# 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)

## ANNUAL REPORT
## 年報 2010

*For identification purpose only

*僅供識別

# Contents

## 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 Group 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 ("Stock Exchange"). 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 and in April 2008, the Company issued 1.4 billion of A shares at RMB7.13 per share and was listed on the Shanghai Stock Exchange on 25 April 2008 at a nominal value of RMB0.1 each. As at 31 December 2010, the Company has a total of 14,541,309,100 ordinary shares (Nominal value of RMB0.1 each) of which 4,005,440,000 shares (H shares) listed on Hong Kong Stock Exchange, representing about 27.55% of the total issued shares, and 6,324,966,980 shares (A shares) listed on Shanghai Stock Exchange, representing about 43.50% of the total issued shares. The total listed shares in these two stock exchanges represented about 71.05% of the total issued shares 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 69.07 tonnes of gold (including 29.18 tonnes of mine-produced gold) in year 2010. The Company is one of the largest and the most efficient mine-produced gold producers in the PRC.

As at the end of 2010, the Group retained resources reserve (audited): 750.17 tonnes of gold, an increase of 5%; 1,827.9 tonnes of silver; 10.5787 million tonnes of copper; 392,500 tonnes of molybdenum; 5.23 million tonnes of lead and zinc; 173,400 tonnes of tungsten ($W_2O_3$); 184.5 million tonnes of iron ore; 459.2 million tonnes of coal; 99,290 tonnes of tin; 607,100 tonnes of nickel; 66.73 million tonnes of sulfur iron (standard ore).

In 2010, the Company obtained new resources reserve (partially not yet audited): 71.83 tonnes of gold, 1,014,000 tonnes of copper, 1,782,000 tonnes of zinc and lead, 78,000 tonnes of molybdenum, and 3 million tonnes of iron ore.

The Group owns 275 exploration rights with a total area of 5,522.25 square km, in which, 43 overseas exploration rights with a total area of 314.75 square km; and 63 mining rights with a total area of 154.643 square km, in which, 6 overseas mining rights with a total area of 5.68 square km.

# Corporate Information

## EXECUTIVE DIRECTORS

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

## NON-EXECUTIVE DIRECTOR

Peng Jiaqing

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Su Congfu
Chen Yuchuan
Lin Yongjing
Wang Xiaojun

## SUPERVISORS

Lin Shuiqing
Xu Qiang
Lin Xinxi
Zhang Yumin
Liu Xianhua

## COMPANY SECRETARY

Fan Cheung Man

## AUDIT COMMITTEE

Lin Yongjing
Su Congfu
Chen Yuchuan
Wang Xiaojun
Peng Jiaqing
Liu Xiaochu

## AUTHORISED REPRESENTATIVE

Chen Jinghe
Liu Xiaochu

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3712-15, 37/F.,
Shell Tower, Times Square,
1 Matheson Street,
Causeway Bay,
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 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

## WEBSITE

www.zjky.cn

## STOCK CODE

2899

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 | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Results** | | | | | |
| Revenue | **27,769,198** | 20,215,111 | 16,322,275 | 14,871,268 | 10,678,810 |
| Cost of sales | **(18,240,154)** | (13,642,427) | (10,329,182) | (9,295,361) | (6,718,899) |
| Gross profit | **9,529,044** | 6,572,684 | 5,993,093 | 5,575,907 | 3,959,911 |
| Other income and gains | **535,040** | 608,982 | 522,199 | 238,991 | 193,226 |
| Selling and distribution costs | **(468,769)** | (376,971) | (316,948) | (255,000) | (143,074) |
| Administrative expenses | **(1,081,599)** | (717,709) | (826,891) | (607,360) | (417,505) |
| Other expenses | **(1,009,576)** | (968,942) | (630,942) | (318,248) | (673,169) |
| Finance costs | **(323,558)** | (168,425) | (247,326) | (292,683) | (114,975) |
| Share of profits of: | | | | | |
| Associates | **115,130** | 79,050 | 11,370 | 72,371 | 64,923 |
| Jointly-controlled entities | **22,236** | 16,654 | 28,502 | 18,225 | - |
| Profit before tax | **7,317,948** | 5,045,323 | 4,533,057 | 4,432,203 | 2,869,337 |
| Income tax | **(1,575,824)** | (968,254) | (639,031) | (912,448) | (510,821) |
| Profit for the year | **5,742,124** | 4,077,069 | 3,894,026 | 3,519,755 | 2,358,516 |
| Attributable to: | | | | | |
| Owners of the parent | **4,812,665** | 3,552,347 | 3,066,201 | 2,552,007 | 1,704,514 |
| Non-Controlling interests | **929,459** | 524,722 | 827,825 | 967,748 | 654,002 |
| | **5,742,124** | 4,077,069 | 3,894,026 | 3,519,755 | 2,358,516 |

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Assets and liabilities** | | | | | |
| Total assets | **38,401,232** | 29,646,137 | 26,217,549 | 16,799,160 | 11,349,397 |
| Total liabilities | **12,372,562** | 8,032,671 | 7,038,424 | 9,680,547 | 6,295,925 |
| Non-Controlling interests | **4,197,100** | 3,443,285 | 3,044,737 | 1,781,587 | 1,401,444 |
| Equity holders of the parent | **21,831,570** | 18,170,181 | 16,134,388 | 5,337,026 | 3,652,028 |

## LIQUIDITY

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash and cash equivalents | **3,791,472** | 2,999,054 | 2,719,868 | 2,158,477 | 1,939,408 |
| Current ratio (%) | **115** | 125 | 142 | 66 | 105 |
| Trade receivables turnover (days) | **7.15** | 6.68 | 6.89 | 5.83 | 4.45 |

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 2010 as follows:

In 2010, the Group achieved a sales income (turnover) of RMB27,769,198,000, representing an increase of 37.37% over the previous year, and achieved a net profit after tax (net profit attributable to shareholders of the parent) of RMB4,812,665,000, representing an increase of 35.48% over the previous year. Earnings per share (basic) was RMB0.33, representing an increase of 37.5% over the previous year. (The calculation of earnings per share is based on the profit for the year attributable to shareholders of the parent of RMB4,812,665,000 (2009: RMB3,552,347,000) and the weighted average number of 14,541,309,100 ordinary shares (2009: 14,541,309,100 shares) in issue during the year).

## MARKET OVERVIEW

In 2010, the gold price increased significantly due to the quantitative easing policy of the Federal Reserve of the U.S. and the European financial crisis. In 2010, the opening spot price of gold was US$1,096.40/oz. The highest price was US$1,430.80/oz and the lowest price was US$1,045.40/oz. The year-end closing price was US$1,421.50/oz, representing an increase of 29.65%.

In 2010, the prices of non-ferrous metals remained at high trend. The 3-months forward opening price of copper of London Metals Exchange ("LME") was US$7,412/tonne, which its highest price was US$9,687/tonne, and its lowest price was US$6,038/tonne. The year-end closing price was US$9,685/tonne, representing an increase of 30.67%. The trends in relation to the price in both international market and domestic market were similar.

The trends of price of copper and zinc were almost the same. As the fundamental factors affecting the price were relatively weak, the price of zinc was fluctuated during the year. In 2010, the 3-months forward opening price of zinc of LME was US$2,584/tonne, which its highest price was US$2,735/tonne and its lowest price was US$1,577/tonne. The year-end closing price was US$2,446/tonne, representing a decrease of 5.3%.

## INDUSTRIAL POSITION

According to the statistics of the China Gold Association, the 2010 national gold production in the PRC amounted to 340.876 tonnes in which 280.032 tonnes was mine-produced gold. In 2010, the Group produced 69.07 tonnes of gold, of which, 29.18 tonnes was mine-produced gold, representing approximately 10.42% of mine-produced gold in the PRC. The gold production enterprises of the PRC recorded total profit of RMB24.8736 billion (including profits other than gold production) and the Group recorded profit in the amount of RMB7.332 billion, representing 29.48% of the aggregate profit (including profits other than gold production) generated by gold production enterprises of the PRC. The Company is one of the largest and the most efficient mine-produced gold producers in the PRC.

## BUSINESS OVERVIEW

In 2010, the Group suffered from two incidents on 3 July 2010 (leakages of the waste water pond in the Zijinshan Copper Mine hydro-metallurgical plant) (the **""7.3" Incident"**) and 21 September 2010 (the Yinyan Tin Mine, located in Xinyi city, Guangdong province and is owned by Xinyi Zijin Mining Company Limited ("**Xinyi Zijin**"), a wholly-owned subsidiary of the Company, was affected by torrential rainfall brought by typhoon no. 11 "Fanapi", and the major dam of the Yinyan Tin Mine tailing dam collapsed on 21 September 2010 as a result of the mud and rock slides caused by the torrential rainfall) (the **""9.21" Incident"**), and experienced severe challenges. With the efforts of all the employees and the effect of positive market situation, the Company maintained a substantial growth in terms of the key economic indicators under such difficult and complex external environment.

### I. Production and Operation

*1. GOLD MINE BUSINESS*

During the reporting period, the Group produced a total of 69,071.15kg (2,220,687 ounces) of gold, representing a decrease of 8.36% when compared with same period last year (2009: 75,372.67kg).

The Group produced 29,177.05kg (938,063 ounces) of mine-produced gold, representing a decrease of 4.81% when compared with same period last year (2009: 30,652.59kg); in which 16,227.76kg (521,734 ounces) was produced from Zijinshan Gold Mine; 2,412.98kg (77,579 ounces) was produced from Hunchun Shuguang Gold and Copper Mine; 2,106.79kg (67,735 ounces) was produced from Guizhou Shuiyindong Gold Mine; 2,025kg (65,105 ounces) was produced from Chongli Zijin, 6,404.52kg (205,910 ounces) was produced from other entities in the Group.

The Group produced 39,894.10kg (1,282,624 ounces) of refinery gold, representing a decrease of 10.79% over last year (2009: 44,720.08kg), in which, Henan Luoyang Zijin Yinhui Gold Refinery Company Limited produced 33,783.09kg (1,086,151 ounces) of refinery gold, the Company's refinery plant produced 3,567.25kg (114,690 ounces) of refinery gold, Fujian Jinshan Gold Refinery Plant produced 1,856.24kg (59,679 ounces) of refinery gold, and other entities in the Group produced 687.52kg (22,104 ounces) of refinery gold.

Sales income from the gold business of the Group represented about 62.51% (after elimination) of the total annual sales income, and the net profit of the gold business represented about 65.49% of the total net profit attributable to equity holders of the parent.

(1 troy ounce = 31.1035g)

2. *COPPER MINE BUSINESS*

During the reporting period, the Group produced a total of 90,287.38 tonnes copper, representing an increase of 6.44% over last year (2009: 84,826.34 tonnes), in which 7,626.56 tonnes was mine-produced copper cathodes, representing a decrease of 40.61% (2009: 12,840.80 tonnes); the Group produced copper concentrates containing copper of 80,212.17 tonnes, representing an increase of 13.11% (2009: 70,914.39 tonnes), copper refinery produced 2,448.65 tonnes copper, in which, Ashele Copper Mine produced copper concentrate containing copper of 32,218.33 tonnes, representing an increase of 7.19% (2009: 30,058.16 tonnes); Qinghai Deerni Copper Mine produced copper concentrate containing copper of 27,587.05 tonnes, representing an increase of 12.47% (2009: 24,529.41 tonnes); Hunchun Gold and Copper Mine produced copper concentrate containing copper of 9,020.02 tonnes which represented a growth of 4.47% over last year (2009: 8,634.40 tonnes). Zijinshan Copper Mine produced 7,058.30 tonnes of copper cathodes which represented a decrease of 45.03% (2009: 12,840.80 tonnes), and produced copper concentrate containing copper of 5,538.60 tonnes, representing an increase of 306.46% (2009: 1,362.64 tonnes).

Sales income from the copper mine business represented 13.34% (after elimination) of the annual total sales income, while it represented about 25.04% of the total net profit attributable to equity holders of the parent.

3. *LEAD AND ZINC MINE BUSINESS*

During the reporting period, the Group produced zinc of 223,832.61 tonnes, representing an increase of 64.16% (2009: 136,346.35 tonnes). In which 185,097.98 tonnes was zinc bullion, representing an increase of 78.89% (2009: 103,471.70 tonnes); the Group produced zinc concentrates containing zinc of 38,734.63 tonnes, representing an increase of 17.83% (2009: 32,874.65 tonnes). Bayannaoer Zijin Zinc Refinery Plant produced 185,097.98 tonnes zinc bullion, representing an increase of 79.68% (2009: 103,014.88 tonnes), Wulatehouqi Zijin produced zinc concentrates containing zinc of 23,999.46 tonnes, representing an increase of 6.78% (2009: 22,474.60 tonnes) and Ashele Copper Mine produced zinc concentrates containing zinc of 10,319.76 tonnes, representing an increase of 51.76% (2009: 6,800.01 tonnes). Other entities in the Group produced 4,415.41 tonnes of zinc.

During the reporting period, the Group produced lead concentrates containing lead of 4,936.94 tonnes, representing a decrease of 2.68% (2009: 5,073.11 tonnes).

Sales income from lead and zinc mine business represented about 9.91% (after elimination) of total annual sales income, while net profit from zinc mine business represented about 4.7% of the total net profit attributable to equity holders of the parent.

4. *IRON MINE, SILVER AND OTHER BUSINESS*

During the reporting period, the Group produced silver of 122,419.22kg (2009: 125,401.71kg), in which, Shanxi Zijin produced silver of 23,958.80kg, Ashele Copper Mine produced silver concentrates containing silver of 23,566.20kg, Wuping Zijin produced 18,587.47kg of silver, Yunnan Huaxi produced silver concentrates containing silver of 6,780.74kg, Wuhou Zijin produced silver concentrates containing silver of 5,718.03kg. Other entities in the Group produced silver of 15,175.53kg and processed refinery silver of 28,632.45kg.

During the reporting period, the Group produced iron concentrates of 1,762,000 tonnes, representing an increase of 23.93% (2009: 1,421,800 tonnes).

Sales income from iron mine, silver and other mineral products represented about 14.24% (after elimination) of total annual sales income, which represented about 4.77% of the total net profit attributable to equity holders of the parent.

## II. GEOLOGICAL EXPLORATOIN PROJECTS

During the reporting period, the Group invested RMB223 million in geological exploration and the volume of actual works completed includes the following: 232,000 metres drilling, 21,000 metres tunnel exploration, and 34,000 cubic metres trench exploration, which increased the resources reserve (partially not yet audited): 71.83 tonnes of gold, 1,014,000 tonnes of copper, 1,782,000 tonnes of zinc and lead, 78,000 tonnes of molybdenum, and 3 million tonnes of iron ore. The Group achieved a breakthrough with good results of exploration in the following mines: Zijinshan Mine East section (Luoboling), Dongping Gold Mine, Gansu Yate, Xinjiang Ashele Copper Mine, Guizhou Shuiyindong Gold Mine, Inner Mongolia Bayanhaer Aobao Gold and Silver Mine, and Jilin Hunchun Gold and Copper Mine.

The Group put more effort in exploration. Further resource explorations and strategic cooperation have been carried out in the following mines: Yunnan Wenshan Malipo, Honghezhou, Shangrila County, Guizhou Huijiabao, Henan Luoning County, and Heilongjiang Daxinganling.

As at the end of 2010, the Group retained resources reserve (audited): 750.17 tonnes of gold, an increase of 5%; 1,827.9 tonnes of silver; 10.5787 million tonnes of copper; 392,500 tonnes of molybdenum; 5.23 million tonnes of lead and zinc; 173,400 tonnes of tungsten ($W_2O_3$); 184.5 million tonnes of iron ore; 459.2 million tonnes of coal; 99,290 tonnes of tin; 607,100 tonnes of nickel; 66.73 million tonnes of sulfur iron (standard ore).

The Group owns 275 exploration rights with a total area of 5,522.25 square km, in which, 43 overseas exploration rights with a total area of 314.75 square km; and 63 mining rights with a total area of 154.643 square km, in which, 6 overseas mining rights with a total area of 5.68 square km.

## III. EXTERNAL INVESTMENTS

In 2010, in accordance with the principle of "Acquisition of large projects, prioritize gold, while not ignoring the base metals ", the Company has completed a lot of project studies and preliminary evaluation work.

In domestic market, the Company has newly invested in Inner Mongolia Bayanhaer Aobao Gold Mine, Fujian Wengfu Zijin Phosphorous Chemical, Yongding County Mianhuatan Reservoir Ecological Industry, Jinshan Wear-resisting Materials, Xinjiang Tianlong Mining, and Kanasi Travel, and increased shareholding in Xinjiang Wulagen Zinc-lead Mine, and Shangrila Huaxi.

In overseas market, the Company has successfully subscribed US$200 million convertible bonds issued by Glencore Finance (Europe) S.A., shares issued by Inter-Citic Minerals Inc. (a Canadian listed company) and became its largest shareholder, and completed the subscription of share placement of CASA, holding its 26.16% shareholding in total.

## IV. CONSTRUCTION PROJECTS

The construction of following projects have been successfully completed and put into operation or in trial operation stage: Luoning Huatai processing plant technological innovation, the second phase of environmental protection construction in Bayannaoer Zijin Zinc Refinery Plant, and Fujian Jinyi Copper Plant's expansion for 30,000 tonnes/year premium refrigeration copper tube. The construction of the main structure of 200,000 tonnes/year copper refinery plant has been completed and currently under the stage of facility installation. After obtaining all the necessary licences, Daobaoshan Copper Mine has commenced its development work. The following projects' construction have been carried out: Sanguikou Zinc-lead Mine, Yuanyang Gold Mine, Guizhou Shuiyindong third-phase technological innovation and gold refinery, Qinghai Deerni Copper Mine 10,000 tonnes comprehensive utilisation of tailing sulfur process plant, Mongolia Tianhong Gold Mine, Wengfu Zijin Phosphorous Chemical, and Xinjiang Qitai Coal Mine.

## V. INVESTMENT AND ADVANCEMENT IN TECHNOLOGY

During the reporting period, the Group has invested RMB192,000,000 into research and development of technology. The approval of the construction of "State's Main Laboratory of integrated usage of low-grade refractory gold ore" from the Ministry of Science and Technology of the PRC was the first enterprise-government's main laboratory for gold industry in the country. The Group also made the following achievements in technology: successfully obtained the approval to build a provincial engineering institute in Fujian, the "Key technology of large scale application in biological extraction of copper in low-grade sulfuric copper ore" obtained for the first time the first grade technology advancement prize in Fujian, applied for registration of 27 patents (in which 18 items were invention patents), received 12 patents granted from government (in which 4 items were invention patents), the Group participated in the national standards setting in "Copper Cathodes" and coordinated the national standards setting in "Gold Bullion" and both of which gained the first prize and second prize of "Non-ferrous Metals Standards Setting Committee's Standards Excellence Prize" respectively.

