



**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



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# 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, Xihuadu Industrial Group Company Limited, Fujian Xihuadu Engineering Company Limited, Xiamen Hengxing Industrial Company Limited, Fujian Xihuadu 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](http://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 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000 (Restated)	2003 RMB'000 (Restated)
<b>Results</b>					
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

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

## LIQUIDITY

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

# Chairman's Statement

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.

# Chairman's Statement

## 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.

Bayannaer 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 Heilongjiang 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.

# Chairman's Statement

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.

# Chairman's Statement

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 Wujia 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.



# Chairman's Statement

## *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 stabilise the production capacity, explore new business potential, reduce waste and take positive steps to mitigate the impact on profit caused by possible price-cuts. Deerni Copper Mine should put effort into stabilising its production and achieving the production targets as soon as possible.

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

The 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 Rioblanco 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.

# Chairman's Statement

## *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.

# Chairman's Statement

## *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

