year included under current liabilities	4.935-7.49	2008	**(3,682,778)**	(1,448,917)	**(1,926,778)**	(404,000)
Amounts due after one year			**2,759,660**	2,608,665	**1,415,030**	1,590,035
Bank loans repayable:						
Within one year	5.02-7.49	2008	**3,182,800**	1,448,917	**1,426,800**	404,000
In the second year	4.52-6.98	2009	**1,903,500**	727,000	**1,014,800**	184,800
In the third to fifth years, inclusive	3.6-7.268	2009-2012	**817,730**	1,787,235	**400,230**	1,405,235
Beyond five years	2.25-7.20	2013-2020	**38,430**	94,430	**–**	–
			5,942,460	4,057,582	**2,841,830**	1,994,035
Other loans repayable:						
Within one year	4.935	2008	**499,978**	–	**499,978**	–

Certain bank loans are secured by guarantees from a minority shareholder of a subsidiary (note 40(c)(i)) and a pledge of equipment with a net book value of RMB36,876,000 as at 31 December 2007 (2006: RMB17,668,000) (note 14). Bank loans of certain subsidiaries are also secured by guarantees from the Company (note 40(c)(iii)).

The carrying amounts of the Group's and the Company's bank loans approximate to their fair values.

33. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

The Group and the Company entered into forward contracts for the sale of copper, gold and zinc.

The Group recorded realised losses of RMB74,595,000 (2006: RMB347,465,000) and unrealised gain of RMB4,440,000 (2006: unrealised losses of RMB147,112,000), respectively, for the year.

The following is a summary of forward contracts as at 31 December 2007 and 2006:

	2007	2006
Gold		
– ounce	**–**	137,600
– average price (RMB/ounce)	**–**	4,317
– maturity	**–**	Sep 2007 – Nov 2010
Copper cathodes		
– tonne	**415**	2,245
– average price (RMB/tonne)	**57,557**	66,724
– maturity	**March 2008 – Sep 2008**	Jan 2007 – Sep 2007
Zinc		
– tonne	**300**	–
– average price (RMB/tonne)	**19,378**	–
– maturity	**March 2008**	–

34. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

	Group and Company	
	2007	2006
	RMB'000	RMB'000
At beginning of year	**50,856**	37,628
Additional provision during the year (note 7)	**8,733**	13,228
Paid during the year	**(8,733)**	–
At the end of year	**50,856**	50,856

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

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Changes in fair value of available-for-sale investments	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2006 and 1 January 2007	–	–	–
Deferred tax charged to the income statement during the year (note 10)	–	3,609	3,609
Deferred tax debited to equity during the year	24,519	–	24,519
Gross deferred tax liabilities at 31 December 2007	24,519	3,609	28,128

35. DEFERRED TAX *(continued)*

Deferred tax assets

Group

	Elimination of unrealised profit RMB'000	Fair value losses on derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
At 1 January 2006	–	–	–	–
Deferred tax credited to the income statement during the year (note 10)	–	51,942	–	51,942
At 31 December 2006 and 1 January 2007	–	51,942	–	51,942
Deferred tax credited/(charged) to the income statement during the year (note 10)	15,720	(51,942)	14,197	(22,025)
Gross deferred tax assets at 31 December 2007	15,720	–	14,197	29,917

Company

	Fair value losses on derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
At 1 January 2006	–	–	–
Deferred tax credited to the income statement during the year	51,942	–	51,942
At 31 December 2006 and 1 January 2007	51,942	–	51,942
Deferred tax credited/(charged) to the income statement during the year	(51,942)	8,655	(43,287)
Gross deferred tax assets at 31 December 2007	–	8,655	8,655

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entities 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.

36. LONG-TERM OTHER PAYABLES

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Xinjiang Geological, Mining and Prospecting Development Bureau (新疆地質礦產勘察開發局)	(a)	**12,968**	19,452	**–**	–
Xinjiang Non-ferrous Metal Industry Company (新疆有色金屬工業公司)	(a)	**3,888**	5,831	**–**	–
Shanghang Finance Bureau (上杭縣財政局)	(b)	**33,698**	39,298	**33,698**	39,298
Fujian Minxi Geologist Team (福建省閩西地質大隊)	(c)	**1,033**	1,833	**1,033**	1,833
Bonuses of directors and senior executives	(d)	**20,549**	15,338	**20,549**	15,338
Yixingzhai Gold Mining Company (義興寨黃金有限責任公司)	(e)	**–**	27,144	**–**	27,144
Others		**113,577**	32,450	**72,298**	32,448
		185,713	141,346	**127,578**	116,061

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 is repayable within five years with equal yearly instalments from 2006 onwards. The current portion of RMB8,427,000 (2006: RMB8,429,000) has been included in accrued liabilities and other payables as at 31 December 2007.

(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 is repayable within 10 years from July 2004 onwards. The current portion of RMB5,600,000 (2006: RMB5,600,000) has been included in accrued liabilities and other payables as at 31 December 2007.