## PROSPECTS

### Business Environment

It is expected that the overall economic situation in 2011 will be slightly better than last year. Under the influence of the U.S. Federal Reserve's quantitative easing policy, debt crises in Europe and turbulent situations in the Middle East, gold as a hedging instrument, will remain at a high price level. Non-ferrous metals will continue to fluctuate at a high price level. However, with the inflation expected, and higher standards required for safety, environmental protection, energy saving and reduction of emission, rise in costs for raw materials, energy and labour and the adverse impacts on the Company after the "7.3" Incident and the "9.21" Incident, will bring new challenges to business operation.

### Business Objectives

After the stern tests of "7.3" Incident and "9.21" Incident, the Company's management seriously revisited the Company's development strategy, clearly stated the idea "the Company's development strategy will stay firm; highly value the importance of environmental safety, solidly perform to honour corporate social responsibilities; firmly motivate a new tide of entrepreneurial activities; comprehensively strengthen the building up of project management and foundation management; adhere to the soul of persistent innovation to develop the Company". During the period of the twelfth five-year plan, the Company will adhere to the prime development objective for the building up of "a large international mining group of high-tech efficiency", persist in the development strategy to have "Put mining as the main business, prioritize gold, while not ignoring the base metals, conditionally select to develop complementary businesses and related businesses", persist in heading to the direction of internationalizing the development.

In 2011, the Group plans to produce gold of approximately 29.76 tonnes from mines; copper metal of approximately 87,800 tonnes; silver of approximately 131.35 tonnes; processed gold of approximately 32.81 tonnes; refined zinc of approximately 200,000 tonnes; zinc in concentrate form of approximately 34,900 tonnes from mines; iron concentrates of approximately 1,574,900 tonnes. Please note that the said plan was made on the basis of the current economic situation, market situation and the existing conditions of the Company. The Board may, pursuant to circumstances, vary the production plan.

### Business Strategies

(i) *To comprehensively enhance the precautionary standard and the management standard in the environmental protection and safety system, to re-build Zijin's brand name in environmental safety*

Thoroughly implement the concept of scientific development, adhere to the philosophy of "putting safety first, prioritize environmental protection ", seriously learnt the lessons from the "7.3" Incident and the "9.21" Incident, and properly manage the relationship among speed, efficiency and law-abiding and disciplined operation. Ensure to make environmental and production safety as the basis and premise to achieve the targets expected this year.

(ii) *Highly value the importance of the building up of project management*

Well implement the "Three at the same time" policy, insist "putting safety first, prioritize environmental protection", thoroughly consider the environmental safety issues under extreme weather conditions, enhance the precautionary standards for safety and environment protection. Strengthen building-up of project management, and gradually establish a professional team for building up of project management.

Standardize comprehensively and complete the follow-up corrective and integrated environmental management of Zijinshan Gold and Copper Mine; speed up the pace of construction for several projects including 200,000 tonnes copper refinery plant and its railway goods yard, Wengfu Zijin phosphorus chemical industry, phase 3 of Guizhou Zijin technical transformation and gold refining projects, Mongolia Tianhong Gold Mine, tailing utilization project in Qinghai etc. Strive for finishing the construction and putting them into operation soonest; accelerate several new constructions including Duobaoshan Copper Mine, Tuva Lead-Zinc mine, Sanguikou Zinc mine, Yuanyang Gold Mine, Gansu Yate Gold Mine, Xinjiang Qitai Coal Mine and power station etc. Improve the preliminary work and construction pace of the projects to achieve the goal of building high-level and high-quality projects, cultivating new economic growth points for the next few years. It is expected that the mine produced gold will be increased about 5 tonnes, mine produced copper will be increased about 55,000 tonnes, mine produced zinc and lead will be increased about 190,000 tonnes, refinery copper will be increased about 230,000 tonnes, refinery by-product gold will be increased about 4.8 tonnes, refinery by-product sulfur will be increased about 1,230,000 tonnes and phosphorus chemical products will be increased about 300,000 tonnes in 2 years after these projects reached its production capacity.

(iii) *Deepen the reform of the group management system; create simple and efficient management system*

Further rationalize the Group's management system, strengthen the awareness of statutory duties and operational autonomy of the respective regional companies, board of directors and supervisory committee of the subsidiaries. Implement basic standardization for internal controls, establish a comprehensive risk control-oriented system for internal control, identify the weaknesses and operating deficiencies of internal control through self-evaluation activities, continue to improve internal control so as to raise the overall standard of corporate management.

Further reinforce the basis for budget management, give full play to the role of financial company, strengthen research efforts for the Group's foreign currency financing to reduce the Group's finance costs.

(iv) *Strengthen the acquisition and exploration of mineral resources to support the new round of venture*

Continue to implement the "Acquisition of large projects, prioritize gold, while not ignoring the base metals" principle, strengthen the acquisition capacity of resources, especially gold resources. Consider small investment in grass-roots exploration project which could bring great potential while paying attention to large and medium projects. Look for potential elementary mining exploration project in advance to obtain resources reserve with low-cost exploration.

Strengthen the management of mining rights and research concerning mineral formation belts area, establish rapid assessment for mining rights and exit mechanism, speed up the establishment for information platform of geological survey work and digitalization of mines. Continue to explore further resources by going deeper of the existing production mines and exploring the area nearby. Strengthen the integration of resources and exploration efforts in Henan Luoning, Yunnan Honghezhou and Diqingzhou, Li County in Gansu and Daxinganling area in Heilongjiang.

Increase investment in geological exploration and train up high-quality geological survey teams. Establish and improve the operating mechanism to meet the international standards, implement the "going out" strategy for geological survey and exploration, and strive to look for breakthrough in terms of major international exploration projects.

*(v) Improve human resources management; provide impetus for a new round of venture*

Further improve the understanding of the importance and urgency of human resources work, and increase the attractiveness and cohesion for talents, bring in management and technical personnel via multi-channels, particularly those with international perspectives and standards to enhance the level of the management team.

Strengthen the evaluation and establishment of incentive mechanisms; continue to improve the performance management system.

*(vi) Improve corporate governance, strengthen crisis management*

Study and understand the laws and regulations of capital market, strengthen regulated operation, improve corporate governance standard.

Carry out investor relations work steadily, take the initiative to enhance communication and exchange views with investors to show good corporate fundamentals and stable growth of the Company. Gradually re-establish the Company's image in capital market.

Concentrate to follow up rectification of mines after the "7.3" Incident and handle the proceedings for "9.21" Incident. Strive for a timely, objective and fair solution while bearing responsibilities in accordance with the law.

*(vii) Continue and glorify the Zijin's culture, honour social responsibilities, and to promote harmonious development*

Establish firmly and practice the value of "Harmony creates wealth, coordinates development with corporate, staff and community". Protect the interests of the relevant parties and to build together a business environment with harmonious development.

## FUTURE NEEDS IN CAPITAL

In accordance with the Company's initial plan, it is expected that the Company might invest approximately RMB5.4 billion in fixed assets and exploration, and approximately RMB3.6 billion in mining rights and equity holdings (the timing and amount of external capital investment are uncertain and they will vary from time to time) in 2011. Except for the projects specified in the A Shares IPO in 2008, all other projects will be financed by the Group's available cash, bank loans and other feasible financing methods.

By order of the Board
**Chen Jinghe**
*Chairman*

Shanghang, Fujian, the PRC
30 March 2011

The management of the Group hereby reports the discussion and analysis of 2010 operating results.

## OPERATING RESULTS

In the reporting period, the management of the Company implemented comprehensively and intensively the resolutions in the general meeting and the meeting of board of directors, carefully organized the production. The Group recorded sales income of RMB27,769,198,000 in the year, representing an increase of 37.37% over the previous year (2009: RMB20,215,111,000).

The table below sets out the sales by products for the two years ended 31 December 2010 and 2009:

| Item | 2010 accumulated | | | 2009 accumulated | | |
|---|---|---|---|---|---|---|
| Product Name | Unit price (excluded tax) *RMB* | Volume | Amount *(RMB'0,000)* | Unit price (excluded tax) *RMB* | Volume | Amount *(RMB'0,000)* |
| Mine-produced gold bullion | 264.31 /g | 21,367 kg | 564,773 | 212.06 /g | 23,724 kg | 503,087 |
| Mine-produced gold concentrates | 230.04 /g | 8,063 kg | 185,474 | 188.95 /g | 6,207 kg | 117,271 |
| Processed gold | 267.05 /g | 40,013 kg | 1,068,539 | 216.00 /g | 44,633 kg | 964,099 |
| Copper concentrates | 43,152 /t | 81,279 t | 350,738 | 30,416 /t | 68,082 t | 207,081 |
| Mine-produced copper cathodes | 48,105 /t | 8,523 t | 40,998 | 35,672 /t | 11,508 t | 41,051 |
| Zinc bullion | 15,039 /t | 180,780 t | 271,881 | 11,914 /t | 99,989 t | 119,122 |
| Zinc concentrates | 9,108 /t | 38,107 t | 34,707 | 6,547 /t | 33,253 t | 21,771 |
| Iron concentrates | 600 /t | 1,654,573 t | 99,321 | 395 /t | 1,499,551 t | 59,191 |
| Others *(Note 1)* | | | 389,643 | | | 183,602 |
| Less: Internal sales | | | (152,116) | | | (120,693) |
| Total | | | 2,853,958 | | | 2,095,582 |

Details of the reconciliation of the revenue of the Group are set out in note 4 to the financial statements.

*Notes:*

1. The other sales include: RMB699,000,000 income from copper belts, RMB393,000,000 income from silver products, RMB630,000,000 income from copper pipe, RMB455,000,000 income from tungsten products and RMB114,000,000 income from refinery copper.

2. The price of the Company's main products increased sharply over the last year: the price of gold, mine-produced copper, zinc bullion, iron concentrates increased by 23.25%, 39.92%, 26.24% and 52.08% respectively. Approximately RMB3,283,000,000 increase of sales revenue was attributed to the rising of commodity prices while approximately RMB3,049,000,000 increase of sales revenue was attributed to the changing of refinery products' prices.

3. The expansion of production capacity brings significant sales growth: (1) sales of mine-produced copper concentrates increased by 19.38% when compared with same period last year, making RMB401,000,000 increase in revenue. Due to expansion of production capacity at Xinjiang Ashele Copper Mine and Qinghai Deerni Copper Mine, the sales volume increased by 11.45% and 9.61% respectively compared with same period last year; and Zijinshan Copper Mine increased production of copper concentrate, (2) the second phase of Bayannaoer Zinc Refining Plant commenced production, production capacity led to an increase in the sales of zinc bullion by 80.8% when compared with same period last year, contributing an increase of revenue of RMB963,000,000; (3) the production level of copperplate, copper pipes and tungsten in concentrate form gradually returned to normal, their sales increased by 16.61%, 118.75% and 145.57% respectively, contributing an increase in revenue of RMB532,000,000. Offsetting the decline in sales of mine-produced gold bullion, processed gold and mine produced copper cathodes, these changes in sales produced an approximate increase in revenue of RMB1,566,000,000.

## 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, salaries and depreciation of fixed assets employed for production. The table below sets out details of the unit cost of sales and the gross profit margin for the two years ended 31 December 2009 and 2010.

| Item | Unit cost of sales | | | Gross Profit Margin (%) | | |
|---|---|---|---|---|---|---|
| Year | **2010** *(RMB)* | 2009 *(RMB)* | Compared with same period last year % | **2010** | 2009 | Increase/ (Decrease) |
| Mine-produced gold bullion | **67.44 /g** | 59.48 /g | 13.38 | **74.48** | 71.95 | 2.53 |
| Mine-produced gold concentrates | **90.64 /g** | 88.26 /g | 2.70 | **60.60** | 53.29 | 7.31 |
| Processed gold | **264.78 /g** | 214.99 /g | 23.16 | **0.85** | 0.47 | 0.38 |
| Copper concentrates | **10,865 /t** | 9,092 /t | 19.50 | **74.82** | 70.11 | 4.71 |
| Mine-produced copper cathodes | **28,380 /t** | 14,722 /t | 92.77 | **41.00** | 58.73 | (17.73) |
| Zinc bullion | **14,094 /t** | 9,618 /t | 46.54 | **6.28** | 19.27 | (12.99) |
| Zinc concentrates | **3,196 /t** | 2,570 /t | 24.36 | **64.91** | 60.75 | 4.16 |
| Iron concentrates | **175 /t** | 134 /t | 30.60 | **70.91** | 66.03 | 4.88 |
| Overall | | | | **35.75** | 33.65 | 2.10 |
| Overall (refinery products excluded) | | | | **71.22** | 70.96 | 0.26 |

*Note:* The following analysis was based on the figures before elimination of internal sales.

The Group's overall gross profit margin was 35.75%, representing an increase of 2.10% over last year. The overall gross profit margin (excluding processed and refined products) was 71.22%, representing an increase of 0.26% over last year. The increase in product price was the main reason for the increase in the gross profit margin.

### Detailed analysis as follow:

During the reporting period, due to the increase in unit selling prices of major mine products of the Group, increase in processing volume of low-grade ores and the ore stripping ratio, the increase in costs of raw materials, increase in labour costs, extreme weather conditions such as snowstorm in Northern regions and drought in Southwest regions, the unit cost of sales of mine-produced gold bullion, mine-produced gold concentrates, copper concentrates, mine-produced copper cathodes, zinc concentrates and iron concentrates increased by 13.38%, 2.70%, 19.50%, 92.77%, 24.36% and 30.60% respectively compared to last year. However, the selling prices of our major products have large increase over last year. The selling prices of gold, mine-produced copper, zinc bullion and iron concentrates increased by 23.25%, 39.92%, 26.24% and 52.08% respectively over last year. The gross profit increased by RMB3.151 billion compared to last year. The increase in the prices of mine products contributed to the increase in gross profits by about RMB3.283 billion. The increase in the sales volumes of mine products contributed to the increase in gross profits by RMB0.384 billion, the increase in the unit costs of mine products contributed to the reduction in gross profits by about RMB0.661 billion and the processed and refined products resulted in an increase of gross profits by about RMB0.07 billion. The unrealized profit from the elimination of internal sales was RMB0.076 billion.

## SELLING COSTS

During the reporting period, the Group's selling and distribution costs have increased by 24.35% over last year to RMB468,769,000 in 2010 (2009: RMB376,971,000). The significant increase was mainly attributable to the increase in transportation costs resulting from the increase in the sales of copper concentrates, zinc bullion and iron concentrates in 2010.

## ADMINISTRATIVE EXPENSES

During the reporting period, the Group's administrative expenses in 2010 amounted to RMB1,081,599,000 which represented an increase of 50.70% over last year (2009: RMB717,709,000). The increase was mainly attributable to (1) the significant increase in staff costs; (2) the relative increases in office expenses, business entertainment expenses, utilities expenses, vehicles costs, staff insurance costs and other expenses due to the increase in general price level, and (3) increase in set-up fees of new companies.

## FINANCE COSTS

During the reporting period, the Group's total finance costs was RMB323,558,000 representing an increase of 92.10% over last year (2009: RMB168,425,000). The Group had sufficient fund in 2008 and 2009 because the successful listing in the A Shares market and raised net proceed of RMB9,806,960,000, which also caused the increase in the interest income and significant decrease in the interest expenses. However, the Group's demand on capital increased during the reporting period. It is because the amount of bank loans increased and the average loan interest rate increased over last year which caused the increase in interest expenses.

## ASSETS IMPAIRMENT LOSS

During the reporting period, the Group's assets impairment loss was RMB188,224,000 (2009: RMB377,940,000), in which, RMB85,405,000 was impairment loss in intangible assets attributable to negative changes in the reserve of some mines, etc.; RMB10,359,000 was impairment loss in goodwill; RMB73,153,000 was fixed assets impairment; and RMB18,730,000 was long-term assets impairment loss and RMB577,000 was bad debts loss. Also, the loss in stock valuation of RMB12,535,000 was recovered due to the increase in net realizable values.

## GAIN IN CHANGES IN FAIR VALUE

During the reporting period, the Group's gain in changes in fair value was RMB107,326,000. It was mainly due to the increase in fair value of newly purchased convertible bonds in this year.

## DERIVATIVE FINANCIAL INSTRUMENTS

During the reporting period, the Group recorded a loss of RMB41,361,000 in settlement of forward contracts (2009: loss of RMB409,341,000), in which, loss in gold forward contracts was RMB29,310,000, loss in copper forward contracts was RMB28,040,000 and gain in zinc forward contracts was RMB16,011,000.

As at 31 December 2010, the Group was holding gold forward contracts and held 315kg of gold while had copper forward contracts and held 1,300 tonnes of copper. The unrealized investment loss was RMB2,322,000 in total (2009: gain RMB2,402,000).

## DONATION AND SOCIAL RESPONSIBILITY

During the reporting period, the Group donated RMB311,579,000, which included the Company's donation of RMB252,080,000, Guizhou Zijin's donation of RMB21,120,000, Malipo Zijin Tungsten's donation of RMB15,910,000, Xinjiang Ashele Copper's donation of RMB13,750,000 and other enterprises' donation of RMB8,719,000.

## WORKING CAPITAL AND CAPITAL SOURCES

As at 31 December 2010, the Group's cash and cash equivalents amounted to RMB3,791,472,000 representing an increase of RMB792,410,000, or 26.42% over the previous year (2009: RMB2,999,060,000).

During the year, net cash inflow generated from the Group's operating activities amounted to RMB5,655,094,000, an increase of RMB1,164,377,000 or 25.93% over the previous year (2009: RMB4,490,717,000). The main reason for the increase in the cash-flow generated from the Group's operating activities was the increase in income from major products due to the significant increase in product prices and production volume.

During the year, the net cash outflow from the Group's investing activities amounted to RMB6,026,383,000, an increase of RMB2,843,309,000 or 89.33% over the previous year (2009: RMB3,183,074,000). The main reasons for the increase in the cash outflow generated from the Group's investing activities were the increase in prices of non-ferrous metals, the prices of copper and gold increased to their new historical highs due to the economic recovery. Also, the Company increased the progress of project construction and enlarged the input of the acquisition projects.

During the year, net cash inflow from the Group's financing activities amounted to RMB1,185,160,000, an increase of RMB2,227,199,000 (2009: net cash outflow of RMB1,042,039,000) which was mainly due to the increase in bank loans for the increase in expenditure for investing activities.

As at 31 December 2010, the Group's total borrowings amounted to RMB7,583,084,000 (31 December 2009: RMB3,865,065,000) of which the amount repayable within one to two years was approximately RMB5,422,009,000, the amount repayable within two to five years was approximately RMB1,631,070,000, and the amount repayable in over five years was approximately RMB530,000,000. All the bank borrowings bore interest rates between 2.29% to 6.89% (2009: 1.03% to 7.20%).

The Group has sufficient daily cash flow and possessed a substantial amount of uncommitted loan facilities provided by its major banks that can fulfill the capital needs for its daily operations and investments.

## GEARING RATIO

Gearing ratio is defined as the ratio of consolidated total liabilities to consolidated total equity. As at 31 December 2010, the Group's consolidated total liabilities was RMB12,372,562,000 (it was RMB8,032,671,000 as at 31 December 2009), and the Group's consolidated total equity was RMB26,028,670,000 (it was RMB21,613,466,000 as at 31 December 2009). As at 31 December 2010, the Group's gearing ratio was 0.48 (it was 0.37 as at 31 December 2009).

## 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 2010 was approximately RMB4,812,665,000, representing an increase of 35.48% over approximately RMB3,552,347,000 in 2009.

For the year ended 31 December 2010, the Group's earnings per share (basic) was RMB0.33, representing an increase of 37.5% over the previous year. (The calculation of earnings per share is based on the profit for the year attributable to shareholders of the parent of RMB4,812,665,000 (2009: RMB3,552,347,000) and the weighted average number of 14,541,309,100 ordinary shares (2009: 14,541,309,100 shares) in issue during the year).

## EFFECTS OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND CAS

The effects of significant differences between net profit under CAS and profit attributable to shareholders of the parent under IFRS are analysed as follows:

| | For the 12 months ended 31 December | |
|---|---|---|
| | **2010**<br>***RMB'000***<br>***(Audited)*** | 2009<br>*RMB'000*<br>*(Audited)* |
| Profit attributable to shareholders of the parent under CAS | **4,827,917** | 3,541,447 |
| Adjustment in work safety fund and future development fund *(note 1)* | **(15,252)** | 10,900 |
| Profit attributable to shareholders of the parent under IFRS | **4,812,665** | 3,552,347 |

The effects of significant differences between equity attributable to the shareholders of the parent under CAS and IFRS are analysed as follows:

| | **31 December 2010** *RMB'000* *(Audited)* | 31 December 2009 *RMB'000* *(Audited)* |
|---|---|---|
| Equity attributable to shareholders of the parent under CAS | **21,831,570** | 18,170,181 |
| Adjustment | **—** | — |
| Equity attributable to shareholders of the parent under IFRS | **21,831,570** | 18,170,181 |

*Note 1:*

Pursuant to "Explanatory Notes to Enterprise Accounting Standards No. 3" issued by the Ministry of Finance, the Group is required to set aside an amount to provide for safety and Weijianfei based on the quantity of mining. The accrued expenses will be transferred to a special reserve account under equity attributable to the holders for the year. When the non-current asset is recognized and its cost being measured, within the special use conditions, full amount of relevant incurred fund recorded as special reserve will be credited to the accumulated depreciation simultaneously. Pursuant to the IFRS, these expenditures should be recognised when incurred, relevant capital expenditures are recognized as part of cost of the non-current asset when they are incurred and depreciated according to the respective depreciation policy.

## TAX

Income taxes of the Group for the years of 2010 and 2009 were set out in the table below:

| | **2010** *RMB'000* | 2009 *RMB'000* |
|---|---|---|
| Group: | | |
| Current – Hong Kong | **—** | — |
| – Mainland China | **1,690,915** | 893,897 |
| Underprovision in prior years | **2,495** | 94,661 |
| Deferred | **(117,586)** | (20,304) |
| | **1,575,824** | 968,254 |

No provision for Hong Kong profits tax has been made as the Company had no assessible profits arising in Hong Kong during the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Provision for the PRC corporate income tax has been provided at the rate of 25% (2009: 25%) based on the taxable profits except for those related to the following operations in the Group:

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

## CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Corporate guarantees in respect of bank loans granted to: | | | | |
| Subsidiaries | **—** | — | **7,724,570** | 1,044,000 |
| Associates | **293,000** | 315,500 | **300,000** | 265,500 |
| A jointly-controlled entity | **—** | 80,000 | **—** | 80,000 |
| | **293,000** | 395,500 | **8,024,570** | 1,389,500 |

Details of contingent liabilities are set out in note 43 to the financial statements.

## EXECUTIVE DIRECTORS

**Mr. Chen Jinghe**, aged 54, graduated from Fuzhou University with a bachelor's degree in geology and obtained an EMBA degree. He is a professor grade senior engineer, a specialist who enjoys special allowance from the State Council, a delegate to the Tenth People's Congress of Fujian province and the vice president of the China Gold Association. Mr. Chen was appointed as the chairman of the Company since 2000. From August 2006 to November 2009, he also served as the president of the Company. Mr. Chen is the chairman of the Company.

**Mr. Luo Yingnan**, aged 54, graduated from Fuzhou University with a bachelor's degree in geology. He is a professor grade senior engineer. Mr. Luo was appointed as director and general manager of the Company from August 2000 to August 2006. From August 2006 to November 2009, he served as the vice-chairman of the Company. Mr. Luo is the Director and president of the Company.

**Mr. Liu Xiaochu**, aged 64, graduated from Fuzhou University with a bachelor's degree in physics. He was appointed as vice-chairman of the Company since August 2000. Mr. Liu is also a supervisor of Hunan Nonferrous Metals Corporation Limited and an independent director of Fujian Hong Bo Printing Corporation Ltd.

**Mr. Lan Fusheng**, aged 47, graduated from Fuzhou University with a bachelor's degree in geology and obtained a master's degree in business administration. From August 2000 to August 2006, Mr. Lan was appointed as a director and standing deputy manager of the Company. Mr. Lan has been serving as a vice-chairman of the Company since August 2006.

**Mr. Zou Laichang**, aged 43, graduated from Fujian Agriculture and Forestry University Forestry College with a bachelor's degree in chemistry and obtained an MBA degree. He is a senior engineer. Since March 1996, Mr. Zou has held several senior positions within the Company, including deputy director of gold refinery, standing deputy head of the institute of mining and refining design and research, deputy chief engineer and chief engineer. Mr. Zou was director and senior vice president from August 2006 to November 2009. He is director and standing vice president of the Company.

**Mr. Huang Xiaodong**, aged 56, graduated from Hefei University of Technology with a specialisation in computing, and obtained an EMBA degree. Mr. Huang has been an engineer of the Computer Science Research Institute in Fujian, and department head of the Science and Technology Committee in Fujian. He was an assistant to the general manager of Huamin (Group) Company Limited, and the deputy general manager of Chinalco (Fujian) Ruimin Company Limited. Mr. Huang served as the chief economist of the Company and standing deputy chief and chief of Zijinshan Gold and Copper Mine in 2005. From August 2006 to November 2009, he was appointed as director and senior vice president of the Company. He is a director and vice president of the Company.

## NON-EXECUTIVE DIRECTOR

**Mr. Peng Jiaqing**, aged 66, is a senior economist, and the vice chairman of the Fujian Technology Economic and Modernization Management Association. Mr. Peng graduated from Fujian Normal University majoring in Chinese linguistics in 1968. He has been the chief secretary of Liupanshui Guizhou provincial government, deputy branch manager of Xiamen branch, branch manager of Zhangzhou branch and deputy office supervisor of the Fujian provincial branch of Industrial and Commercial Bank of China. Mr. Peng has been serving as a non-executive director of the Company since June 2008.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chen Yuchuan**, aged 77, he is an academician of the Chinese Academy of Engineering. He is a famous expert in Mine and Geology in the world. He was the chief engineer in the former geology and mine ministry, and head of the Chinese Academy of Geology Sciences, vice-chairman of the International Association of the Genesis of Ore Deposits, member of the course evaluation team for the State Council Degree Committee, and member of the 9th National People's Political Consultative Conference. Mr. Chen is the officer of the Science Committee for the Chinese Academy of Geology Sciences and head of the Mine and Geology Specialist Committee. He is a part-time professor of Beijing University and Nanjing University. Mr. Chen has been serving as an independent non-executive director of the Company since August 2006.

**Mr. Lin Yongjing**, aged 68, he is a senior accountant, a registered certified public accountant ("CPA"), and a registered valuer. He graduated from Xiamen University with an accounting specialisation. 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 and a committee member of the 7th Provincial People's Political Consultative Conference of Fujian. He is an expert specially invited by National State-owned Property Management Committee and a senior member of China Appraisal Society. He is a specially invited professor of Fujian Economics and Management College and part-time professor of Jiangxi Finance University. In June 2005, he was appointed as an independent director of Fujian Sanmu Group Company Limited (an A Share Company), and in October 2005, he was appointed as an independent director of Fujian Mindong Power Company Limited (an A Share Company). Mr. Lin has been serving as an independent non-executive director of the Company since August 2006.

**Mr. Su Congfu**, aged 65, graduated from Beijing Steel Institute with a mining specialisation. Mr. Su is a professor grade senior engineer. He was the chief of Anqing Copper Mine, and assistant to the general manager of Tongling Non-ferrous Metal Group Company, deputy director of Anhui Metallurgy Department, and manager of Anhui Gold Company, head of the Metallurgy Department of Anhui Economics and Commerce Committee, and assistant inspector of the Bureau of Work Safety in Anhui. He has been serving as an independent non-executive director of the Company since August 2006.

**Mr. Wang Xiaojun**, aged 56, obtained Master of Laws from the Chinese Academy of Social Sciences in 1986. He is a practicing solicitor admitted in the UK, PRC and Hong Kong. He joined The Stock Exchange of Hong Kong Limited in 1992. From 1993 to 1996, he worked with Richards Butler. In 1996, he served as an associate director of BNP Paribas Peregrine Capital Ltd. From 1997 to 2001, he served as a director of ING Barings Investment Bank. In 2001, he established X.J. Wang & Co., and in 2004, X.J. Wang & Co., formed an association with Jun He Law Offices. He is currently an independent non-executive director of Guangzhou Shipyard International Company Limited and NORINCO International Company Limited. He has been serving as an independent non-executive director of the Company since November 2009.

## SUPERVISORY COMMITTEE AND SUPERVISORS

**Mr. Lin Shuiqing**, aged 47, tertiary educated. He was a deputy secretary, head of town and secretary of Zhongdu Town of Shanghang County Communist Party. Mr. Lin was a director of Shanghang County Communist Party office, and a standing member of the Shanghang County Communist Party. He was director of Shanghang County Tongzhanbu and Secretary of Shanghang County Non State-owned Economic Working Committee. Mr. Lin has resigned as a civil servant. He has been serving as the chairman of the Supervisory Committee of the Company since November 2009.

**Mr. Xu Qiang**, aged 60, tertiary educated, is a senior accountant, registered CPA, and registered valuer. He has been the deputy director of Fujian Huaxing Accountants' Firm and the director of Fujian Asset Valuation Centre. Mr. Xu was appointed as a supervisor of the Company since August 2000. He has been serving as the vice-chairman of the Supervisory Committee of the Company since August 2006.

**Mr. Lin Xinxi**, aged 49, tertiary educated, he was a committee member and secretary of the disciplinary council of Diantian Town of Shanghang County Communist Party. Mr. Lin was an inspector, standing member, and deputy secretary of the disciplinary council of Shanghang County Communist Party, and a committee member of the 15th Committee of the People's Congress of Shanghang County. He was the chairman of supervisory committee of Minxi Xinghang State-owned Assets Investment Company Limited. Mr. Lin has resigned as a civil servant. He has been serving as a supervisor of the Company since November 2009.

**Mr. Liu Xianhua**, aged 55, a senior engineer. Mr. Liu joined the Company in October 1996, he was previously the vice chief of Zijinshan Gold Mine, secretary of Communist Party branch of Zijinshan Gold Mine and standing vice chief of Zijinshan Gold Mine, chief commander of Zijinshan Copper Mine construction command unit, chief of Zijinshan Gold and Copper Mine, chairman of Heilongjiang Duobaoshan Copper Company Limited, general manager and chairman of Xinjiang Wuqia Jinwang Mining Development Company Limited, general manager of Zijin Mining Group North-West Company Limited, general manager of Liancheng Zijin Mining Company Limited, and president assistant of the Company. He currently is the chairman of the labour union of the Company. He has been serving as a supervisor representing workers and staff of the Company since November 2009.

**Mr. Zhang Yumin**, aged 60, tertiary educated, he was previously 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 currently been serving as officer of the audit department. Mr. Zhang has been serving as the supervisor representing workers and staff of the Company since Angust 2006.

## SENIOR MANAGEMENT

**Mr. Chen Jiahong**, aged 41, graduated from China University of Geosciences with a bachelor's degree in business administration. In July 1994, he joined the Company as deputy chief of Zijinshan Gold Mine, and then held the positions of standing deputy chief of Zijinshan Gold Mine, chief of Zijinshan Gold Mine, deputy head of the technology innovation commanding unit, deputy general manager of the Company, general manager and director of Xinjiang Ashele Copper Co., Ltd. and chairman and general manager of Xinjiang Zijin Mining Company Limited. He was appointed as a vice president of the Company since August 2006. Mr. Chen tendered his resignation as vice president of the company on 18 January 2011.

**Mr. Xie Chengfu**, aged 45, graduated from Changchun College of Geology with a bachelor's degree in mine exploration. He is a senior engineer. In 1994, he joined the Company as plant manager of gold refinery plant, and then held the positions of chief of Zijinshan Gold Mine, assistant to general manager and deputy general manager of the Company, chairman and general manager of Hunchun Zijin Mining Company Limited. He has been serving as a vice president of the Company since August 2006.

**Mr. Liu Rongchun**, aged 47, graduated from Central-South Institute of Mining and Metallurgy with a bachelor's degree in geology. Mr. Liu is a senior engineer. In December 1993, he joined the Company as chief commander of Zijinshan Copper Mine Construction Command Unit, and then held the positions of deputy chief of Zijinshan Gold Mine, chief officer of office, secretary of the discipline council, assistant to general manager, deputy general manager and chief of Zijinshan Gold Mine. Mr. Liu was the general manager and chairman of Xinjiang Zijin Mining Co., Ltd. Mr. Liu has been serving as a vice president of the Company since August 2006.

**Mr. Lin Hongfu**, aged 37, graduated from Chongqing Steel College majoring in smelting steel alloy and an MBA holder. In August 1997, Mr. Lin joined the Company as an assistant to plant manager of gold refinery plant and director of the electrolysis plant, and then held the positions of deputy plant manager, plant manager, deputy chief of Zijinshan Gold Mine. Mr. Lin was the general manager and chairman of Bayannaoer Zijin Non-ferrous Metals Company Limited. He has been serving as a vice president of the Company since August 2006.

**Mr. Li Side**, aged 56, graduated from Xian Metallurgy & Architecture College majoring in mining. He is a professor grade senior management engineer, senior mining engineer, registered safety engineer in the PRC, and registered gold investment senior analyst in the PRC. He worked in former gold management bureau in the PRC, metallurgy industrial gold management bureau, and state trading committee gold management bureau (head office of China Gold). He was the deputy head and head of development department, head of production department, officer of investment department and consultation department, deputy chief engineer in bureau (head office). From 2003 to 2005, he worked in China Gold Group Company Limited as chief engineer and deputy head of investment strategy, safety and budget assessment committee. Mr. Li joined the Company in 2005 and held the positions of general manager of Zijin International Mining Company Limited, assistant to chairman of the Company, chief officer of directors office and assistant to president and vice president. Mr. Li tendered his resignation as vice president of the Company on 18 January 2011.

**Ms. Lin Hongying**, aged 42, tertiary educated, a senior accountant, she was the accountant in the finance department of transformer plant in Shanghang County. Ms. Lin joined the Company in 1993 and held the positions of accountant, deputy manager and manager of finance department and assistant financial controller. She is the financial controller of the Company.

**Mr. Zheng Yuqiang**, aged 57, graduated from The Open University of Fuijan in enterprise management. Mr. Zheng is an economist. He was the director and secretary to the Board of Directors for Fujian Sannong Group Company Limited. Mr. Zheng has been serving as the secretary to the Board of Directors for the Company since June 2001.

**Mr. Fan Cheung Man**, aged 50, is the company secretary. Mr. Fan graduated from the University of New England, Australia 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 and a financial controller of Vigers HK Limited. Mr. Fan was appointed as the company secretary (HK) for the Company in December 2004.

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 2010.

## 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, 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 represents 62.51% (after elimination) of the total sales and other related income. There were no significant changes in the nature of the Group's principal activities during the year.

Details regarding the key businesses of the Group's subsidiaries and associates are set out in notes 21 and 22 to the financial statements, respectively.

## OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2010 are set out in the financial statements on pages 72 to 200.

## MAJOR INVESTMENT AND ACQUISITION IN SUBSIDIARIES AND ASSOCIATED COMPANIES

### Status of invested company

| Company Name | Major operation | Shareholding in the invested company (%) | Notes |
|---|---|---|---|
| Zijin Mining Group North-west Co., Ltd. ("Zijin North-west") | Sales of mineral products and geological exploration consultancy service | 100 | Share capital enlargement, Zijin North-west enlarged its capital from RMB0.1 billion to RMB0.3 billion. The Company injected RMB0.2 billion cash in capital enlargement. Zijin North-west is a wholly-owned subsidiary of the Company. |
| Zijin Copper Co., Ltd. ("Zijin Copper") | Sales and refinery of copper cathodes, gold, and silver | 100 | Share capital enlargement, Zijin Copper enlarged its capital from RMB0.4 billion to RMB0.6 billion. The Company injected RMB0.2 billion cash in capital enlargement. Zijin Copper is a wholly-owned subsidiary of the Company. |
| Fujian Zijin Investment Co., Ltd. ("Zijin Investment") | Investment and technological information services | 100 | Share capital enlargement, Zijin Investment enlarged its capital from RMB0.55 billion to RMB0.564 billion. The Company injected property in capital enlargement. Zijin Investment is a wholly-owned subsidiary of the Company. |

| Company Name | Major operation | Shareholding in the invested company (%) | Notes |
|---|---|---|---|
| Zijin Mining Group South-west Co., Ltd. ("Zijin South-west") | Sales of precious and non-ferrous and other metals, non-metal mineral products, geological, resource information and technical consultancy services | 100 | Share capital enlargement, Zijin South-west enlarged its capital from RMB400 million to RMB1.1796 billion. The Company injected 77.96% shareholding of Wenshan Malipo Zijin Tungsten Group Ltd. ("Malipo Zijin") as consideration of RMB779.6 million in capital enlargement. Zijin South-west is a wholly-owned subsidiary of the Company. |
| Yuanyang County Huaxi Gold Co., Ltd. ("Yuanyang Huaxi") | Exploration, processing and mining of gold, silver, copper and other mineral resources | 100 | Share capital enlargement, Yuanyang Huaxi enlarged its capital from RMB0.09 billion to RMB0.15 billion. The Company's wholly-owned subsidiary, Zijin South-west and the Company's non-wholly owned subsidiary, Yunnan Huaxi Mineral Resource Co., Ltd. ("Yunnan Huaxi") injected RMB18 million and RMB42 million respectively according to the shareholding. Yunnan Huaxi holds 70% shareholding of Yuanyang Huaxi and Zijin South-west holds 30% shareholding of Yuanyang Huaxi. |
| Shangrila Huaxi Mining Co., Ltd. ("Shangrila Huaxi") | Development of mineral resources and underground mining of copper | 100 | The Company's wholly-owned subsidiary, Zijin South-west acquired 3% shareholding of Shangrila Huaxi from a natural person with the consideration of RMB8.4 million. After the acquisition, Yunnan Huaxi holds 90% shareholding of Shangrila Huaxi and Zijin South-west holds 10% shareholding of Shangrila Huaxi. |
| Xinjiang Jinneng Mining Co., Ltd. ("Xinjiang Jinneng") | Sales of mineral products and investment in mines | 100 | Share capital enlargement, Xinjiang Jinneng enlarged its capital from RMB20 million to RMB50 million. The Company injected RMB30 million cash in capital enlargement. Xinjiang Jinneng is a wholly-owned subsidiary of the Company. |
| Yongding Zijin Longhu Ecological Industry Development Co., Ltd. ("Yongding Zijin") | Ecological aquacutural farming, ecological travel and ecological agriculture development | 70 | Yongding Zijin was formed in July 2010 and enlarged its capital in December 2010. The Company's wholly-owned subsidiary, Zijin Investment, invested RMB350 million and holds 70% shareholding of Yongding Zijin. Yongding Zijin is involved in the development of ecological aquacutural farming, ecological travel and ecological agriculture in Yongding Mianhuatan Reservoir. |