36. LONG-TERM OTHER PAYABLES *(continued)*

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 is repayable within five years with equal yearly instalments from 2004 onwards. The current portion of RMB800,000 (2006: RMB800,000) has been included in accrued liabilities and other payables as at 31 December 2007.

(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 in 2006 represents an amount payable to Yixingzhai Gold Mining Company ("Yixingzhai Gold") for the acquisition of a 29% equity interest in Shanxi Zijin Mining Company Limited ("Shanxi Zijin"), which is unsecured, interest-free and repayable by equal monthly instalments from November 2007 onwards. The balance has been included in accrued liabilities and other payables as at 31 December 2007.

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

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within two and five years	**94,767**	92,043	**36,632**	66,758
Over five years	**90,946**	49,303	**90,946**	49,303
	185,713	141,346	**127,578**	116,061

37. SHARE CAPITAL

	2007 Number of shares '000	2007 Nominal value RMB'000	2006 Number of shares '000	2006 Nominal value RMB'000
Registered	**13,141,309**	**1,314,130**	10,513,048	1,051,304
Issued and fully paid:				
Domestic shares of RMB0.10 each (2006: RMB0.10 each)	**9,135,869**	**913,586**	7,308,696	730,868
H shares of RMB0.10 each	**4,005,440**	**400,544**	3,204,352	320,436
	13,141,309	**1,314,130**	10,513,048	1,051,304

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

	2007 Number of shares '000	2007 Nominal value RMB'000	2006 Number of shares '000	2006 Nominal value RMB'000
At beginning of year	**10,513,048**	**1,051,304**	5,256,524	525,652
Share premium converted into share capital (note)	**2,628,261**	**262,826**	5,256,524	525,652
At end of year	**13,141,309**	**1,314,130**	10,513,048	1,051,304

Note:

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. Accordingly, the Company issued 2,628,261,820 additional ordinary shares of RMB0.1 each on the basis of 2.5 new ordinary shares for every 10 existing ordinary shares.

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 5,256,523,640 ordinary shares of RMB0.1 each on the basis of 10 new ordinary shares for every 10 existing shares.

The ordinary H shares rank pari passu, in all material respects, with the domestic shares of the Company.

38. 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 64 to 65 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)	Retained profits RMB'000 note (c)	Proposed final dividend RMB'000	Total RMB'000
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	37	(525,652)	–	–	–	–	(525,652)
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

	Notes	**Share premium account RMB'000**	**Statutory surplus reserve RMB'000 note (a)**	**Retained profits RMB'000 note (c)**	**Proposed final dividend RMB'000**	**Total RMB'000**
At 1 January 2007		**294,487**	**415,265**	**110,884**	**946,174**	**1,766,810**
Dividends paid		**–**	**–**	**–**	**(946,174)**	**(946,174)**
Share premium converted into share capital	37	**(262,826)**	**–**	**–**	**–**	**(262,826)**
Profit for the year	11	**–**	**–**	**1,985,744**	**–**	**1,985,744**
Transfer to reserves		**–**	**197,424**	**(197,424)**	**–**	**–**
Reversal of statutory surplus reserve to retained profits due to the adoption of new Chinese Accounting Standards		**–**	**(86,446)**	**86,446**	**–**	**–**
At 31 December 2007		**31,661**	**526,243**	**1,985,650**	**–**	**2,543,554**

38. 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 were 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 the PWF since 1 January 2006. The PWF brought forward from 2005 has been transferred to the 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 those under IFRSs.

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the SSR as set out above.

At 31 December 2007, the Company's reserves available for distribution were approximately RMB1,985,650,000 (2006: RMB1,057,058,000).

39. BUSINESS COMBINATIONS

(a) Acquisition of subsidiaries

Pursuant to the agreement entered into between the Group and Yantai Tianhong Investment Company Limited ("Yantai Tianhong") (煙台天鴻置業有限公司) dated 14 November 2006, the Group acquired a 70% equity interest in Hunchun Zijin Tianhong Mining Company Limited ("Hunchun Tianhong") (琿春紫金天鴻礦業有限公司) at a consideration of RMB51,800,000. Hunchun Tianhong is engaged in the investment holding of mining companies and its registered capital was RMB5,000,000 as at 31 December 2007. Hunchun Tianhong owns 100% equity interests in Mongolia Tianhong Mining Company Limited ("Mongolia Tianhong") (蒙古天鴻礦業有限公司). After the acquisition of Hunchun Tianhong, the Group indirectly holds 70% equity interests in Mongolia Tianhong. Mongolia Tianhong is engaged in gold mining activities and its registered capital was Tugrik2,382,842,600 (approximately RMB16,052,000) as at 31 December 2007.

Pursuant to the agreements entered into between the Group and Mr. Sai Junzhai dated 29 January 2007, the Group acquired a 51% equity interest in Yuanyang Xinjiezhen Zhengyuan Mining Company Limited ("Xinjiezhen Zhengyuan") ("元陽縣新街鎮正源礦業有限公司") at a consideration of RMB14,790,000. On 12 May 2007, Xinjiezhen Zhengyuan increased its capital from RMB500,000 to RMB30,000,000, of which RMB28,500,000 was transferred from the statutory surplus reserve. The Group further injected RMB510,000 into Xinjiezhen Zhengyuan for the capital increment. Xinjiezhen Zhengyuan is engaged in gold mining activities and its registered capital was RMB30,000,000 as at 31 December 2007.

Pursuant to the agreement entered into between the Group, Mr. Lin Quanchun and Mr. Wei Ruijian dated 3 April 2007, Longyan Taixin Resources Development Company Limited ("Taixin Resources") (龍岩市泰鑫資源開發有限公司) increased its capital from RMB4,000,000 to RMB10,000,000 and the Group injected RMB6,000,000 into Taixin Resources to acquire its 60% equity interests. Taixin Resources is engaged in gold mining activities and its registered capital was RMB10,000,000 as at 31 December 2007.

Heilongjiang Duobaoshan Copper Joint Stock Company Limited ("Duobaoshan Copper") (黑龍江多寶山銅業股份有限公司) was accounted for as an associate as at 31 December 2006 when the Company held a 31% equity interest. Pursuant to the agreement entered into between the Group and Western Mining Group Company Limited dated 9 August 2007, the Company further acquired a 20% equity interest in Duobaoshan Copper at a consideration of RMB60,000,000. In addition, on 30 November 2007, Duobaoshan Copper increased its capital from RMB300,000,000 to RMB600,000,000 and the Company further injected RMB153,000,000 into Duobaoshan Copper for the capital increment. As a result, the Company holds 51% equity interests in Duobaoshan Copper, and Duobaoshan Copper was accounted for as a subsidiary as at 31 December 2007.

39. BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

Pursuant to the agreements entered into between the Group and Heilongjiang Longxing International Resource Development Group Limited ("Heilongjiang International") (黑龍江龍興國際資源開發集團) dated 29 June 2007, Heilongjiang Longxing Mining Company Limited ("Heilongjiang Longxing") (黑龍江龍興紫金礦業有限公司) increased its capital from RMB5,000,000 to RMB100,000,000 and the Group injected RMB70,000,000 to acquire a 70% equity interest in Heilongjiang Longxing. Heilongjiang Longxing is engaged in the investment holding of mining companies and its registered capital was RMB100,000,000 as at 31 December 2007. Heilongjiang Longxing owns 100% equity interests in Russia Longxing Company Limited ("Russia Longxing") ("俄羅斯龍興有限責任公司"). After the acquisition of Heilongjiang Longxing, the Group indirectly holds 100% equity interests in Russia Longxing. Russia Longxing is engaged in lead and zinc mining activities and its registered capital was Ruble700,000,000 (approximately RMB210,210,000) as at 31 December 2007.

Pursuant to the agreements entered into between the Group and Avocet Mining PLC dated 28 June 2007, the Group acquired a 100% equity interest in Commonwealth & British Mineral (UK) Limited ("CBML") at a consideration of US$45,100,000 (approximately RMB345,427,000). CBML is engaged in the investment holding of mining companies and its registered capital was GBP10,000,000 (approximately RMB145,807,000) as at 31 December 2007. CBML owns a 75% equity interest in JV Zeravshan LLC ("ZGC"), a limited liability company incorporated in the Republic of Tajikistan. After the acquisition of CBML, the Group indirectly holds a 75% equity interest in ZGC. ZGC is engaged in gold mining activities and its registered capital was US$24,249,091 (approximately RMB184,725,000) as at 31 December 2007.

Pursuant to the agreement entered into between the Group, Guangxi Wantaicheng Investment Company Limited (廣西萬泰成建設投資有限公司) and Xinjiang Xinhui Mining Company Limited (新疆鑫滙地質礦業) ("Xinjiang Xinhui") dated 16 January 2007, Wuqia Jinwang Mining Development Company Limited ("Wuqia Jinwang") (烏恰縣金旺礦業發展有限責任公司) increased its capital from RMB10,000,000 to RMB100,000,000 and the Group injected RMB60,000,000 to acquire a 60% equity interest in Wuqia Jinwang. Wuqia Jinwang is engaged in lead and zinc mining activities and its registered capital was RMB100,000,000 as at 31 December 2007.

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

39. BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

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 a 51% equity interests in Longkou Jintai Gold Company Limited ("Longkou Jintai") (龍口市金泰黃金有限公司) at a consideration of RMB102,000,000. Longkou Jintai is engaged in gold mining activities and its registered capital was RMB200,000,000 as at 31 December 2006.

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

Pursuant to the agreements entered into between the Company and Mr. Xu Kaiyu dated 13 June and 15 June 2006, the Company acquired a 35.48% equity interest 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 owns 60% equity interests in Hunan Zijin after the capital increment according to the agreements. Hunan Zijin is engaged in the investment holding of mining companies and trading of mining rights.

Pursuant to the agreement entered into between the Group, the Shanghang Finance Bureau (上杭縣財政局) and the Shanghang Economic and Trade Bureau (上杭縣經濟貿易局) dated 14 July 2006, the Group acquired a 100% equity interest 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 was RMB2,380,000 as at 31 December 2006.