| Company Name | Major operation | Shareholding in the invested company (%) | Notes |
|---|---|---|---|
| Heilongjiang Zijin Longxing Mining Co., Ltd. ("Zijin Longxing") | Development of mining technology, imports and exports of goods and technology | 70 | Share capital enlargement, Zijin Longxing enlarged its capital from RMB0.2 billion to RMB0.3 billion. The Company's wholly-owned subsidiary Zijin Mining Group North-east Asia Co., Ltd. injected RMB70 million cash in capital enlargement in accordance with the shareholding. |
| Wuqia County Jinwang Mining Development Co., Ltd. ("Wuqia Jinwang") | Exploration and development of Wulugan Zinc-lead mine in Wuqia County | 80 | The Company's wholly-owned subsidiary, Zijin North-west, acquired 20% shareholding of Wuqia Jinwang with the consideration of RMB28 million from Guangxi Wantaicheng Development and Investment Co., Ltd. After the acquisition, Zijin North-west holds 80% shareholding of Wuqia Jinwang. |
| Golden China Nei Men Gold Exploration Corporation ("Golden Nei Meng") | Exploration | 55 | The Company's wholly-owned subsidiary Jinyu (H.K.) International Mining Co., Ltd. acquired 55% shareholding of Golden Nei Meng from Wellhope International Investment Co., Ltd. with the consideration of RMB181.5 million. Golden Nei Meng holds 95% shareholding of Neimenggu Golden China Minerals Inc. ("Golden Mineral") and 100% shareholding of Neimenggu Ipak Resources Company Limited. Golden Mineral mainly involves in the development of Bayanhaer Aobao Gold Mine. |
| Tongling Guanglong Kegongmao Co., Ltd. ("Tongling Guanglong") | Sales of metal, construction materials and chemical products (excluding dangerous items) | 59.55 | The Company's subsidiary, Tongling Zijin Mining Co., Ltd. acquired 59.55% shareholding of Tongling Guanglong from natural persons with the consideration of RMB3,714,700. |
| Fujian Jinshan Wear-resisting Materials Ltd. ("Jinshan Wear-resisting") | Production and sales of wear-resisting steel balls | 51 | The Company's wholly-owned subsidiary Zijin Investment invested RMB9.2 million to acquire 51% shareholding of Jinshan Wear-resisting. |
| Luoyang Jialian Mining Co., Ltd. ("Luoyang Jialian") | Exploration of low cut off grade refractory gold | 80 | The Company's wholly-owned subsidiary, Zijin International Mining Co., Ltd. invested RMB18.45 million to acquire 80% shareholding of Luoyang Jialian. |

| Company Name | Major operation | Shareholding in the invested company (%) | Notes |
|---|---|---|---|
| Xinjiang Wuxin Copper Co., Ltd. ("Wuxin Copper") | Sales, process and refinery of copper, gold, silver and other non-ferrous metals | 34 | Share capital enlargement, Wuxin Copper enlarged its capital from RMB0.1 billion to RMB0.6 billion. The Company's subsidiary Xinjiang Ashele Copper Co., Ltd. injected cash consideration of RMB0.17 billion in capital enlargement according to the shareholding of 34%. |
| Buerjin County Kanas Travel Co., Ltd. ("Xinjiang Kanas") | Catering and travelling services | 25 | Share capital enlargement, Xinjiang Kanas enlarged its capital from RMB80 million to RMB107 million. The Company's wholly-owned subsidiary, Zijin North-west, injected RMB48.87 million at cost of RMB1.81 per share and acquired 25% shareholding (27,000,000 shares) of Xinjiang Kanas. Xinjiang Kanas is involved in local travelling business. |
| Xinjiang Tianlong Mining Co., Ltd. ("Xinjiang Tianlong") | Integration of coal, power generation and aluminum business and cement production | 20 | Share capital enlargement, the Company's wholly-owned subsidiary Zijin North-west, injected RMB329,653,678 at cost of RMB2.54 per share and acquired 20% shareholding (129,784,913 shares) of Xinjiang Tianlong. The proceeds will be used in the second phase of 200,000 tonnes electrolyzed aluminum production and its coherent facilities. |
| Wengfu Zijin Chemical Industry Co., Ltd. ("Wengfu Zijin") | Production of monoammonium phosphate, diammonium hydrogen phosphate, gypsum block, and cement additive (under development) | 40 | Wengfu Zijin which was jointly set up by Zijin Copper, a wholly-owned subsidiary of the Company, Guizhou Wengfu (Group) Company Limited ("Wengfu Group") and Guizhou Shanshui Logistics Company Limited ("Shanshui Logistics"), has a registered capital of RMB500,000,000, in which Wengfu Group owns 52%, Zijin Copper owns 40% and Shanshui Logistics owns 8%. The initial registered capital was RMB250,000,000, Zijin Copper invested RMB100,000,000 in proportion with its shareholding. Wengfu Zijin is mainly engaged in projects associated with the downstream of a 200,000 tonnes copper refinery project, which includes the construction of phosphorus chemical project. |

| Company Name | Major operation | Shareholding in the invested company (%) | Notes |
| --- | --- | --- | --- |
| CASA Minerals Ltd. ("CASA") | Mining and refinery of mineral products | 26.16 | The Company's wholly-owned subsidiary, Golden Star Mining (BVI) Ltd. acquired 26.16% (133,333 ordinary shares at a cost of US$30 per share) shareholding of CASA with the consideration of US$4 million. CASA is registered in Cayman Islands and is mainly involved in mine exploration in Cango and Mozambique. |
| Inter-Citic Minerals Inc. ("ICI") | Gold exploration and development in the PRC | 18.99 | As beneficial owner, the Company used QDII to acquire 16,000,000 ordinary shares of ICI with the consideration of CAD18,560,000 (CAD1.16 per share) (equivalent to RMB126,666,432). In addition, the Company's subsidiary in overseas acquired 4,163,300 shares of ICI through the Toronto Stock Exchange, the Company owns 20,163,300 shares of ICI. ICI is incorporated in Canada and listed on Toronto Stock Exchange and its main asset is 83% right of Dachang Gold Mine in Qinghai. |
| Xiamen Zijin Mining Technology Co., Ltd. ("Xiamen Zijin Mining Technology") | Sales and process of gold, research and development and examination | 100 | Share capital enlargement, Xiamen Zijin Mining Technology enlarged its capital from RMB35 million to RMB50 million. The Company injected RMB15 million as cash consideration in capital enlargement. Xiamen Zijin Mining Technology is a wholly-owned subsidiary of the Company. |
| Fujian Shanghang Farm Commercial Bank Co., Ltd.("Shanghang Farm Commercial Bank") | Deposits, loans and settlement businesses | 10 | The Company subscribed 17,000,000 shares of Shanghang Farm Commercial Bank with the consideration of RMB88.4 million. Adding up the original holding of 3 million shares, the Company owns 20 million shares of Shanghang Farm Commercial Bank, representing 10% of shareholding. |
| Fujian Zijin Hotel Management Co., Ltd.("Fujian Zijin Hotel") | Hotel and property management | 100 | Share capital enlargement, Fujian Zijin Hotel enlarged its capital from RMB5 million to RMB10 million. The Company injected RMB5 million as cash consideration in capital enlargement. Fujian Zijin Hotel is a wholly-owned subsidiary of the Company. |

| Company Name | Major operation | Shareholding in the invested company (%) | Notes |
|---|---|---|---|
| Glencore Finance (Europe) S.A. | | | A wholly-owned subsidiary of the Company, Golden Lake Mining (BVI) Ltd., entered into a contract with Glencore Finance (Europe) S.A., Glencore International AG, and Glencore AG to acquire bonds issued by Glencore Finance Europe S.A. with the consideration of US$0.2 billion. The convertible bonds were guaranteed by Glencore International AG and Glencore AG and it will be matured in 2014 at 5%p.a. interest rate. |

## Trading of assets

### 1. Asset Acquisition

Unit:RMB (ten thousand)

| Transaction parties | Target assets | Date | Price | Connected Transaction | Completion of transter of rights of property | Completion of transfer of liabilities |
|---|---|---|---|---|---|---|
| Wellhope International Investment Co., Ltd. | 55% shareholding of Golden China Nei Men Gold Exploration Corporation | 30 March 2010 | 18,150 | No | Yes | Yes |
| Guangxi Wantaicheng Development and Investment Co., Ltd. | 20% shareholding of Wuqia County Jinwang Mining Development Co., Ltd. | 25 August 2010 | 2,800 | No | Yes | Yes |

1. The Company's wholly-owned subsidiary, Jinyu (H.K.) International Mining Co., Ltd. ("Jinyu"), entered into a share transfer contract with Wellhope International Investment Co., Ltd. ("Wellhope") on 30 March 2010 and agreed to acquire 55% shareholding of Golden China Nei Men Gold Exploration Corporation ("Golden Nei Meng") with the consideration of RMB181,500,000. Golden Nei Meng holds 95% shareholding of Neimenggu Golden China Minerals Inc. ("Golden Mineral") and 100% shareholding of Neimenggu Ipak Resources Company Limited. Golden Mineral is mainly involved in the development of Bayanhaer Aobao Gold Mine.

2. On 25 August 2010, the Company's wholly-owned subsidiary, Zijin North-west, acquired 20% shareholding of Wuqia County Jinwang Mining Development Co., Ltd. with the consideration of RMB28 million from Guangxi Wantaicheng Development and Investment Co., Ltd. After the acquisition, Zijin North-west holds 80% shareholding of Wuqia Jinwang. Wuqia Jinwang is mainly involved in exploration and development of Zinc-lead mine in Wuqia County, Xinjiang.

2. Disposal of assets

Unit : RMB

| Transaction parties | Asset disposed | Date | Price | Connected transaction | Completion of transfer of right of property | Completion of transfer of liabilities |
|---|---|---|---|---|---|---|
| Zhaoheng Hydropower International Co., Ltd. | 100% equity interest Sino Trend Hydro Power (Zhouning) Investment Limited ("Zhouning Investment") and 100% equity interest of Sino Trend Hydro Power (Zhenghe) Investment Limited ("Zhenghe Investment") | 16 July 2010 | 183,536,169 | NO | YES | YES |
| Bikend Investments | 50% equity interest of Lankatasikaya | 13 September 2010 | US$ 6,345,000 (equivalent to RMB42 million) | NO | YES | YES |

Pursuant to the equity transfer agreement entered between the Company's wholly owned subsidiary, Jinfeng (HK) International Mining Company Limited ("Jinfeng HK") and Zhaoheng Hydropower International Co., Limited ("Zhaoheng Hydropower") on 16 July 2010, Jinfeng HK sold 100% equity interest of Zhouning Investment and 100% equity interest of Zhenghe Investment with a consideration of RMB183,536,169. Zhouning Investment owns 100% equity interest in Fujian Zhouning Longxi Hydraulic Electrogenerating Company Limited. Zhenghe Investment owns 70% equity interest in Zhenghe Xiawenyang Hydro Power Station Company Limited.

Pursuant to the equity transfer agreement entered between the Company's subsidiary, Heilongjiang Zijin Mining Investment Company Limited ("Heilongjinag Zijin") and Bikend Investments on 13 September 2010, Heilongjiang Zijin sold 50% equity interest of Lankatasikaya with a consideration of USD6,345,000 (equivalent to RMB42,000,000). In addition, the expenses of exploration work incurred by Heilongjiang Zijin and owed to Lankatasikaya were also transferred to Bikend Investments as stipulated in the equity transfer agreement. The total recognized investment loss of this equity transfer is RMB63,346,259.

### Other Significant Contracts

The Company's subsidiary, Fuyun Jinshan Mining Ltd. ("Fuyun Jinshan") signed a contribution agreement with Xinxing Ductile Iron Pipes (Xinjiang) Resources Development Company Limited, and Aleitai Qiaxia Tiemierte Mining Company Limited on 3 August 2009. The parties agreed to establish a joint venture Xinxing Ductile Iron Pipes (Xinjiang) Steel Company Limited (tentative name). After considering the assessed net asset value by deducting the change of audited net asset value between the assessment date and the contract signed date and the mining rights purchase price, Fuyun Jinshan used the net asset value of RMB259.1776 million as investment, holding 25.92% shares of the newly established company. Due to the partner's decision, Fuyun Jinshan and partners terminated the aforementioned agreement by consensus in July 2010.

The Company's wholly owned subsidiary, Best Ground Group Limited ("Best Ground") entered into a termination agreement with Marigold Time International Limited ("Marigold Time International") on 6 January 2011 to terminate the aforementioned agreements with supplemental agreements signed in 2009 and 2010. Pursuant to the termination agreement, Best Ground repurchased the shares representing 70% equity interest in China Gold Development Group (H.K.) Limited ("China Gold"). China Gold holds 50.05% equity interest of Shandong Guoda Gold Company Limited ("Guoda Gold").

The Company has executed a "definitive implementation agreement" on 29 November 2009 with Indophil Resources NL ("Indophil"), setting out the terms on which the Company will make a conditional cash off-market takeover bid under the Corporations Act 2001 (Cth) of Australia for all of the issued shares and newly issued shares in Indophil for A$1.28 (equivalent to RMB7.91) per share in order to obtain the 37.5% of operation right in Philippines Tampakan Copper and Gold Mine. The total consideration of this acquisition was A$545 million (equivalent to RMB3.368 billion) (based on 100% acquisition). Due to the incapability to achieve several precedent conditions of the tender offer this time, the Company and Indophil agreed to terminate the "definitive implementation agreement" in June 2010, in which the tender offer was terminated on 9 July 2010.

The Company, its wholly owned subsidiary, Golden Champion Mining (BVI) Limited and China-Africa Development Fund Co., Ltd. (the "CAD Fund") entered into an agreement ("Agreement") with Copperbelt Minerals Limited ("Copperbelt") dated 7 May 2010 in relation to acquire all the issued shares of Platmin Congo Limited ("Platmin Congo (BVI)") and Copperbelt's total internal receivables. The Company and CAD Fund jointly acquire all the issued shares of Platmin Congo (BVI) held by Copperbelt and Copperbelt's total internal receivables. The Company and CAD Fund will pay in total US$283,971,665 (equivalent to RMB1,936,686,755), in which the Company will pay US$170,382,999 (equivalent to RMB1,162,012,053) and own 60% of the beneficial interest in Platmin Congo (BVI). In view of all the conditions precedent to the Agreement not being satisfied by 31 August 2010, the date on which the Agreement expired, and no agreement being reached to extend the Agreement, the Company has decided not to proceed with the transaction.

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

## FINAL DIVIDEND

As audited by Ernst & Young and Ernst & Young Hua Ming, the Group's net profit for the year ended 31 December 2010 prepared in accordance with International Financial Reporting Standards ("IFRS") and China Accounting Standards ("CAS") was RMB4,812,665,000 and RMB4,827,917,000 respectively. On the basis that the lower of the Company's profits of the current year will be taken into account for distribution, the total reserve available for distribution is RMB10,050,063,000 after adding up the balance of undistributed reserve RMB5,237,398,000.

The Board of the Company proposed to pay the qualified shareholders of the Company the final dividends for the year ended 31 December 2010 of RMB1.00 per 10 shares (tax included) (the "2010 Final Dividend") on the basis of 14,541,309,100 total issued shares as at 31 December 2010. The remaining balance of undistributed reserve will be reserved as undistributed reserve for further distribution in future. The proposal of the above-mentioned distribution will be tabled to 2010 annual general meeting for approval.

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

## RESERVES

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2010 are set out in note 39 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 CAS and IFRSs.

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. As at 31 December 2010, the Company's reserves available for distribution were approximately RMB5,794,690,000 (2009: RMB4,036,710,000).

## 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 2010 are set out in note 14 to the financial statements.

## SHARE CAPITAL

Details of the movements of the Company's share capital are set out in note 38 to the financial statements.

## DONATIONS

During the reporting period, the Group donated RMB311,579,000, which included the Company's donation of RMB252,080,000, Guizhou Zijin's donation of RMB21,120,000, Malipo Zijin Tungsten's donation of RMB15,910,000, Xinjiang Ashele Copper's donation of RMB13,750,000 and other enterprises' donation of RMB8,719,000.

## BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings are set out in note 33 to the financial statements.

## TAXATION

The PRC's corporate income tax rate is 25%, details of the Group's taxation are set out in note 10 to the financial statements.

## FINANCIAL HIGHLIGHTS

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

## USE OF PROCEEDS

RMB(ten thousand)

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Proceeds used in this year | | | 60,805.15 |
| Total Proceeds | | 980,696.02 | Accumulated use of proceeds | | | 870,495.28 |
| Project Name | Project amended | Proposed investment | Actual investment | On schedule | Expected gains | Gains generated |
| Zijinshan Gold and Copper Mine joint open pit mining project | No | 152,252.68 | 152,411.32 | Yes | | 2010: Production of gold of 16,227.76kg; copper 7,058.3 tonnes, 5,538.6 tonnes of copper in concentrates; realised net profit of RMB2,017,529,800 (included the production capacity before innovation) |
| Hunchun Zijin Shuguang Gold and Copper Mine technological innovation and expansion project | No | 46,150.00 | 43,107.21 | Yes | | 2010: Production of gold 2,412.98kg and copper 9,020.02 tonnes and realized net profit of RMB425,548,200 (included the production capacity before innovation) |
| 200 tonnes daily refractory gold processing and refining project | No | 19,809.40 | 19,809.40 | Yes | | 2010: Production of processed gold of 1,856.24kg and silver of 28,632.45kg, realized net profit of RMB39,672,400 |
| Mining resources exploration project | Yes | 1,706.76 | 1,706.76 | | | |
| Acquisition of the exploration right in Zhonglao Copper Mine Wuziqilong Jintonghu section exploration project | No | 19,680.00 | 19,680.00 | Yes | | |

| Project Name | Project amended | Proposed investment | Actual investment | On schedule | Expected gains | Gains generated |
|---|---|---|---|---|---|---|
| Increase capital injection in Zijin Tongguan for the acquisition of equity interest in Monterrico Metals plc project | No | 60,300.00 | 60,300.00 | Yes | | |
| Acquisition and development of the ZGC Gold Mine in Tajikistan | No | 130,534.50 | 69,520.59 | No | | Produced 1.2tonnes of gold in year 2010 |
| Acquisition of 70% interest in Zijin Longxing which owns the mining right in the Tuva Lead Zinc Mine - the Republic of Tuva | No | 27,160.00 | 27,160.00 | Yes | | In development stage |
| Comprehensive Utilisation of Circular Economy for the Qinghai Deerni Tailings Project | | 34,210.51 | — | | | |
| Supplemental working capital | | 489,109.44 | 476,800.00 | | | |
| Total | / | 980,913.29 | 870,495.28 | / | / | |

| | |
|---|---|
| Explanation of projects did not meet the expected progress and gains (by project) | According to the requirements with respect to proceeds management and the approval in the first 2010 extraordinary general meeting on 15 December 2010, in relation to any subsequent investments for the development and construction of the ZGC project, the proceeds of the Company will be used to replace RMB241,116,200 self-financed loan for ZGC's development. ZGC should open and maintain a "NRA" account in the PRC, which is denominated in Renminbi as the major currency for trading, and investments should be made by way of shareholder's loans.<br><br>The Company strived to carry out technological innovation and development. Due to the overseas logistic problem, the development will be delayed. |
| Usage and placement of unused proceeds | Proceeds were injected in the projects stated in IPO prospectus and the amended projects, unused proceeds were deposited into the Company's specific bank accounts. |

*Notes:*

1. The unused balance of proceeds RMB1,200,000 in the completion of the "Acquisition of the exploration right in Zhongliao Copper Mine Wuziqilong Jintonghu section exploration project" and the unused balance of proceeds RMB286,000 in "200 tonnes daily refractory gold processing and refining project", in total RMB1,486,000 was redirected to invest into "Zijinshan Gold and Copper Mine joint open pit mining project".