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

39. BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

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

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

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

Pursuant to the agreement entered into between the Group, Mr. Ran Houbi and Mrs. 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 the Group injected RMB61,200,000 to acquire a 51% equity interests in Funing Zhenglong. Funing Zhenglong is engaged in gold mining activities and its registered capital was RMB120,000,000 as at 31 December 2006.

39. BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

The fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition and the corresponding carrying amounts before the acquisition were as follows:

		2007		2006	
	Notes	**Fair value recognised on acquisition RMB'000**	**Previous carrying amount RMB'000**	Fair value recognised on acquisition RMB'000	Previous carrying amount RMB'000
Property, plant and equipment	14	**312,222**	**312,222**	441,593	441,593
Other intangible assets	19	**670,781**	**641,025**	145,187	17,678
Prepaid land lease payments		**–**	**–**	3,340	3,340
Long-term deferred assets		**12,981**	**12,981**	41,599	41,599
Other assets		**23,548**	**23,548**	–	–
Available-for-sale investments		**–**	**–**	34,367	34,367
Cash and cash equivalents		**265,036**	**265,036**	249,715	249,715
Inventories		**105,483**	**105,483**	28,435	28,435
Trade receivables		**22,673**	**22,673**	12,021	12,021
Prepayments, deposits and other receivables		**146,621**	**146,621**	56,113	56,113
		1,559,345	**1,529,589**	1,012,370	884,861
Trade payables		**(26,103)**	**(26,103)**	(5,469)	(5,469)
Accrued liabilities and other payables		**(499,700)**	**(499,700)**	(197,996)	(197,996)
Interest-bearing bank loans		**(45,800)**	**(45,800)**	(24,695)	(24,695)
Tax payable		**(199)**	**(199)**	(50,637)	(50,637)
Minority interests		**(275,663)**	**(266,733)**	(286,216)	(265,950)
		(847,465)	**(838,535)**	(565,013)	(544,747)
		711,880	**691,054**	447,357	340,114
Excess over the cost of a business combination recognised in the income statement	5	**–**		(20,696)	
Goodwill on acquisition	20	**–**		2,089	
		711,880		428,750	

39. BUSINESS COMBINATIONS *(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:

	2007		2006	
	Fair value recognised on acquisition RMB'000	**Previous carrying amount RMB'000**	Fair value recognised on acquisition RMB'000	Previous carrying amount RMB'000
Consideration:				
Satisfied by cash	**(587,080)**		(428,750)	
Transferred from other assets	**(31,800)**		–	
Transferred from interests in associates	**(93,000)**		–	
	(711,880)		(428,750)	
Cash consideration	**(587,080)**		(428,750)	
Net cash acquired	**265,036**		249,715	
Net cash outflow	**(322,044)**		(179,035)	

Since the acquisition, the aforementioned subsidiaries contributed RMB192,877,000 (2006: RMB413,016,000) to the Group's turnover and RMB13,543,000 (2006: RMB209,512,000) to the consolidated profit for the year ended 31 December 2007.

Had the subsidiaries' acquisitions taken place at the beginning of the year, the revenue and the profit attributes to the equity holders of the parent of the Group for the year would have been RMB14,945,450,000 (2006: RMB10,760,542,000) and RMB2,527,432,000 (2006: RMB1,708,491,000), respectively.

39. BUSINESS COMBINATIONS *(continued)*

(b) Disposal of subsidiaries

	Notes	2007 RMB'000	2006 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	–	3,422
Other intangible assets	19	–	6,041
Prepaid land lease payments		–	283
Long-term deferred assets		–	861
Cash and cash equivalents		**6,820**	394
Inventories		–	13,288
Trade receivables		**2,163**	490
Prepayments, deposits and other receivables		–	301
Available-for-sale investments		–	100
Trade payables		–	(352)
Accrued liabilities and other payables		**(21)**	(1,989)
Interest-bearing bank loans		–	(565)
Minority interests		**(4,391)**	(10,127)
		4,571	12,147
Gains on disposal of subsidiaries	7	–	8,856
		4,571	21,003
Satisfied by:			
Cash		–	21,003
Transfer to interests in associates (note)		**4,571**	–
		4,571	21,003
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
Cash and bank balances disposed of		**(6,820)**	(394)
Net inflow/(outflow) of cash and cash equivalent in respect of the disposal of subsidiaries		**(6,820)**	20,609

39. BUSINESS COMBINATIONS *(continued)*

(b) Disposal of subsidiaries

Note:

Songpan Zijin Mining Company Limited ("Songpan Zijin") was accounted for as a subsidiary as at 31 December 2006. Pursuant to the agreement entered into between the Company, Sichuan Bureau of Geology and Mineral Resources Exploration Development Chuanxibei Geologic Mining Division (四川省地質礦產勘查開發局川西北地質隊), Yunnan Jingwei Mining Investment Company Limited (雲南經緯礦業投資有限公司) and Sichuan Geology and Mining Company Limited (四川省地質礦產公司) dated 5 August 2007, Songpan Zijin increased its capital from RMB10,000,000 to RMB180,000,000. The Company further injected RMB34,300,000 and thereafter holds 34% equity interests in Songpan Zijin, and Songpan Zijin was accounted for as an associate as at 31 December 2007.

(c) Major non-cash transactions

During the year, the Group capitalised interest expenses of RMB33,644,000 (2006: RMB29,844,000) in property, plant and equipment (note 6).

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

Included in long-term other payables as at 31 December 2006 is a balance of RMB27,144,000 representing the unpaid balance for the acquisition of a 29% equity interest in Shanxi Zijin from minority shareholders (note 36 (e)).

40. 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 related parties during the year:

Name of related party	Relationship with the Company	Nature of transaction	Notes	2007 RMB'000	2006 RMB'000
Fujian Xinhuadu Engineering Company Limited ("Xinhuadu Engineering") (福建省新華都工程有限責任公司)	A subsidiary of a shareholder	Construction service fees	(i)	**178,663**	83,164
Yunnan Wenshan Longxing Mining Company Limited (雲南文山州隆興礦業有限公司)	A shareholder of Guannan Longxing	Construction service works	(i)	**10,110**	–
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
Shanxi Runlong Mining Company Limited (陝西潤龍礦業有限公司)	A shareholder of Qinghai West	Sales of copper concentrates	(i)	**32,631**	–
Shandong Guoda	A jointly-controlled entity	Sales of gold concentrates	(i)	**96,124**	–
Tibet Yulong	An associate	Provision of construction service fees	(i)	**13,992**	–
Xinjiang Non-ferrous Metal Industry (Group) Material Company Limited (新疆有色金屬工業集團物資有限公司)	A shareholder of Xinjiang Ashele	Purchase of raw materials	(i)	**10,677**	–
Wancheng Commercial	An associate	Purchase of zinc concentrates	(i)	**457,403**	–

40. 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 related parties during the year: *(continued)*

Name of related party	Relationship with the Company	Nature of transaction	Notes	2007 RMB'000	2006 RMB'000
Xiamen Hengxing Mining Company Limited (廈門恒興礦業有限公司)	A shareholder of Hunchun Zijin	Purchase of a 1.13% equity interest 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 a 6.75% equity interest in Hunchun Zijin	(ii)	–	33,750
Xinhuadu Engineering	A shareholder of a subsidiary	Purchase of a 10% equity interest in Sichuan Jiuzhaigou Zijin Mining Company Limited	(iii)	–	8,000
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 Mining Company Limited ("Xinjiang Zijin")	Purchase of a 20% equity interest in Xinjiang Zijin	(iv)	–	20,000
Fujian Shanghang Daguangming Group (福建上杭大光明集團)	A shareholder of Wuping Zijin Hydro Power Company Limited ("Wuping Zijin Hydro Power")	Purchase of a 10% equity interest in Wuping Zijin Hydro Power	(v)	–	9,295
Yixingzhai Gold	A shareholder of Shanxi Zijin	Purchase of a 34% equity interest in Shanxi Zijin	(vi)	–	54,100
Minority shareholders of Xinyi Zijin Mining Company Limited ("Xinyi Zijin") (信宜紫金之少數股東)	Shareholders of Xinyi Zijin	Purchase of a 20% equity interest in Xinyi Zijin	(vii)	**63,900**	–

40. 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 related parties during the year: *(continued)*

Name of related party	Relationship with the Company	Nature of transaction	Notes	2007 RMB'000	2006 RMB'000
Longkou Jinxing Gold Company Limited (龍口金興黃金有限公司)	A shareholder of Longkou Jintai	Purchase of a 39% equity interest in Longkou Jintai	(viii)	**90,000**	–
Mr. Ran Houbi and Mrs. Cao Shifen	Shareholders of Funing Zhenglong Gold Resources Development Company Limited ("Funing Zhenglong")	Purchase of a 49% equity interest in Funing Zhenglong	(ix)	**66,300**	–
Zijin Tongguan	An associate	Loan	(x)	**260,100**	–

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 counterparties dated 26 July 2006. These transactions were entered into in accordance with the terms mutually agreed between the parties.

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

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

40. 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 related parties during the year: *(continued)*

Notes: *(continued)*

(v) 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 into in accordance with the terms mutually agreed between the parties.

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

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

(vii) Pursuant to an agreement entered into between the Company and the minority shareholders of Xinyi Zijin dated 7 June 2007, the Company purchased a 20% equity interest of Xinyi Zijin from the minority shareholders at a consideration of RMB63,900,000.

(viii) Pursuant to an agreement entered into between the Company and Longkou Jinxing Gold Company Limited dated 10 January 2007, the Company purchased a 39% equity interest of Longkou Jintai from Longkou Jinxing Gold Company Limited at a consideration of RMB90,000,000.

(ix) Pursuant to an agreement entered into between the Company and the two minority shareholders of Funing Zhenglong dated 26 July 2007, the Company purchased a 49% equity interest of Funing Zhenglong from the minority shareholders at a consideration of RMB66,300,000.

(x) The loan advance from Zijin Tongguan was unsecured and bore interest at 4.77% per annum. The loan was fully repaid during the year.