2. The gains in projects no. 4, 5, 6, and 8 could not be separately measured in a short-term, in which projects no. 5, 6, and 8 were involved in mines acquisition. The resources reserve and core competitive strength of the Company have been enhanced after the completion of these acquisitions and it will benefit the Company in a long-run.

3. For the details of the change of use of proceeds for "Mining resources exploration project", please refer to the table of "Status of change of use of proceeds" below.

4. For the details of the use of proceeds, please refer to the specific report.

## Status of change of use of proceeds

RMB(ten thousand)

| Name of new project | Corresponding original project | Proposed investment | Actual investment | On Schedule | Income projection | Gains |
|---|---|---|---|---|---|---|
| Comprehensive Utilisation of Circular Economy for the Qinghai Deerni Tailings Project | Mining resources exploration project | 34,210.51 | — | | | Not in production |
| Total | / | 34,210.51 | — | | | |

The investment period and cycle for the mining resources exploration project is long, that the risk associated with the investment in exploration is high, and that it is difficult to estimate with any accuracy the investment returns. After the approval of the first 2010 extraordinary general meeting, the proposed investment sum of RMB342,105,100 (including interest) not yet applied towards the mineral resources exploration project will be re-directed and invested in the Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project. This change has been announced in accordance with the listing rules (details refer to the circular dated: 3 November 2010).

Non-IPO projects

RMB

| Project name | Amount | Progress | Expected gains |
|---|---|---|---|
| 200,000 tonnes copper refinery at Shanghang | Proposed to invest 3.6 billion | 90% completion of main structure and started the equipment installation stage | Full capacity: 200,000 tonnes of copper, 830,000 tonnes of sulfuric acid, by-product: 4.8 tonnes of gold, 176 tonnes of silver and 77 tonnes of selenium |
| Phosphoric acid products from plants coherent to 200,000 tonnes copper refinery | Proposed to invest 1.65 billion | Under construction | Full capacity: 100,000 tonnes of phosphoric acid, 200,000 tonnes of ammonium phosphate, expected in operation in December 2011 |
| Heilongjiang Duobaoshan Copper Mine | Proposed to invest 2.7 billion | Under construction | Full capacity (metal): 35,000 tonnes of copper, by-product: 1,681 tonnes of molybdenum, 1 tonne of gold, 12.8 tonnes of silver, expected in operation in December 2011 |
| Zijinshan Copper Mine hydrometallurgical plant | | Expect to finish the fundamental rectification by the end of 2011 | Resumption of copper cathodes production (10,000 to 20,000 tonnes) |
| Inner Mongolia Sanguikou Zinc Mine | Proposed to invest 0.7 billion | Invested 0.3 billion (included exploration rights) | Full capacity: 30,000-60,000 tonnes of zinc, 3,500-7,000 tonnes of lead (by-product), expected in operation in June 2012 |
| Tuva Lead Zinc Mine - the Republic of Tuva | Proposed to invest 1.8 billion | 30% ground work completed, completed order of main facilities | Full capacity: 85,000 tonnes of zinc, by-product: 12,000 tonnes of lead, 5,000 tonnes of copper, 0.8 tonne of gold, expected in operation in June 2012 |

| Project name | Amount | Progress | Expected gains |
|---|---|---|---|
| Guizhou Taipingdong Gold Mine (3 projects construction and innovation) | Proposed to invest 0.24 billion | About 30% completed | Full capacity: 1.5 tonnes of gold, expected in operation from December 2011 to June 2012 |
| Oxidized mine innovation in ZGC Gold Mine in Tajikistan | Proposed to invest 0.117 billion | About 30% completed | Full capacity: 1.2 tonnes of gold, expected in operation in September 2011 |
| Innovation in Wuping Multi-metal Silver Mine | Proposed to invest 0.174 billion | Invested 0.14 billion | Full capacity: 15 tonnes of silver, 200kg gold, expected in operation in May 2011 |
| Qinghai sulfuric-iron tailing comprehensive utilisation project | Proposed to invest 0.58 billion | About 30% completed | Full capacity: 190,000 tonnes of iron calcine, 400,000 tonnes of sulfuric acid, 1,000 tonnes of copper, expected in operation at the end of 2011 |

During 2010, the Company has conducted transactions in equity interest of certain subsidiaries, the details of which are set out in note 40 to the financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed, sold or wrote off any of the Company's listed securities as at 31 December 2010.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

### 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 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 unknown.

The Company's total purchases from the five largest suppliers and the largest supplier amounted to RMB4,890,300,000 and RMB1,755,700,000 respectively, representing 26.07% and 9.36% 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 of 2010.

## 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 4 November 2012.

Pursuant to article 106 of the articles of association of the Company, the terms for Directors will be 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 entered between the Company and any of the Directors or supervisors which requires the Company to make compensation (other than statutory compensation) upon termination by the Company within one year.

## 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.

## 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 5 November 2009 |
| Luo Yingnan | 3 years from his re-appointment on 5 November 2009 |
| Liu Xiaochu | 3 years from his re-appointment on 5 November 2009 |
| Lan Fusheng | 3 years from his re-appointment on 5 November 2009 |
| Huang Xiaodong | 3 years from his re-appointment on 5 November 2009 |
| Zou Laichang | 3 years from his re-appointment on 5 November 2009 |
| **NON-EXECUTIVE DIRECTOR:** | |
| Peng Jiaqing | 3 years from his re-appointment on 5 November 2009 |
| **INDEPENDENT NON-EXECUTIVE DIRECTORS:** | |
| Su Congfu | 3 years from his re-appointment on 5 November 2009 |
| Chen Yuchuan | 3 years from his re-appointment on 5 November 2009 |
| Lin Yongjing | 3 years from his re-appointment on 5 November 2009 |
| Wang Xiaojun | 3 years from his appointment on 5 November 2009 |
| **SUPERVISORS:** | |
| Lin Shuiqing | 3 years from his appointment on 5 November 2009 |
| Xu Qiang | 3 years from his re-appointment on 5 November 2009 |
| Lin Xinxi | 3 years from his appointment on 5 November 2009 |
| Zhang Yumin | 3 years from his re-appointment on 5 November 2009 |
| Liu Xianhua | 3 years from his appointment on 5 November 2009 |

## BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biography of Directors, supervisors and senior management are set out on pages 21 to 24 in this report.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save for the service contracts of Directors and supervisors as disclosed above, there were no significant contracts to which the Company or its controlling companies 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 AND SUPERVISORS IN THE ISSUED SHARES OF THE COMPANY

As at 31 December 2010, the interests of the Directors or supervisors of the Company in the shares or equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange are as follows:

Shareholdings of Directors and supervisors in the Company as at 31 December 2010:

| Director | Number of domestic shares/amount of equity interest held | Nature of interest | Long/short positions | Proximate percentage of share holding in such class of securities | Proximate percentage of share holding in the registered capital |
|---|---|---|---|---|---|
| Chen Jinghe | 88,000,000 | Personal | Long | 0.84% | 0.61% |
| Liu Xiaochu | 4,828,350 | Personal | Long | 0.05% | 0.03% |
| Luo Yingnan | 5,000,000 | Personal | Long | 0.05% | 0.03% |
| Lan Fusheng | 5,000,000 | Personal | Long | 0.05% | 0.03% |
| Zou Laichang | 1,000,000 | Personal | Long | 0.01% | 0.01% |

Save as disclosed above, none of the Directors and supervisors or their associates has any interest in the securities of the Company or its associated company (as defined in the SFO) during the reporting period. None of the Directors and supervisors or their spouse or children under the age of 18 years is holding any option to subscribe securities or debentures of 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 reporting period, which will allow the Directors or supervisors of the Company to be benefited by acquiring the shares or debentures of the Company or other body corporates.

## SHAREHOLDING STRUCTURE

### 1. Change of issued shares

As at 31 December 2010, the Company has issued 14,541,309,100 ordinary shares of RMB0.1 each.

Unit: share

| | **31 December 2010** | 31 December 2009 |
|---|---|---|
| Domestic shares/A shares | **10,535,869,100** | 10,535,869,100 |
| H shares | **4,005,440,000** | 4,005,440,000 |
| Total shares | **14,541,309,100** | 14,541,309,100 |

### 2. The Status of Major Shareholders

As at 31 December 2010, the Company has a total of 913,554 shareholders, of which 926 are holders of H shares and 912,628 are holders of domestic shares. By approximate percentage of shareholding in the registered capital, the shareholdings of the Company's top ten shareholders are as follows:

| No. | Shareholders' names | Class of shares | Number of shares held | Approximate percentage of shareholding in the registered capital |
|---|---|---|---|---|
| 1. | Minxi Xinghang State-owned Assets Investment Co., Ltd. | Domestic Shares | 4,210,902,120 | 28.96% |
| 2. | HKSCC Nominees Limited *(Note)* | H Shares | 3,985,146,406 | 27.41% |
| 3. | Xinhuadu Industrial Group Co., Ltd. | Domestic Shares | 1,634,576,071 | 11.24% |
| 4. | Xiamen Hengxing Group Co., Ltd. | Domestic Shares | 297,450,000 | 2.05% |
| 5. | Shanghang County Jinshan Trading Co., Ltd. | Domestic Shares | 170,830,000 | 1.17% |
| 6. | Chen Jinghe | Domestic Shares | 88,000,000 | 0.61% |
| 7. | Industrial and Commercial Bank of China-Shanghai 50 Index ETF Securities Investment Fund | Domestic Shares | 47,580,917 | 0.33% |
| 8. | Bank of China – Harvest Hushen 300 Equity Fund | Domestic Shares | 30,197,678 | 0.21% |
| 9. | China Construction Bank – Rongtong Lingxian Growth Securities Investment Fund | Domestic Shares | 24,369,403 | 0.17% |
| 10. | Bank of Communications-Yi Fang Da 50 Index Securities Investment Fund | Domestic Shares | 23,687,507 | 0.16% |

*Note:*

HKSCC Nominees Limited is holding 3,985,146,406 H shares of the Company as a nominee, representing 27.41% 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, supervisors and chief executives are aware, as at 31 December 2010, 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 | Approximate percentage of the total number of issued shares | Approximate percentage of total number of issued domestic shares | Approximate percentage of total number of issued H shares | Long position/ Short position/ Lending pool |
|---|---|---|---|---|---|---|
| Minxi Xinghang State-owned Assets Investment Co., Ltd. | Domestic Shares | 4,210,902,120 | 28.96% | 39.97% | — | Long |
| Xinhuadu Industrial Group Company Limited | Domestic Shares | 1,634,576,071 *(Note 1)* | 11.24% | 15.52% | — | Long |
| Chen Fashu | Domestic Shares | 1,644,653,598 *(Note 2)* | 11.31% | 15.61% | — | Long |
| Blackrock, Inc. | H Shares | 531,823,188 *(Note 3)* | 3.66% | — | 13.28% | Long |
| Blackrock, Inc. | H Shares | 11,609,238 *(Note 4)* | 0.08% | — | 0.29% | Short |
| JPMorgan Chase & Co. | H Shares | 474,603,842 *(Note 5)* | 3.26% | — | 11.85% | Long |
| JPMorgan Chase & Co. | H Shares | 2,729,833 *(Note 6)* | 0.02% | — | 0.07% | Short |
| JPMorgan Chase & Co. | H Shares | 100,933,400 | 0.69% | — | 2.52% | Lending pool |

*Notes:*

(1) Xinhuadu Industrial Group Company Limited holds 1,634,576,071 domestic shares of the Company.

(2) Mr. Chen Fashu holds 10,077,527 domestic shares of the Company. Mr. Chen Fashu also 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 1,634,576,071 domestic shares of the Company. Therefore, Mr. Chen Fashu is deemed to be interested in 1,644,653,598 domestic shares of the Company.

(3) Blackrock, Inc. is interested in 531,823,188 H shares (Long position) of the Company (representing approximately 13.28% of the total issued H shares), which were held through Blackrock, Inc.'s controlled corporations including Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2 Inc. and BlackRock Financial Management, Inc. 2,025,500 H shares of which were held through Trident Merger, LLC and BlackRock Investment Management, LLC. 274,548,000 H shares of which were held through BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc. and BlackRock Institutional Trust Company, N.A. 516,000 H shares of which were held through SSRM Holdings, Inc. and State Street Research & Management Company. 4,273,750 H shares of which were held through BlackRock Capital Holdings, Inc. and BlackRock Advisors, LLC. 160,000 H shares of which were held through BlackRock (Institutional) Canada Ltd., BlackRock Holdings Canada Limited and BlackRock Asset Management Canada Limited. 10,277,638 H shares of which were held through BlackRock HK Holdco Limited and BlackRock Asset Management North Asia Limited. 7,275,000 H shares of which were held through BlackRock Cayco Ltd., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK and BlackRock Asset Management Japan Limited. 72,000 H shares of which were held through BlackRock Asset Management Australia Limited. 501,000 H shares were held through BlackRock Investment Management (Australia) Limited. 1,362,000 H shares of which were held through BlackRock International Limited. 2,621,500 H shares of which were held through BlackRock Advisors UK Ltd. 476,000 H shares of which were held through BlackRock Holdings Deutschland GmbH and BlackRock Asset Management Deutschland AG. 68,100,000 H shares of which were held through BlackRock Fund Managers Ltd. 34,572,800 H shares of where were held through BlackRock Investment Management Ireland Holdings Ltd. and BlackRock Asset Management Ireland Ltd. 125,042,000 H shares of which were held through BlackRock Investment Management (LUX).

(4) Blackrock, Inc. is interested in 11,609,238 H shares (Short position) of the Company (representing approximately 0.29% of the total issued H shares) which were held through Blackrock, Inc.'s controlled corporations including BlackRock Holdco 2 Inc. and BlackRock Financial Management, Inc. 1,120,000 H shares of which were held through BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., and BlackRock Institutional Trust Company, N.A. 1,410,000 H shares of which were held through BlackRock Capital Holdings, Inc. and BlackRock Advisors, LLC. 9,079,238 H shares of which were held through BlackRock International Holdings, Inc., BR Jersey International LP, BlackRock HK Holdco Limited and BlackRock Asset Management North Asia Limited.

(5) JPMorgan Chase & Co. is interested in 474,603,842 H shares (Long position) of the Company (representing approximately 11.85% of the total issued H shares) which were held through JPMorgan Chase & Co.'s controlled corporations. 100,933,400 H shares of which were held through JPMorgan Chase Bank, N.A. 5,163,409 H shares of which were held through J.P. Morgan Whitefriars Inc. and J.P. Morgan Overseas Capital Corporation. 1,065,033 H shares of which were held through J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited and J.P. Morgan Capital Holdings Limited. 26,274,000 H shares of which were held through China International Fund Management Co Ltd., JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management Holdings (UK) Limited and JPMorgan Asset Management International Limited. 301,098,000 H shares of which were held through JF Asset Management Limited. 2,390,000 H shares of which were held through JF International Management Inc. 14,424,000 H shares of which were held through JPMorgan Asset Management (Taiwan) Limited. 23,256,000 H shares of which were held through JPMorgan Asset Management (Singapore) Limited.

(6) JPMorgan Chase & Co. is interested in 2,729,833 H shares (Short position) of the Company (representing approximately 0.07% of the total issued H shares) which were held through JPMorgan Chase & Co.'s controlled corporations including J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc. and JPMorgan Chase Bank, N.A. 1,065,033 H shares of which were held through J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited and J.P. Morgan Capital Holdings Limited. 884,800 H shares of which were held through J.P. Morgan Whitefriars Inc. 780,000 H shares of which were held through J.P. Morgan Whitefriars (UK) and J.P. Morgan Whitefriars Inc.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2010, no other person (other than the Directors, supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder (as such term is 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

Certain transactions entered into by the Group for the year ended 31 December 2010 constitute connected transactions/continuing 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/continuing connected transactions are summarised as follows:

### 1. Continuing Connected Transactions

| Parties of the connected transaction | Transaction date | Content of the connected transaction | Annual Cap *RMB* | Transaction Amount *RMB* | Payment methods |
|---|---|---|---|---|---|
| The Company, Fujian Xinhuadu Engineering Company Limited (Note 1) | 15 April 2010 | Provision of exploitation contracting services for gold and non-ferrous metals (inclusive of the process of stripping, mining and transportation) for part of the Zijinshan Gold Mine | 215,000,000 | 153,469,000 | Cash (Note 2) |
| Qinghai West Copper Company Ltd., Fujian Xinhuadu Engineering Company Limited (Note 3) | 15 April 2010 | Provision of exploitation contracting services for copper and non-ferrous metals (inclusive of the process of stripping, mining and transportation) for part of the Deerni Copper Mine | 40,000,000 | 32,010,000 | Cash (Note 4) |
| The Company, Fujian Jinyi Copper Co., Ltd. (Note 5) | 15 April 2010 | Sales of Copper Cathodes | 500,000,000 | 194,483,000 | Cash |

*Note 1:* Mr. Chen Fashu currently holds approximately 51% shareholding of Fujian Xinhuadu Engineering Company Limited ("Xinhuadu Engineering") and approximately 73.56% shareholding of Xinhuadu Industrial Group Company Limited ("Xinhuadu"). Mr. Chen Fashu and its associate Xinhuadu currently hold more than 10% shareholding of the Company. Xinhuadu Engineering is a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Xinhuadu Engineering and the Group constitutes a connected transaction according to Chapter 14A of the Listing Rules.

*Note 2:* The amount payable by the Company to Xinhuadu Engineering each month is calculated in accordance with the following formula:-

The amount payable by the Company each month = the value of service fee of the preceding month X 80% – value of supplies used – withholding tax previously paid – disbursements previously made – any other deductions + the remaining balance of service fee incurred 6 months earlier, the balance should be paid after 6 months.