40. RELATED PARTY TRANSACTIONS *(continued)*

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

(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 2007, the guarantee was utilised to the extent of RMB70,000,000 (2006: RMB116,000,000).

(ii) Guarantees in respect of bank loans granted by the Company to associates and a jointly-controlled entity

Name of associate and jointly-controlled entity	**Nature of guarantee**	**2007 RMB'000**	2006 RMB'000
Fujian Makeng Mining Company Limited	Corporate guarantee		
	Maximum guarantee	**15,000**	15,000
	Guarantee utilised	**11,250**	11,250
Zijin Tongguan	Corporate guarantee		
	Maximum guarantee	**297,000**	–
	Guarantee utilised	**297,000**	–
Shangdong Guoda	Corporate guarantee		
	Maximum guarantee	**140,000**	–
	Guarantee utilised	**85,000**	–

40. RELATED PARTY TRANSACTIONS *(continued)*

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

Name of subsidiary	Nature of guarantee	2007 RMB'000	2006 RMB'000
Guizhou Zijin	Corporate guarantee		
	Maximum guarantee	–	25,000
	Guarantee utilised	–	10,000
Xinjiang Ashele	Corporate guarantee		
	Maximum guarantee	**127,000**	127,000
	Guarantee utilised (note)	**70,000**	127,000
Zijin Investment	Corporate guarantee		
	Maximum guarantee	**100,000**	90,000
	Guarantee utilised	**100,000**	43,000
Xiamen Zijin	Corporate guarantee		
	Maximum guarantee	–	60,000
	Guarantee utilised	–	7,000
Zijin Copper	Corporate guarantee		
	Maximum guarantee	**100,000**	531,300
	Guarantee utilised	**30,000**	170,617
Yunnan Huaxi	Corporate guarantee		
	Maximum guarantee	**120,000**	55,000
	Guarantee utilised	**50,000**	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

40. 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	**2007 RMB'000**	2006 RMB'000
Qinghai West	Corporate guarantee		
	Maximum guarantee	**–**	110,000
	Guarantee utilised	**–**	110,000
Bayannaoer Zijin	Corporate guarantee		
	Maximum guarantee	**–**	380,000
	Guarantee utilised	**–**	380,000
Xinjiang Zijin	Corporate guarantee		
	Maximum guarantee	**–**	50,000
	Guarantee utilised	**–**	50,000
Fuyun Jinshan Mining Company Limited	Corporate guarantee		
	Maximum guarantee	**230,000**	230,000
	Guarantee utilised	**230,000**	79,000
Tongling Zijin Mining Company Limited	Corporate guarantee		
	Maximum guarantee	**7,650**	20,000
	Guarantee utilised	**7,650**	20,000
Luoyang Zijin Yinhui Smelting Company Limited	Corporate guarantee		
	Maximum guarantee	**50,000**	–
	Guarantee utilised	**50,000**	–
Chongli Zijin Mining Company Limited	Corporate guarantee		
	Maximum guarantee	**150,000**	–
	Guarantee utilised	**120,000**	–

40. 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	**2007 RMB'000**	2006 RMB'000
Wuping Zijin Mining Company Limited	Corporate guarantee Maximum guarantee	**100,000**	–
	Guarantee utilised	**20,000**	–
Xinyi Baoyuan Mining Company Limited	Corporate guarantee Maximum guarantee	**30,000**	–
	Guarantee utilised	**30,000**	–
Hunchun Zijin	Corporate guarantee Maximum guarantee	**100,000**	–
	Guarantee utilised	**30,000**	–
Longkou Jinfeng Mining Company Limited	Corporate guarantee Maximum guarantee	**40,000**	–
	Guarantee utilised	**40,000**	–

Note:

As at 31 December 2007, a long-term bank loan of Xinjiang Ashele amounting to RMB70,000,000 (2006: RMB127,000,000) was secured by guarantees provided by the Company and Xinjiang Non-ferrous Metal Industry (Group) Company Limited (note 40(c)(i)) above.

40. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties:

(i) Details of the Group's loans to an associate and jointly-controlled entities as at the balance sheet date are included in notes 22 and 23 to the financial statements respectively.

(ii) Details of the Group's trade receivables balances with its associate and related parties as at the balance sheet date are disclosed in notes 22 and 27 to the financial statements.

(iii) Details of the Group's prepayments and other receivables balances with its associate, jointly-controlled entity and related parties as at the balance sheet date are disclosed in note 26 to the financial statements.

41. CONTINGENT LIABILITIES

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

	Group		**Company**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Corporate guarantees in respect of bank loans granted to:				
Subsidiaries	**–**	–	**1,154,650**	1,768,300
Associates and a jointly-controlled entity	**452,000**	15,000	**452,000**	15,000
	452,000	15,000	**1,606,650**	1,783,300

As at 31 December 2007, the banking facilities granted to the subsidiaries, associates and a jointly-controlled entity subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB777,650,000 (2006: RMB1,126,617,000) and RMB393,250,000 (2006: RMB11,250,000), respectively.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 to the financial statements), land and buildings under operating lease arrangements, with leases negotiated for terms of 1 to 10 years.

At 31 December 2007, the Group and the Company had total future minimum lease rental income under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**4,177**	1,535	**144**	335
In the second to fifth years, inclusive	**16,237**	4,822	**105**	22
Over five years	**26,283**	5,000	**–**	–
	46,697	11,357	**249**	357

(b) As lessee

The Group leases certain of its buildings under operating lease arrangements for terms ranging from five to nine years.

At 31 December 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,740**	589	**1,200**	16
In the second to fifth years, inclusive	**7,530**	2,078	**6,000**	–
	9,270	2,667	**7,200**	16

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided:				
Acquisition of plant, machinery and mining assets	**404,864**	355,698	**68,263**	48,454
Acquisition of exploration and mining rights	**378,924**	240,000	**183,000**	240,000
Capital injection in subsidiaries	**–**	–	**22,600**	139,184
Capital injection in associates	**30,616**	41,452	**16,900**	–
Acquisitions of minority interests	**49,283**	66,300	**6,423**	–
Acquisition of equity interests in subsidiaries	**783,144**	328,685	**–**	11,465
	1,646,831	1,032,135	**297,186**	439,103
Authorised, but not contracted for:				
Acquisitions of minority interests	**18,000**	–	**18,000**	–
Acquisition of equity interests in subsidiaries	**511,322**	–	**511,322**	–
	529,322	–	**529,322**	–
	2,176,153	1,032,135	**826,508**	439,103

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

2007

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in other assets (note 18)	–	80,000	–	80,000
Interests in associates (notes 22)	–	10,000	–	10,000
Interests in jointly-controlled entities (note 23)	–	19,128	–	19,128
Available-for-sale investments	–	–	462,178	462,178
Financial assets included in prepayments, deposits and other receivables	–	321,664	–	321,664
Trade receivables	–	293,870	–	293,870
Bills receivables	–	52,346	–	52,346
Equity investments at fair value through profit or loss	102,439	–	–	102,439
Derivative financial instruments	4,440	–	–	4,440
Pledged deposits	–	52,088	–	52,088
Cash and cash equivalents	–	2,184,510	–	2,184,510
	106,879	3,013,606	462,178	3,582,663

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 30)	1,669,683
Trade and bills payables	590,262
Interest-bearing bank and other loans	6,442,438
Long-term other payables	185,713
	8,888,096

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Group

2006

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in other assets (note 18)	–	80,000	–	80,000
Available-for-sale investments	–	–	274,163	274,163
Financial assets included in prepayments, deposits and other receivables	–	233,166	–	233,166
Trade receivables	–	180,874	–	180,874
Bills receivables	–	13,105	–	13,105
Equity investments at fair value through profit or loss	80,003	–	–	80,003
Pledged deposits	–	49,585	–	49,585
Cash and cash equivalents	–	1,939,909	–	1,939,909
	80,003	2,496,639	274,163	2,850,805

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in accrued liabilities and other payables (note 30)	–	863,162	863,162
Trade and bills payables	–	307,888	307,888
Interest-bearing bank and other loans	–	4,057,582	4,057,582
Derivative financial instruments	157,399	–	157,399
Long-term other payables	–	141,346	141,346
	157,399	5,369,978	5,527,377

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Company

2007

Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in other assets (note 18)	–	80,000	–	80,000
Interests in subsidiaries	–	628,299	–	628,299
Available-for-sale investments	–	–	51,350	51,350
Financial assets included in prepayments, deposits and other receivables	–	535,383	–	535,383
Trade receivables	–	59,661	–	59,661
Derivative financial instruments	130	–	–	130
Pledged deposits	–	50,328	–	50,328
Cash and cash equivalents	–	488,809	–	488,809
	130	1,842,480	51,350	1,893,960

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in accrued liabilities and other payables (note 30)	617,587
Trade and bills payables	181,873
Interest-bearing bank and other loans	3,341,808
Long-term other payables	127,578
	4,268,846

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Company

2006

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in other assets (note 18)	80,000	–	80,000
Interests in subsidiaries	529,580	–	529,580
Available-for-sale investments	–	54,350	54,350
Financial assets included in prepayments, deposits and other receivables	95,813	–	95,813
Trade receivables	60,305	–	60,305
Pledged deposits	49,585	–	49,585
Cash and cash equivalents	537,299	–	537,299
	1,352,582	54,350	1,406,932

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in accrued liabilities and other payables (note 30)	–	397,176	397,176
Trade and bills payables	–	49,759	49,759
Interest-bearing bank and other loans	–	1,994,035	1,994,035
Derivative financial instruments	157,399	–	157,399
Long-term other payables	–	116,061	116,061
	157,399	2,557,031	2,714,430

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise interest bearing bank and other loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign exchange risk, and commodity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss, loans to associates and jointly-controlled entities, other receivables and derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 40(c) to the financial statements.