*Note 3:* Qinghai West Copper Company Ltd. ("Qinghai West") is a wholly-owned subsidiary of the Company. Mr. Chen Fashu currently holds approximately 51% shareholding of Xinhuadu Engineering and approximately 73.56% shareholding of Xinhuadu. Mr. Chen Fashu and its associate Xinhuadu currently hold more than 10% shareholding of the Company. Xinhuadu Engineering is a connected person of the Company pursuant to the Listing Rules. Therefore, any transaction between Xinhuadu Engineering and the Group constitutes a connected transaction according to Chapter 14A of the Listing Rules.

*Note 4:* The amount payable by the Company's wholly-owned subsidiary, Qinghai West to Xinhuadu Engineering each month is calculated in accordance with the following formula:-

The amount payable by Qinghai West each month = ( the value of the service fee of the preceding month - withholding tax previously paid) X 60% – value of supplies used –disbursements previously made + the remaining balance of service fee incurred 6 months earlier, the balance should be paid after 6 months.

*Note 5:* Minxi Xinghang State-owned Assets Investment Company Limited ("Minxi Xinghang") is a substantial shareholder and a promoter of the Company and currently holds and owns approximately 28.96% shareholding of the Company and 46.5% interest in Fujian Jinyi Copper Co., Ltd. ("Jinyi Copper"). Jinyi Copper is an associate of Minxi Xinghang and a connected person to the Company. Under the Listing Rules, the transaction constitutes a continuing connected transaction of the Company.

## 2. Connected transactions as a result of acquisition and disposal of assets

| Parties of the connected transaction | Transaction date | Content of the connected transaction | Price RMB | Payment method |
|---|---|---|---|---|
| Zijin Mining Group North-West Company Limited, Buerjin County Kanas Travel Company Limited (Note 1) | 13 March 2010 | Capital injection and hold about 25.234% equity interest of Buerjin County Kanas Travel Company Limited | 48,870,000 | Cash |
| Fujian Zijin Investment Company Limited, Yongding County State-Owned Assets Investment Management Co., Ltd., Fujian Province Strait Hakka Travel Service Company Limited, Xinhuadu Industrial Group Company Limited and Xiamen Hengxing Group Company Limited (Note 2) | 24 December 2010 | Capital enlargement and sold 6% equity interest of Yongding Zijin Longhu Ecological Industry Development Company Limited (Note 3) | 30,000,000 | Cash |

*Note 1:* Zijin Mining Group North-west Co., Ltd. ("Zijin North-west") is a wholly-owned subsidiary of the Company. Xinhuadu is a substantial shareholder and a promoter of the Company and currently holds and owns 35% shareholding of Fujian Wuyishan Travel Development Company Limited, Fujian Wuyishan Travel Development Company Limited currently holds and owns 35% shareholding of Buerjin County Kanas Travel Co., Ltd. ("Xinjiang Kanas"). Therefore, Xinjiang Kanas is a connected person to the Company. Pursuant to Rule 14A.13 of the Listing Rules, the transaction between the Company's wholly-owned subsidiary, Zijin North-west and Xinjiang Kanas constitutes a connected transaction of the Company.

*Note 2:* As at 24 December 2010, Xinhuadu holds more than 10% equity interest in the Company and therefore, is a major shareholder and a connected person of the Company. Under Rule 14.29 of Listing Rules, the issue of equities to each of the respective contracting parties in accordance with the relevant agreement, will result in a decrease of equity interest in Yongding Zijin Longhu Ecological Industry Development Company Limited ("Yongding Zijin") held by Zijin Investment Company Limited ("Zijin Investment") from 91.67% to 70%. The issue of equities will result in a deemed disposal of Zijin Investment's equity interest in Yongding Zijin to Xinhuadu and other contracting parties, and as Xinhuadu is a connected person of the Company, the transaction contemplated constitutes a connected transaction as a deemed disposal of interest under Rule 14A.10(13)(a) of the Listing Rules.

As at 24 December 2010, Xinhuadu is a connected person of the Company and the allotment of 6% equity interest to Xinhuadu by Yongding Zijin in accordance with the relevant agreement constitutes a connected transaction of issue of new securities under Rule 14A.10(13)(g) of the Listing Rules.

*Note 3:* Yongding Zijin was incorporated in July 2010 and its current registered capital is RMB240,000,000. The Company's wholly-owned subsidiary, Zijin Investment invested RMB220,000,000 in cash and holds 91.67% equity interest in Yongding Zijin. Yongding Zijin currently engaged in the development and integration of Longhu ecological travel and agriculture resources and initiate this project to be enlisted as a provincial major travel project and facilitate the development of tertiary industry at Mianhuatan Reservoir, Yongding county, Fujian Province. Zijin Investment and Xinhuadu and other three shareholders entered into an agreement to jointly increase their investment and issue further equities in Yongding Zijin, The contracting parties agreed to increase the registered capital of Yongding Zijin from RMB240 million to RMB500 million, of which Zijin Investment agreed to further invest RMB130 million, Xinhuadu agreed to invest RMB30 million, and the other three connected shareholders agreed to totally invest RMB100 million. After the completion of the agreement in relation to the increase of registered capital and issue of further equities, Zijin Investment's total investment will reach RMB350 million to hold 70% equity interest of Yongding Zijin; Xinhuadu's total investment will reach RMB30 million to hold 6% equity interest in Yongding Zijin; and other three shareholders totally invest RMB120 million to hold 24% equity interest in Yongding Zijin.

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 auditors' inspection 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 the Company must immediately notify the Stock Exchange. The Company may have to comply with the relevant requirements of the Listing Rules to disclose and obtain independent shareholders' approval, 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 2010 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 42 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 annouced annual caps.

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

Save for the connected transactions/related-party transactions as disclosed in this report, there were no contracts of significance between the listed issuer or its subsidiaries and the controlling shareholder or any of its subsidiaries.

Save as disclosed above, please refer to the note 42 to the financial statements for the details of commodity purchase, labour offering and other related party transactions.

## STAFF OF THE GROUP

| | |
|---|---|
| Total current staff | 21,455 |
| Retired employees that the Group is responsible for the retirement expenses | 172 |

Profession structure

| Classification | Number of Staff |
|---|---|
| Mining | 2,140 |
| Processing | 5,622 |
| Refining | 981 |
| Geology | 1,037 |
| Infrastructure | 909 |
| Electrical and Mechanical | 1,103 |
| Accounting | 831 |
| Survey | 618 |
| Finance | 994 |
| Chemistry | 925 |
| Management | 1,654 |
| Others | 4,641 |
| **Total** | **21,455** |

Education

| Classification | Number of Staff |
|---|---|
| Doctorial degree | 45 |
| Master degree | 212 |
| Bachelor degree | 2,871 |
| Tertiary education | 3,467 |
| Secondary school or below | 14,860 |
| **Total** | **21,455** |

As at the end of 2010, the Group had 21,455 employees. According to the strategic human resources development strategy and planning, the Group implemented a programme of global talent recruitment. The Group introduced various methods in staff training including the establishment of three strata training system, job orientation, on-job training, technique competition, and external assigned training. In order to solve the bottle neck problem in recruiting key professionals, the Group paid high attention to a result-oriented training integrated with production, academic and research, and the strategic co-operation with universities. The Group believes in the harmonic development among the enterprise, staff and the community and built an annual salary system, negotiated salary system, structured salary system which are mainly interlocked with the enterprise's performance. The allocation of personal income will be based on the personal appraisal. The Group will motivate staff to create value to the enterprise and realize the personal goal simultaneously to achieve the maximization of value to shareholders.

## 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 2010.

## MAJOR LITIGATION, ARBITRATION

Unit: Yuan
Currency: RMB

| Basic information of proceedings (arbitration) | Amount involved in proceedings (arbitration) | Progress of proceedings (arbitration) | Hearing results and impacts of proceedings (arbitration) | Execution progress for judgment of proceedings (arbitration) |
|---|---|---|---|---|
| "7.3" Zijinshan Copper Mine hydro-metallurgical plant environmental incident, Zijinshan Gold and Copper Mine and other five individual defendants have been sued by prosecutor for committing substantial environmental pollution offence | A fine of RMB30 million (including administrative fine) as the judgment of the first trial | Defendants filed an appeal after judgment of the first trial | Procedures of second trial in progress | |
| On 21 September 2010, as Xinyi Zijin's tailing pool dam collapsed, causing casualties and property damages downstream. In October 2010, Xinyi City People's Court filed the claims of property damages. | Proceedings amount of RMB19.5 million, more claims will be requested if the confirmed loss exceeds the original claims. | Procedures of first trial, hearing has not yet commenced at the moment | Case is in progress | |
| On 21 September 2010, as Xinyi Zijin's tailing pool dam collapsed, waves of water and rocks rushed downstream causing 22 deaths in Datong Village and Shuanghe Village in Qianpai Town. Villagers commenced personal injury proceedings in December 2010. | RMB11,678,317.33 as compensation for injuries | Procedures of first trial, hearing has not yet commenced at the moment. In March 2011, Xinyi City People's Court ordered to join 4 companies which were in charge of design, construction, supervision, and examination and appraisal of the tailing dam as additional defendants; in relation to 17 casualties in Shuanghe Village located in the downstream of Xinyi City Shihuadi power plant, Xinyi City People's court agreed to join 13 partners of Xinyi City Shihuadi power plant as additional defendants. | Case is in progress | |

## Details of major litigation and arbitration:

(1) In July 2010, the Company's Zijinshan Gold and Copper Mine copper hydro-metallurgical plant happened to have leakages of acid copper-contained waste water. Longyan City Xinluo District People's Procuratorate issued a prosecution notice [Longxinjiangongxingsu (2010) No.673] against the Company's Zijinshan Gold and Copper Mine and related responsible persons. The judgment of the first trial was handed down on 30 January 2011 by Fujian Province Longyan City Xinluo District People's Court. Zijinshan Gold and Copper Mine of Zijin Mining Group Co., Ltd.* was sentenced to have committed a substantial environmental pollution offence and has been sentenced to pay a fine in the sum of RMB30 million. After deduction of the administrative fine in the sum of RMB9,563,130 which has already been paid, the defendant shall pay a balance of RMB20,436,870. The other five individual defendants have been sentenced to imprisonments for 3 to 4 years and 6 months with fines. Defendants filed an appeal after judgment of the first trial.

Save as disclosed above, the Company has no major litigation or arbitration during the reporting period.

## Punishment and rectification for the Company and its directors, supervisors, senior management, shareholders and actual controllers

1. The Fujian Bureau of the China Security Regulatory Commission carried out an inspection on the Company on 2 August 2009 and issued a notice regarding "Decision on the order made against Zjijin Mining Group Co., Ltd.* in relation to corrective measures to be taken out" on the basis of the problems discovered during the inspection. In respect of the problems discovered during the inspection, the Company conducted serious research and discussion and have formulated effective corrective measures. The Company disclosed the "Corrective report of Zijin Mining Group Co., Ltd.* in relation to Fujian Bureau Administrative Regulatory Measures Decision [2009] no.2" on 29 December 2009, and disclosed the "Zijin Mining Group Co., Ltd.* Report to the Specific Proceeds Audit" on 9 February 2010. The problems have been corrected appropriately.

2. As a result of the violation of environmental requirements committed by Zijinshan Copper Mine hydro-metallurgical plant of the Company in relation to the leakage of acidic copper solution in July 2010:

   (i) The Fujian Provincial Department of Environmental Protection issued the "Fujian Provincial Department of Environmental Protection Administrative Punishment Decision" (Minhuanfazi [2010] no.3) pursuant to which Zijinshan Gold and Copper Mine of the Company had been ordered to implement rectification measures and clear up pollution until the completion of the rectification; and a fine of RMB9,563,130 was imposed.

   (ii) The Fujian Provincial Department of Environmental Protection issued the "Fujian Provincial Department of Environmental Protection Administrative Punishment Decision" (Minhuanfazi [2010] no.6) and the "Fujian Provincial Department of Environmental Protection Administrative Punishment Decision" (Minhuanfazi [2010] no.7) pursuant to which a fine of RMB705,997 was imposed on Mr. Chen Jinghe, the Company's Chairman, and a fine of RMB449,768 was imposed on Mr. Zou Laichang, the Company's Director.

(iii) The Longyan City Xinluo District People's Procuratorate issued a prosecution notice [Longxinjiangongxingsu (2010) No.673] against Zijinshan Gold and Copper Mine of the Company and five other natural persons for committing a substantial environmental offence. According to the criminal judgment [(2011) Longxinxingchuzi No.31] of Fujian Province Longyan City Xinluo District People's Court, Zijinshan Gold and Copper Mine of the Company had committed a substantial environmental pollution offence and was sentenced to pay a fine in the sum of RMB30 million. After deduction of the administrative fine in the sum of RMB9,563,130 which has already been paid, Zijinshan Gold and Copper Mine of the Company should pay a balance of RMB20,436,870. The other five individual defendants have been sentenced to imprisonments for 3 to 4 years and 6 months with fines.

## 1. Zijinshan Copper Mine "7.3" incident

On 3 July 2010, as a result of continuous heavy rainfall, Zijinshan Copper Mine hydro-metallurgical plant had an incident of leakage of acidic copper solution; approximately 9,100 cubic metre of acidic copper solution entered the Ting River through the flood water drainage, causing substantial water pollution to Ting River and death to some artificial breeding fishes in the fishery cages downstream . At the night of 16 July, there was a leakage at part of the transfer pond no.3 which was used for emergency; approximately 500 cubic metre of acidic copper solution entered the Ting River. The Ting River was not seriously polluted for comprehensive emergency measures had been taken. It was assessed by the relevant departments that the incident had caused a direct economic loss of RMB31,877,100.

In accordance with the provisions of the relevant environmental laws, the Fujian Provincial Department of Environmental Protection made the following administrative penalties to Zijinshan Gold and Copper Mine in September 2010: Implement rectification measures and clear up pollution until the completion of the rectification; pay a fine of RMB9,563,130. At the end of 2010, the Fujian Provincial Department of Environmental Protection made again the penalties: Impose a fine on Mr. Chen Jinghe, the Company's Chairman and Mr. Zou Laichang, the Company's Executive Vice President cum chief of Zijinshan Gold and Copper Mine. On 30 January 2011, Fujian Province Longyan City Xinluo District People's Court judged that Zijinshan Gold and Copper Mine had committed a substantial environmental pollution offence and was required to pay a fine in the sum of RMB30 million (including administrative fine), the five liable individuals have been sentenced to imprisonments for 3 to 4 years and 6 months with fines.

After the completion of the rectification measures in relation to the "7.3" incident, based on the opinion in relation to "same place reconstruction, high fortification, safe and reliable, economical, focus on the floating process and less emphasis on metallurgical refinery, locate the source of the problem and solve the problem, well-planning, make decisions scientifically, mutually complemental, working hand in hand" and the requirements of "safeguard the three gateways, build up five lines of defence" suggested by the national united working group, Zijinshan Gold and Copper Mine put much effort on rectification and work relating to comprehensive environmental governance. As at the day of this report, the draft copy of "Zijinshan Gold and Copper Mine Rectification Scheme" has been completed and has been approved by the professional team set up by China Nonferrous Metals Association, and that it will be submitted to relevant departments for approval.

As at the day of this report, the separation of clean water and disposal distribution systems had been improved in the mining area at Zijinshan, and the capacity of flood-preventing pond have been enlarged by approximately 450,000 cubic metre and dosing systems located at the mouth of the ditches have been increased. By late September 2010, 8 additional online monitoring spots have been connected with the network of the environmental department for real-time monitor. Eco-fish observation area was built at three spots (Jinshan Bridge, Ermiaogou, Sanqingting) of the Ting River, for the purpose of closely monitoring the water quality of all ditches of the mining areas. In accordance with the rectification scheme, regulatory depot and environmental processing systems will be built in Yutian pit and Duilian pit at the mining area. Solution pond will be rebuilt in the area around the Copper Mine hydro-metallurgical plant, where 3 vertical cutoff walls and 227 vertical gravity dams will also be constructed. Over 70% of the improved facilities of the environmental safety project have been completed while the remaining are in progress. The construction of environmental emergency facilities will be completed before the flooding season in 2011 in order to ensure safety during the flooding season. Zijinshan Gold and Copper Mine will fulfill the requirements of high-standard requirements as the starting point, high-standard constructions and high-quality management, and will strive to complete basic rectification work by the end of 2011, aiming to achieve the objective of "ensure ecological environment safety in the Ting River; maintain long-term stability and sustainable development".

## 2. Major corporations to be monitored

On 30 December 2009, the General Office of the National Environmental Protection Department issued a notice in relation to the publication of the "list of key corporations to be monitored in 2010" (Huanban [2009] No.154). Categorised by province (autonomous regions and municipalities), the National Environmental Protection Department, on the basis of the Environment Statistics database in 2008, and the volume of emission of efflux of COD and ammonia nitrogen in wastewater, sulfur dioxide and nitrogen oxides in waste gas, compiled a list of corporations with industrial emissions constituting 65% of the total industrial emissions to be included in the "list of major corporations to be monitored in 2010". Chongli Zijin Mining Co., Ltd. is included in the "list of major corporations to be monitored in relation to waste water in 2010" while Guizhou Zijin Mining Co., Ltd. and Bayannaoer Zijin Non-ferrous Metal Company Limited are included in the "list of major corporations to be monitored for waste gas in 2010".

Current environmental positions in relation to the three corporations:

| | Conditions of emissions of major pollutants | Construction and operation of major environmental protection facilities | Pollution contingency plan |
|---|---|---|---|
| Chongli Zijin Mining Co., Ltd. | Waste water is the major pollutants of the corporation. Monitored by the testing station in Zhangjiakou City, waste water will be reused without being discharged. | Tailings pool was built, impermeable membrane was laid at the bottom of tailings pool; system of flood-prevention was reconstructed; video monitoring system of tailings pool was connected with the network of provincial environmental protection department. Ponds for emergency and processing of waste water, recycling waste water facilities, flue gas desulphurization tool, three-way dust removal device and single pulse bag filter unit were built. Online monitoring systems CN, COD were installed at downstream of tailings pool. All the environmental protection facilities are operating normally. | Set up "Contingency Plan of Chongli Zijin Mining Co., Ltd. in relation to Environmental Pollution" and a tailing pool drill was held in October 2010, in which it has been observed by representatives from national environmental protection systems. |
| Guizhou Zijin Mining Co., Ltd. | Boiler flue gas and waste water are the major pollutants of the corporation. Boiler flue gas is discharged stably and continuously through the chimney. Most of the processed waste water is reused after treatment; a small amount of it is discharged intermittently. As confirmed by the local environmental protection department, the emission of sulfur dioxide in boiler flue gas in 2010 was 75.4 tonnes, emission of soot was 25.3 tonnes, waste water discharge was about 18,250 tonnes, emission of COD is about 91 tonnes; all of the above emissions were in compliance with the relevant standards. | Boiler flue gas dust removal spray water film granite and lime wet desulfurization facilities were built. Auto-monitoring system for the boiler flue gas, the monitoring factors are particles, sulfur dioxides and flow rate were built. The system is connected with the Guizhou Environmental Protection Office and has been approved by the Guizhou Environmental Monitoring Teams in June 2010. Tailings pool, waste water processing facilities, recycling waste water facilities were built. All the environmental protection facilities are operating normally. Integrated waste water processing system is under construction. | Set up "Contingency Plan of Shuiyindong Gold Mine of Guizhou Zijin Mining Co., Ltd., in relation to Environmental Pollution" |

| | Conditions of emissions of major pollutants | Construction and operation of major environmental protection facilities | Pollution contingency plan |
|---|---|---|---|
| Bayannaoer Zijin Non-ferrous Metal Company Limited | The main pollutants of the company are flue gas and waste water with sulfur dioxide. Smoke has been discharged steady and continuously through the chimney. The waste water is in compliance of the standards for recycling after treatment, and only a small amount will be discharged intermittently. According to the record of Bayannaoer local environmental protection department's monitoring station, the enterprise emissions of sulfur dioxide was 520 tonnes; discharge of waste water was about 293,000 tonnes, and emissions of COD was about 22 tonnes of the enterprise in 2010. All the pollutants discharged were in compliance with the emissions standards and total emission amount requirements. | Flue gas filter bag dust remover, electronic dust remover, ionic liquid acid gas absorption system were built. Construction of waste water neutralization, oxidation, compressed filter, dynamic membrane anti-reverse osmosis filtering systems were built. Each of the environmental protection facilities is operating normally. | Formulated the "Bayannaoer Zijin Non-ferrous Metals Co., Ltd. Environmental Pollution Emergency Plan" |

## ACQUISITIONS, DISPOSALS AND MERGERS

Save as disclosed from pages 25 to 31 of this report, the Company has no other significant acquisitions, disposal or merger of assets during the reporting period.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the year, no part of the articles of association of the Company was amended in the Company's general meetings.

## AUDITORS

In the coming Annual General Meeting, the Company will submit a resolution for the reappointment of Ernst & Young Hua Ming as auditors of the Company for the year 2011 and non re-appointment of Ernst & Young respectively. The Company has not changed its domestic and international auditors in the past three years.

## POST BALANCE SHEET EVENTS

The details of the Group's other events after the balance sheet date are set out in note 49 to the financial statements.

By order of the Board
**Chen Jinghe**
*Chairman*

Shanghang, Fujian, the PRC
30 March 2011

Dear shareholders,

I am delegated by the supervisory committee to deliver its working report for 2010, please consider.

## A WORKING REPORT OF THE SUPERVISORY COMMITTEE

No. of supervisory committee meeting(s) 5

| Relevant meetings of the supervisory committee | Resolutions approved by the supervisory committee |
|---|---|
| The Second meeting of the Fourth supervisory committee was convened on 30 March 2010 in the conference room located at 20/F of the branch office of the Company in Xiamen | "2009 supervisory committee report", "Annual report and summary report of 2009", "2009 Financial Report", "Profit distribution proposal for the year ended 31 December 2009", "Specific report of use and deposit of proceeds", "2009 self assessment report for internal control", "2009 corporate social responsibility report", "Proposal of recognition of asset impairment loss and change of accounting policies" and "Proposal on recognition of certain fixed asset stocktake loss and disposal loss" were reviewed and passed |
| The Third meeting of the Fourth supervisory committee was convened on 20 April 2010 in the conference room located at 20/F of the branch office of the Company in Xiamen | "2010 first quarterly report" was reviewed and passed |
| The Fourth meeting of the Fourth supervisory committee was convened on 12 July 2010 in the conference room located at 11/F of the headquarters of the Company | Proposal to set up an investigation team by the supervisory committee in relation to the "7.3" Incident was passed |
| The Fifth meeting of the Fourth supervisory committee was convened on 9 August 2010 in the conference room located at 12/F of the headquarters of the Company | "2010 interim report and summary report", "Proposal for recognition of asset impairment loss and provision" and "Specific report for use and deposit of proceeds" were reviewed and passed |
| The Sixth meeting of the Fourth supervisory committee was convened on 27 October 2010 in the conference room located at 20/F of the branch office of the Company in Xiamen | "2010 third quarterly report", "Proposal for change of use of part of proceeds in other investment projects" and "Proposal for replacement of proceeds to the initial investment in ZGC project" were reviewed and passed |

Apart from convening the supervisory committee meetings, the supervisors have also attended all the board meetings in 2010, during which questions were raised or suggestions have been proposed on the resolutions; the supervisory committee have discussed and commented on the 2009 financial report and on all quarterly reports in 2010 during the meetings of board's audit committee. The chairman of the supervisory committee attended the Company's President meetings to listen to the major matters in relation to the Company's operation and has given his opinion. By the above, the supervisory committee thoroughly understood the process of important decisions making and the management of the Company, and has discharged the duties of the supervisory committee in relation to acknowledgement, monitoring and investigation.

### Special inspection issue

According to requirements of "Decision on regulatory measures" issued by the CSRC Fujian Regulatory Bureau on 23 November 2009, the supervisory committee set up a professional team to independently, objectively, completely and prudently inspect and verify new investment projects after A share listing and the status of use of proceeds, project progress, returns of the investment, etc. The professional team is required to submit the investment report on a regular basis. The supervisory committee carried out a special study on the loss of investment in Russia Kuton Gold Mine and has issued an investigation report accordingly.

### Focus on the "7.3" Incident and actively perform the supervisory duty

Since the "7.3" Incident, the supervisory committee has set up an investigation team to carry out an investigation so as to clarify the cause of the incident and responsibility. The on-site investigation team was set up by the Company's audit and supervisory department after the supervisory committee meeting in July 2010 to conduct on-site inspection at Zijinshan Gold and Copper Mine.

### Continue to learn and enhance management capability

In 2010, members of supervisory committee participated in the "Advanced Course of National Regulation of Supervisory Committee and Practice" organized by the National Development and Reform Department training centre and business knowledge training course provided by CSRC Fujian Regulatory Bureau. The Company's supervisors participated in the on-site investigation of subsidiaries in order to fully understand their actual operating status.

## B INDEPENDENT OPINION OF SUPERVISORY COMMITTEE UPON COMPLIANCE OF THE COMPANY'S OPERATION

The supervisory committee has discharged the supervisory function in accordance with the "Company Law", "Articles of Association" by performed supervisory functions on the implementation status of the board resolutions, resolutions approved in the general meetings, performance of operation management on implementation of board resolutions and company management regulations, etc. The supervisory committee concludes that capital investment and operation as approved by the board were in compliance with the "Company Law", "Articles of Association" and relevant rules and regulations; and all resolutions approved in the general meetings have been fully implemented. The management team has seriously carried out all the board resolutions, and enhanced the quality of management from time to time for achieving continuous growth of the Company and protecting the interest of the shareholders. The Company has built up a comprehensive internal control system and has carried out its functions effectively.

During the reporting period, as a result of "7.3" Incident, the Fujian Provincial Department of Environmental Protection imposed administrative punishment on the chairman of the Company, Mr. Chen Jinghe and Mr. Zou Laichang (standing vice president of the Company and the chief of Zijinshan Gold and Copper Mine). The Company's ex-vice president and former chief of Zijinshan Gold and Copper Mine, Mr. Chen Jiahong was sentenced to imprisonment in the first trial by the court. Save as the above, there was no violation of laws, regulations, articles of association or any other action that caused damage to the interests of the Company during the discharge of duties by the directors and senior management of the Company.

The Zijinshan "7.3" Incident and Xinyi Zijin "9.21"Incident occurred in 2010 revealed the fact that the Company inclined to focus heavily on the speed of development and returns during continuously high speed development. There was insufficiency in risk awareness on environmental safety during project construction and production process, relatively low fortification standard, rectification measures were not timely implemented and were not full effective, insufficient execution of environmental safety measures and supervision, etc. The supervisory committee noted that the board and its management have seriously deployed measures in relation to inspection of environmental safety in the Group, specific inspection and rectification work on tailings pool followed by tracking and supervision. The board has passed a "Special resolution on enhancement of environmental safety and protection work" and has held a forum regarding "Environmental safety and protection, social responsibility and corporate business development" for the purpose of having a serious and in-depth evaluation of the incidents.

The CSRC initiated two investigations on the Company during the reporting period. The supervisory committee considered that the board should strengthen the internal control system in relation to information disclosure, learn the lesson and enhance awareness, so as to ensure that information is disclosed on a timely, accurate and complete basis and that the Company's operation is in compliance with relevant rules and regulations.

## C INDEPENDENT VIEWS OF THE SUPERVISORY COMMITTEEE UPON INSPECTION OF THE COMPANY'S FINANCIAL POSITION

The supervisory committee has reviewed all periodic financial reports in 2010, forward contract transactions, donations and external guarantees, etc.

(1) The Group's financial statements for the year 2010 were audited by Ernst & Young Hua Ming, the auditors has issued an independent auditor's report with an unqualified opinion. During the year, the Group recorded a revenue of RMB28.54 billion, representing an increase of 36.19% over last year; the Group realized a net profit of RMB5.756 billion, representing an increase of 42.09%; in which, net profit attributable to equity holders of the parent amounted to RMB4.828 billion, representing an increase of 36.33% over last year; the Group realized earning per share of RMB0.33, representing an increase of 37.50%; total equity attributable to equity holders of the parent was RMB21.832 billion, representing an increase of 20.15% over last year and total assets amounted to RMB38.401 billion, representing an increase of 29.53% over last year. With the efforts of all the employees and the effect of the favourable market, the Company maintained a substantial growth and obtained a good results despite difficult and complex external environment in 2010.

(2) In 2010, the Company has provided asset impairment loss of RMB175,690,000, in which RMB85,410,000 was impairment loss in intangible assets attributable to negative changes in the reserve of some mines; RMB10,360,000 was impairment loss in goodwill; RMB73,150,000 was fixed assets impairment; RMB18,730,000 was long-term assets impairment and RMB580,000 was bad debts loss. Also, the loss in stock valuation of RMB12,540,000 was recovered due to the increase in net realizable value.

The supervisory committee considered that the impairment provisions for assets in 2010 has been adequately provided according to principles of prudence and objectivity in accordance with the relevant accounting standards and this reflected the true and fair view of the Company's financial position and operational results.

(3) To reduce the risk of profitability reduction of normal operation caused by the price fluctuation, the Company has engaged in forward contracts of gold, copper and other metals regularly, forward contract was in the key inspection area of supervisory committee. In 2010, the Company recorded a gain of RMB207,630,000 in investing activities, included loss of RMB41,360,000 in settlement of forward contracts. The supervisory committee considered that more attention should be paid on research and analysis on the market trend, place instruction cautiously in order to minimize the loss from misjudgment and achieve the objective of forward contract operation.

(4) In 2010, the Group made donation of RMB311,580,000, representing an increase of RMB171,370,000 over last year (2009: RMB140,210,000). These donations were mainly used for local economic development and social welfare, which were consistent with the mission of the Company as well as the corporate value of "harmony creates wealth, coordinates development with corporate, staff and community".

(5) At the end of 2010, the balance of external guarantee was RMB3,238,970,000, included external guarantee for associates and jointly-controlled entities of RMB293,000,000 and external guarantee for subsidiaries of RMB2,945,970,000. The supervisory committee considered that the external guarantee have been given in accordance with the principle of prudent operation, effective prevention and elimination of asset loss risk, and in compliance with the requirement of "External guarantee management regulations" and the disclosure for external guarantee was true and complete.

The financial reports and the related information for each reporting period in 2010 have been reviewed and were considered to reflect the actual operation situation of the Company in a true, accurate and complete manner. There was no false representation, misleading statement or material omission. No violation of the regulations or damages to the interests of the Company has been identified.

## D INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEEE REGARDING THE MOST RECENT ACTUAL INVESTMENT MADE BY THE PROCEEDS

The Company raised a net proceeds of RMB9,806,960,200 (excluding issuing fee of RMB175,039,800) from A shares listing. As at 31 December 2010, the accumulated use of the proceeds was RMB8,704,952,800, representing 88.76% of total proceeds.

Pursuant to the A Shares initial public offering prospectus, the Company promised to use proceeds in 8 projects including Zijinshan Gold and Copper Mine joint open pit mining project, and Hunchun Zijin Shuguang Gold and Copper Mine technological innovation and expansion project and to increase its operating cashflow. In order to fully utilize and increase the efficiency of the proceeds, the Company directed the sum of available proceeds for mineral resource exploration project of RMB342,105,100 (including interest) into the investment project of Comprehensive Utilization of Circular Economy for the Qinghai Deerni Tailings Project. The supervisory committee considered that the change of use of this portion of the proceeds enabled the Company to fully utilize the proceeds in an effective way of which there has been no adverse effect on the interest of the shareholders. The procedures in relation to the proposed change of use of part of the proceeds and resolutions were in compliance with the applicable law and regulations. The supervisory committee considered that the use of the proceeds replacing an investment amount of US$35,418,681.07 (approximately RMB241,116,200) made to the ZGC project by way of shareholder's loan has enhanced the Company's capability to utilize the proceeds efficiently in accordance with the applicable law and regulations in relation to use of proceeds of A shares listing. The procedures and resolutions were in compliance with the applicable law and regulations of the use of proceeds and there has been no adverse effect to the interests of the shareholder. Save as the above, there is no misuse of proceeds during the reporting period.

## E INDEPENDENT VIEWS OF THE SUPERVISORY COMMITTEE REGARDING THE COMPANY'S ACQUISITION AND SALE OF ASSETS

The supervisory committee concerned lawful, reasonable, and effective procedures of asset acquisitions and disposals, and close monitoring was continuously adopted. The Company's major acquisitions and disposal of assets in 2010 include:

1. The Company's wholly owned subsidiary, Jinyu (H.K.) International Mining Co., Ltd., acquired 55% shareholding of Golden China Nei Men Gold Exploration Corporation, which was held by Wellhope Gold Limited.

2. The Company's wholly owned subsidiary, Zijin Mining Group North West Company Limited, acquired 20% shareholding of Wuqia County Jinwang Mining Development Co., Ltd., which were held by Guangxi Wantaicheng Investment Company Limited.

3. Sale of the entire issued shares of Sino Trend Hydro Power (Zhouning) Investment Ltd. and Sino Trend Hydro Power (Zhenghe) Investment Ltd., both of which were held by the Company's wholly owned subsidiary, Jinfeng (HK) International Mining Co., Ltd.

4. Sale of 50% shareholding of Lankatasikaya (Kuton Gold Mine) which was held by the Company's wholly owned subsidiary, Heilongjiang Zijin Mining Investment Company Limited.

The supervisory committee has conducted an inspection in relation to the above acquisitions and disposal of assets of the Company, by focusing on its pricing principles, third party's valuation, and the procedure of recognition and decision-making. The inspection results showed that the acquisitions and disposal of assets of the Company were in compliance with market principles and the procedure of decision-making was also in compliance with the law and regulations and there was no insider dealing and activities that could damage the interests of the shareholders.

## F INDEPENDENT OPINION OF SUPERVISORY COMMITTEE REGARDING THE COMPANY'S CONNECTED TRANSACTIONS

Connected transactions entered into by the Company in 2010 included the purchase and sale of goods and services, contribution of capital for equity enlargement, etc. Major connected transactions included:

1. The Group accepted to pay RMB185.48 million for the stripping and mining services provided by Fujian Xinhuadu Engineering Company Limited.

2. Fujian Zijin Investment Co., Ltd. provided loan services for amount of RMB20 million to Ting River Hydropower Co., Ltd.

3. The Company's wholly-owned subsidiary, Fujian Zijin Investment Co., Ltd. and Xinhuadu Industrial Group Co., Ltd. entered into an agreement to inject capital into Yongding Zijin Longhu Ecological Industry Development Co. Ltd., Zijin Investment agreed to inject RMB130 million in the capital enlagement.

The Company's connected transactions in 2010 strictly followed the "Articles of Association", "Connected Transactions Management Measures" and the Listing Rules of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange regarding the procedures of approval and information disclosure. The Company and the connected parties entered into the connected transactions after arm's length negotiations. The connected transactions were decided prudently, and the procedures were legal and regulated and that there was no insider dealing and no activities that could damage the interests of the shareholders.

## G REVIEW ON THE REPORTS IN RELATION TO INTERNAL CONTROL AND SELF-ASSESSMENT BY THE SUPERVISORY COMMITTEE

In 2010, on the basis of the fundamental principles in relation to internal control, the Company has further improved the internal control system and the organization of internal assessment in accordance with the "Basic norms of internal control" principles issued by the Ministry of Finance, CSRC, etc. and other supporting guidelines. The Company has established a relatively comprehensive and strong internal control system, yet there is still a distance for achieving a simple and effective control system. The Company's structure of internal control is comprehensive with sufficient workforce, to enable an effective implementation and supervision of important activities of the Company's internal control. However, there are still significant defects regarding the Company's information disclosure and environmental and safety protection, which are required to be improved in the future.

The supervisory committee was of the view that the evaluation report on internal control basically reflects the actual condition of the Company's internal control and the Company's "Evaluation Report of Internal Control 2010" was approved.

## H WORK PLAN FOR 2011

It is the commencement of the twelfth five-year plan for the Company, in which the supervisory committee will follow the Company's strategies by performing its duties in accordance with "Company Law" and "Articles of Association", and will protect the interests of shareholders and the Company so as to foster the sustainable development of the Company. In the coming year, supervisory work over the Group will be focusing on the following aspects:

1. Perform duties in accordance with the law and regulations, strengthen supervision continuously, carry out supervision on corporate governance and management, ensure the Company's operation is in compliance with the law and protect the interests of shareholders and the Company. Strengthen supervision on acquisitions, disposals of assets and connected transactions, guard against insider dealings, urge the Company to ratify significant defects and violations immediately to ensure that the Company's operation is in compliance with the law.

2. Continue to strengthen the guidance on supervision for the Company's audit department and the audit mechanism, further rationalize the audit system, actively formulate the way in relation to supervision of overseas subsidiaries, strengthen the establishment of the relevant system and improve the use of mechanisms for monitoring outcomes.

3. Introduce supervision of internal control testing and evaluation, urge the Company to rectify significant defects and violations immediately to ensure that the Company's operation is in compliance with the law.

4. Continue to strengthen the importance of self-learning of supervisors and the audit personnel, follow practical and enhanced principles to organize business training, provide learning opportunities for the supervisors and the audit personnel to improve the professional standard. Focus on improving the professionalism, regulatory quality and political literacy of supervisors and the audit personnel in order to provide integrated quality assurance for carrying out effective supervision.

Zijin Mining Group Co., Ltd.*
Supervisory Committee

30 March 2011

*Note:* This report used Renminbi as currency and the financial figures used in this report were extracted from financial reports prepared under CAS.

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 Practice Code 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 ("Model Code") 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 confirmed that all directors have complied with the provisions of the Model Code for the year ended 31 December 2010.

## 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 among 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 2010, all the non-executive directors of the Company were appointed for 3 years from 5 November 2009 to 4 November 2012. 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 the Chairman of the Board and Mr. Luo Yingnan is the President of the Company. The structure does not deviate from Rule A.2.1 of the Practice Code.