Included in the cash and cash equivalents of the Group are amounts of RMB93,487,000 (2006: RMB56,642,000) and RMB8,117,000 (2006: RMB18,519,000), respectively, deposited with the Rural Credit Cooperatives and the City Credit Cooperatives, which are registered in the 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. No provision has 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

(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. In the opinion of the directors of the Company, most of the borrowings that mature with one year are able to renew and the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

2007

	On demand RMB'000	**Less than 6 months RMB'000**	**6 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Other payables	**312,223**	**721,760**	**635,700**	**–**	**–**	**1,669,683**
Trade and bills payables	**7,702**	**582,560**	**–**	**–**	**–**	**590,262**
Interest-bearing bank and other loans	**–**	**2,142,978**	**1,539,800**	**2,721,230**	**38,430**	**6,442,438**
Long-term other payables	**–**	**–**	**–**	**94,767**	**90,946**	**185,713**
	319,925	**3,447,298**	**2,175,500**	**2,815,997**	**129,376**	**8,888,096**

2006

	On demand RMB'000	Less than 6 months RMB'000	6 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Other payables	221,432	528,775	112,955	–	–	863,162
Trade and bills payables	7,277	300,611	–	–	–	307,888
Interest-bearing bank and other loans	–	621,617	827,300	2,514,235	94,430	4,057,582
Derivative financial instruments	–	(2,081)	(139)	159,619	–	157,399
Long-term other payables	–	–	–	92,043	49,303	141,346
	228,709	1,448,922	940,116	2,765,897	143,733	5,527,377

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

(b) Liquidity risk *(continued)*

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Company

2007

	On demand RMB'000	Less than 6 months RMB'000	6 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Other payables	**107,946**	**247,885**	**261,756**	**–**	**–**	**617,587**
Trade and bills payables	**16,441**	**165,432**	**–**	**–**	**–**	**181,873**
Interest-bearing bank and other loans	**–**	**1,597,978**	**328,800**	**1,415,030**	**–**	**3,341,808**
Long-term other payables	**–**	**–**	**–**	**36,632**	**90,946**	**127,578**
	124,387	**2,011,295**	**590,556**	**1,451,662**	**90,946**	**4,268,846**

2006

	On demand RMB'000	Less than 6 months RMB'000	6 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Other payables	114,703	253,079	29,394	–	–	397,176
Trade and bills payables	2,089	47,670	–	–	–	49,759
Interest-bearing bank and other loans	–	260,000	144,000	1,590,035	–	1,994,035
Derivative financial instruments	–	(2,081)	(139)	159,619	–	157,399
Long-term other payables	–	–	–	66,758	49,303	116,061
	116,792	558,668	173,255	1,816,412	49,303	2,714,430

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate relates primarily to its long-term interest-bearing bank loans. Borrowings at floating rates expose the Group to cash flow interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

A reasonably possible change of 100 basis points in interest rates would have no material impact on the Group's and Company's profit and equity for the year.

(d) Foreign exchange risk

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain prepayment for mining rights and other payables denominated in US dollars and HK dollars, respectively, and the forward contracts for the sale of gold denominated in US dollars. Therefore, the fluctuations in the exchange rate of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, the Group have not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks.

A reasonably possible change of 10% in exchange rate between United States dollar and Hong Kong dollar to Renminbi would have no material impact on the Group's and Company's profit and equity for the year.

(e) Commodity price risk

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

The Group entered into forward contracts for the sale of gold, copper and zinc as set out in note 33. All forward commodity contracts can only be carried out at the approval of Future Exchange Team which is composed of top management of the Company. As approved by the board of directors of the Company, the holding position of gold, copper and zinc underlying the open forward contract should not exceed 25% of annual gold and copper planned production of the Group and 1,000 tons of zinc, respectively. In addition, the price range of the forward commodity contracts was closely monitored by the Future Exchange Team.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

(e) Commodity price risk *(continued)*

At 31 December 2007, most of the forward commodity contracts of the Group were settled and accordingly, a reasonably possible change of 10% in commodity price would have no material impact on the Group's and Company's profit and equity for the year.

(f) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholder value.

The Group manages the capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2006 and 31 December 2007.

The Group monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the balance sheet) less cash and cash equivalents. Capital comprises all components of equity. The Group aims to maintain the debt-to-capital ratios at a reasonable level. The debt-to-capital ratio at 31 December 2006 and 2007 were as follows:

	At 31 December	
	2007	2006
	RMB'000	RMB'000
Interest-bearing bank loans and other loans (note 32)	**6,442,438**	4,057,582
Less: Cash and cash equivalents	**(2,184,510)**	(1,939,909)
Net debt	**4,257,928**	2,117,673
Equity	**7,118,613**	5,053,472
Debt-to-capital ratio	**0.60**	0.42

46. POST BALANCE SHEET EVENTS

Pursuant to the Capital Increment Agreement dated 13 December 2007, Bayannaoer Zijin increased its registered capital from RMB300,000,000 to RMB375,000,000 and Western Mining Company Joint Stock Limited injected RMB240,000,000 to acquire 20% equity interest in Bayannaoer Zijin. After the completion of the capital increment, the Company holds a 60% equity interest in Bayannaoer Zijin.

47. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 March 2008.

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