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. Luo fully delegates the daily operation management to relevant managers. Executive directors and senior vice presidents 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 19 plenary board meetings for the year ended 31 December 2010. The attendance of directors at the meetings was as follows:

## THE ATTENDANCE OF DIRECTORS AT THE MEETINGS

| Name | Number of the board meetings | Attend in person | Attend by communication means | Attend by delegation |
|---|---|---|---|---|
| **Chairman of the Board** | | | | |
| Chen Jinghe *(Chairman)* | 19 | 6 | 13 | |
| Luo Yingnan *(President)* | 19 | 6 | 13 | |
| **Executive directors** | | | | |
| Liu Xiaochu *(Vice chairman)* | 19 | 6 | 13 | |
| Lan Fusheng *(Vice chairman)* | 19 | 6 | 13 | |
| Zou Laichang | 19 | 6 | 13 | |
| Huang Xiaodong | 19 | 6 | 13 | |
| **Non-executive director** | | | | |
| Peng Jiaqing | 19 | 6 | 13 | |
| **Independent non-executive directors** | | | | |
| Chen Yuchuan | 19 | 5 | 13 | 1 |
| Lin Yongjing | 19 | 6 | 13 | |
| Su Congfu | 19 | 6 | 13 | |
| Wang Xiaojun | 19 | 4 | 13 | 2 |

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. Matters discussed and resolved in the board meetings will be recorded 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. Wang Xiaojun, non-executive director, Mr. Peng Jiaqing, 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 website 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 of directors and senior management;
- To ensure that no director or his associate can determine his own remuneration.
- There had been no nomination and selection of directors during 2010.

## PROCEDURE AND BASIS FOR DETERMINATION OF REMUNERATION

Pursuant to the articles of association of the Company, the remuneration plan and reward and penalty plan for directors, supervisors and senior management shall be proposed by the nomination and remuneration committee. Remuneration of executive directors and chairman of supervisory committee shall be considered for approval in 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 2010, one meeting of the nomination and remuneration committee was held and all the members attended the meeting.

Pursuant to the requirements of the articles of association and the practice of the nomination and remuneration committee, in the meeting, the committee members evaluated and gave proposal on the remuneration plan and the reward and penalty 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 2010, the audit fees charged by the auditors of the Company was approximately RMB5.50 million, and the auditors did not charge any fees other than the audit fees.

## AUDIT COMMITTEE

The audit committee comprises independent non-executive directors, Mr. Lin Yongjing, Mr. Su Congfu, Mr. Chen Yuchuan, Mr. Wang Xiaojun, non-executive director, Mr. Peng Jiaqing, and executive director Mr. Liu Xiaochu. The chairman of the audit committee is Mr. Lin Yongjing. During 2010, four 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 website 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, quarterly 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 four meetings during the reporting period with 100% attendance.

In the meeting held in March 2010, the committee reviewed the working report by the compliance and audit office and reviewed the audited report and connected transactions of the Group for year 2009, and also submitted its concluding opinions on relevant connected transactions and the audit to the Board.

In the meeting held in April 2010, the committee reviewed the first quarterly report of the Group for year 2010 and submitted its concluding opinions on the audit to the Board.

In the meeting held in August 2010, the committee reviewed the interim report and connected transactions of the Group for year 2010, and reviewed the effectiveness of the Group's internal control system and also submitted its concluding opinions on the audit to the Board.

In the meeting held in October 2010, the committee reviewed the third quarterly report of the Group for year 2010 and submitted its concluding opinions on the audit to the Board.

The annual report for the year ended 31 December 2010 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 auditors of the Company in respect of financial reports of the Group is set out in the auditors' report on page 70 to 71.

## SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

The details of shareholding interests of senior management of the Group are set out in "Interests and Short Positions of Directors, Supervisors and Chief Executive in the issued shares of the Company" on page 41.

## 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 by 45 days before the holding of a general meeting and inform all registered shareholders about the matters to be considered in 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 by 20 days before the meeting.

In 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 in 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 in a general meeting is by poll.

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

## INVESTOR RELATIONS

The Board fully recognises that effective communication with investors is a key to build investors' confidence and attract new investors.

The Group holds press conferences and/or 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 relevant period, expound the business development of the Group and answer questions raised by investors. After the issue of A shares, the Group also issued results announcements dated 20 April 2010 for the first quarter of year 2010 and 27 Otcobter 2010 for the third quarter of year 2010.

Results announcements of the Group will also be published timely on the website 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, the Company convened general meetings on 25 May 2010 and 15 December 2010. For details, please refer to the Company's notices issued on 9 April 2010, 28 April 2010 (Revised notice) and 28 October 2010.

The Group's annual general meeting for year 2009 was held on 25 May 2010 in its headquarters in Shanghang County, Fujian Province and considered the following matters: 1. the directors' report for year 2009; 2. Report of the Independent Directors for year 2009; 3. Report of Supervisory Committee for year 2009; 4. Consolidated audited financial statements for year 2009; 5. Company's 2009 annual report and its summary; 6. the profit distribution proposal for year 2009; 7. the remunerations of the directors and supervisors for 2009; 8. the reappointment of Ernst & Young Hua Ming and Ernst & Young as the Company's domestic and international auditors respectively for year 2010, and the Board of Directors was authorised to determine their remuneration; and 9. the donation proposal. All the above matters have been approved by voting in the annual general meeting.

The Group's 2010 first extraordinary general meeting was held on 15 December 2010 in its headquarters in Shanghang County, Fujian Province and considered the following matters: 1. the proposal of a change of use of part proceeds from the A shares issuance in other investment project; and 2. the proposal of a replacement of part of the proceeds from the A shares issuance in ZGC investment project. All the above matters have been approved by voting in the general meeting.

As at 30 March 2011, the Company totally issued 14,541,309,100 ordinary shares (face value: RMB0.10 per share), in which, 4,005,440,000 shares (H-shares) listed in the Hong Kong Stock Exchange, representing about 27.55% of the total issued shares, and 6,324,966,980 shares (A shares) listed in the Shanghai Stock Exchange, representing about 43.50% of the total issued shares. The total listed shares in these two stock exchanges represented about 71.05% of the total issued shares of the Company.

## 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 policies, 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 expenditures and capital expenditures. 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 policies and applicable laws and regulations, which is also 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 four reviews each year on internal control through the annual report, the interim report and the quarterly reports 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 continuing revision and improvement.

ERNST & YOUNG
安 永

**Ernst & Young**
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

**安永會計師事務所**
香港中環金融街8號
國際金融中心2期18樓

電話： +852 2846 9888
傳真： +852 2868 4432

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

We have audited the consolidated financial statements of Zijin Mining Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 72 to 200, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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
30 March 2011

| | Notes | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|---|
| REVENUE | 5 | **27,769,198** | 20,215,111 |
| Cost of sales | | **(18,240,154)** | (13,642,427) |
| Gross profit | | **9,529,044** | 6,572,684 |
| Other income and gains | 5 | **535,040** | 608,982 |
| Selling and distribution costs | | **(468,769)** | (376,971) |
| Administrative expenses | | **(1,081,599)** | (717,709) |
| Other expenses | | **(1,009,576)** | (968,942) |
| Finance costs | 6 | **(323,558)** | (168,425) |
| Share of profits of : | | | |
| Associates | | **115,130** | 79,050 |
| Jointly-controlled entities | | **22,236** | 16,654 |
| PROFIT BEFORE TAX | 7 | **7,317,948** | 5,045,323 |
| Income tax expense | 10 | **(1,575,824)** | (968,254) |
| PROFIT FOR THE YEAR | | **5,742,124** | 4,077,069 |
| Attributable to: | | | |
| Owners of the parent | | **4,812,665** | 3,552,347 |
| Non-controlling interests | | **929,459** | 524,722 |
| | | **5,742,124** | 4,077,069 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| – For profit for the year | 13 | **RMB 0.33** | RMB 0.24 |

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

| | Notes | 2010 *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| PROFIT FOR THE YEAR | | 5,742,124 | 4,077,069 |
| OTHER COMPREHENSIVE INCOME | | | |
| Available-for-sale assets: | | | |
| Changes in fair value | 24 | 426,176 | 342,367 |
| Reclassification adjustments for gains included in the consolidated income statement | | | |
| – Gains on disposal | 24 | (24,120) | (114,765) |
| Income tax effect | 35 | (31,299) | — |
| | | 370,757 | 227,602 |
| Share of other comprehensive income of associates | | (1,765) | (38,796) |
| Exchange differences on translation of foreign operations | | (24,012) | 9,887 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | 344,980 | 198,693 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 6,087,104 | 4,275,762 |
| Attributable to: | | | |
| Owners of the parent | 11 | 5,156,903 | 3,747,646 |
| Non-controlling interests | | 930,201 | 528,116 |
| | | 6,087,104 | 4,275,762 |

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **12,557,115** | 10,051,014 |
| Investment properties | 15 | **53,100** | 55,145 |
| Prepaid land lease payments | 16 | **359,755** | 361,939 |
| Long-term deferred assets | 17 | **752,546** | 580,381 |
| Other assets | 18 | **3,374,938** | 2,224,008 |
| Other intangible assets | 19 | **4,933,164** | 4,815,060 |
| Goodwill | 20 | **383,300** | 437,397 |
| Interests in associates | 22 | **2,171,612** | 1,423,935 |
| Interests in jointly-controlled entities | 23 | **220,097** | 76,210 |
| Available-for-sale investments | 24 | **2,341,068** | 571,777 |
| Deferred tax assets | 35 | **193,971** | 88,101 |
| Total non-current assets | | **27,340,666** | 20,684,967 |
| **CURRENT ASSETS** | | | |
| Inventories | 25 | **3,482,682** | 2,590,404 |
| Prepayments, deposits and other receivables | 26 | **1,542,570** | 848,848 |
| Trade receivables | 27 | **669,094** | 418,147 |
| Bills receivable | 27 | **326,626** | 111,641 |
| Financial assets at fair value through profit or loss | 28 | **115,529** | 141,799 |
| Derivative financial instruments | 29 | **272,855** | 2,402 |
| Pledged deposits | 30 | **268,295** | 543,677 |
| Cash and cash equivalents | 30 | **4,382,915** | 3,594,292 |
| | | **11,060,566** | 8,251,210 |
| Assets of a disposal group classified as held for sale | 37 | **—** | 709,960 |
| Total current assets | | **11,060,566** | 8,961,170 |
| **CURRENT LIABILITIES** | | | |
| Accrual liabilities and other payables | 31 | **2,648,114** | 2,085,439 |
| Trade and bills payables | 32 | **1,024,790** | 957,287 |
| Interest-bearing bank and other borrowings | 33 | **5,280,009** | 3,457,655 |
| Derivative financial instruments | 29 | **2,322** | — |
| Tax payable | | **681,186** | 301,701 |
| | | **9,636,421** | 6,802,082 |
| Liabilities directly associated with the assets classified as held for sale | 37 | **—** | 366,131 |
| Total current liabilities | | **9,636,421** | 7,168,213 |
| **NET CURRENT ASSETS** | | **1,424,145** | 1,792,957 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **28,764,811** | 22,477,924 |

continued/...

# Consolidated Statement of Financial Position

31 December 2010

| | Notes | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **28,764,811** | 22,477,924 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 33 | **2,303,075** | 407,410 |
| Provision for land restoration and environmental costs | 34 | **81,047** | 79,097 |
| Deferred tax liabilities | 35 | **219,426** | 143,890 |
| Government grants | | **56,492** | 40,678 |
| Other long-term payables | 36 | **76,101** | 193,383 |
| Total non-current liabilities | | **2,736,141** | 864,458 |
| Net assets | | **26,028,670** | 21,613,466 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 38 | **1,454,130** | 1,454,130 |
| Reserves | 39 | **20,377,440** | 16,716,051 |
| | | **21,831,570** | 18,170,181 |
| **Non-controlling interests** | | **4,197,100** | 3,443,285 |
| Total equity | | **26,028,670** | 21,613,466 |

*Director* *Director*

| | | Attributable to owers of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Issued capital RMB'000 | Share premium account RMB'000 | Statutory surplus reserve RMB'000 note 39(a) | Capital and other reserves 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 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2009 | | 1,454,130 | 9,698,621 | 1,060,653 | (532,384 ) | (50,869 ) | 3,153,152 | 1,454,131 | (103,046 ) | 16,134,388 | 3,044,737 | 19,179,125 |
| Profit for the year | | — | — | — | — | — | 3,552,347 | — | — | 3,552,347 | 524,722 | 4,077,069 |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Changes in fair value of available-for-sale investments, net of tax | | — | — | — | — | 227,602 | — | — | — | 227,602 | — | 227,602 |
| Share of other comprehensive income of associates | | — | — | — | (38,796 ) | — | — | — | — | (38,796 ) | — | (38,796 ) |
| Exchange differences on translation of foreign operations | | — | — | — | — | — | — | — | 6,493 | 6,493 | 3,394 | 9,887 |
| Total comprehensive income for the year | | — | — | — | (38,796 ) | 227,602 | 3,552,347 | — | 6,493 | 3,747,646 | 528,116 | 4,275,762 |
| Dividends paid | | — | — | — | — | — | — | (1,454,131 ) | — | (1,454,131 ) | — | (1,454,131 ) |
| Dividends paid to non-controlling shareholders | | — | — | — | — | — | — | — | — | — | (294,096 ) | (294,096 ) |
| Provision for special reserve | 39(c) | — | — | 146,729 | — | — | (146,729 ) | — | — | — | — | — |
| Utilisation of special reserve | | — | — | (135,829 ) | — | — | 135,829 | — | — | — | — | — |
| Acquisition of subsidiaries | 40(a) | — | — | — | 13,166** | — | — | — | — | 13,166 | 182,202 | 195,368 |
| Investments in subsidiaries | | — | — | — | — | — | — | — | — | — | 144,844 | 144,844 |
| Disposal of subsidiaries | 40(b) | — | — | — | — | — | — | — | — | — | (14,639 ) | (14,639 ) |
| Disposal of equity interests in subsidiaries | | — | — | — | — | — | — | — | — | — | 4,116 | 4,116 |
| Acquisition of non-controlling interests | | — | — | — | (270,888 ) | — | — | — | — | (270,888 ) | (151,995 ) | (422,883 ) |
| Proposed final dividend | 12 | — | — | — | — | — | (1,454,131 ) | 1,454,131 | — | — | — | — |
| At 31 December 2009 | | 1,454,130 | 9,698,621* | 1,071,553* | (828,902)* | 176,733* | 5,240,468* | 1,454,131* | (96,553)* | 18,170,181 | 3,443,285 | 21,613,466 |

# Consolidated Statement of Changes in Equity

Year ended 31 December 2010

| | Notes | Issued capital RMB'000 | Share premium account RMB'000 | Statutory surplus reserve RMB'000 note 39(a) | Capital and other reserves 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 | Non-controlling interests RMB'000 | equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the parent | | | | | | | | | | |
| At 1 January 2010 | | 1,454,130 | 9,698,621 | 1,071,553 | (828,902) | 176,733 | 5,240,468 | 1,454,131 | (96,553) | 18,170,181 | 3,443,285 | 21,613,466 |
| Profit for the year | | – | – | – | – | – | 4,812,665 | – | – | 4,812,665 | 929,459 | 5,742,124 |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Changes in fair value of available-for-sale investments, net of tax | | – | – | – | – | 370,757 | – | – | – | 370,757 | – | 370,757 |
| Share of other comprehensive income of associates | | – | – | – | (1,765) | – | – | – | – | (1,765) | – | (1,765) |
| Exchange differences on translation of foreign operations | | – | – | – | – | – | – | – | (24,754) | (24,754) | 742 | (24,012) |
| Total comprehensive income for the year | | – | – | – | (1,765) | 370,757 | 4,812,665 | – | (24,754) | 5,156,903 | 930,201 | 6,087,104 |
| Dividends paid | | – | – | – | – | – | – | (1,454,131) | – | (1,454,131) | – | (1,454,131) |
| Dividends paid to non-controlling shareholders | | – | – | – | – | – | – | – | – | – | (425,081) | (425,081) |
| Provision for special reserve | 39(c) | – | – | 385,561 | – | – | (385,561) | – | – | – | – | – |
| Utilisation of special reserve | | – | – | (400,813) | – | – | 400,813 | – | – | – | – | – |
| Acquisition of subsidiaries | 40(a) | – | – | – | – | – | – | – | – | – | 169,683 | 169,683 |
| Investments in subsidiaries | | – | – | – | – | – | – | – | – | – | 144,945 | 144,945 |
| Disposal of subsidiaries | 40(b) | – | – | – | – | – | – | – | – | – | (46,136) | (46,136) |
| Acquisition of non-controlling interests | | – | – | – | (41,383) | – | – | – | – | (41,383) | (19,797) | (61,180) |
| Proposed final dividend | 12 | – | – | – | – | – | (1,454,131) | 1,454,131 | – | – | – | – |
| At 31 December 2010 | | 1,454,130 | 9,698,621* | 1,056,301* | (872,050)* | 547,490* | 8,614,254* | 1,454,131* | (121,307)* | 21,831,570 | 4,197,100 | 26,028,670 |

* These reserve accounts comprise the consolidated reserves of RMB20,377,440,000 (2009:RMB16,716,051,000) in the consolidated statement of financial position.

** Being the asset revaluation reserve arising from step acquisition of subsidiaries.

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | 7,317,948 | 5,045,323 |
| Adjustments for: | | | |
| Finance costs | 6 | 323,558 | 168,425 |
| Share of profits of associates and jointly-controlled entities | | (137,366) | (95,704) |
| Bank interest income | 5 | (121,895) | (123,171) |
| Interest income from convertible bonds | 5 | (44,059) | — |
| Dividend income | 5 | (5,913) | (3,830) |
| Gain on disposal of available-for-sale investments | 5 | (2,968) | (37,793) |
| Fair value gains on available-for-sale investments (transfer from equity on disposal) | 5 | (24,120) | (114,765) |
| Fair value gains on financial assets at fair value through profit or loss | 5 | (18,979) | (26,100) |
| Gain on disposal of subsidiaries | 5 | (59,128) | (4,820) |
| Gain on disposal of certain equity interests in subsidiaries | 5 | — | (2,275) |
| Loss on disposal of a jointly-controlled entity | 7 | 63,346 | — |
| Fair value gains on derivative financial instruments | 5 | (88,347) | (2,402) |
| Depreciation of property, plant and equipment | 7 | 859,416 | 719,517 |
| Depreciation of investment properties | 7 | 2,045 | 2,066 |
| Amortisation of prepaid land lease payments | 7 | 18,251 | 15,447 |
| Amortisation of long-term deferred assets | 7 | 107,687 | 89,953 |
| Amortisation of other intangible assets | 7 | 199,481 | 166,346 |
| Write back of inventories to net realisable value | 7 | (12,535) | (13,791) |
| Impairment provision for trade and other receivables | 7 | 577 | 1,657 |
| Impairment provision for property, plant and equipment | 7 | 73,153 | 126,754 |
| Impairment provision for other intangible assets | 7 | 85,405 | 202,912 |
| Impairment provision for goodwill | 7 | 10,359 | 14,290 |
| Impairment provision for interests in an associate | 7 | — | 1,750 |
| Impairment provision for other assets | 7 | 6,000 | 10,007 |
| Impairment provision for long term deferred assets | 7 | 12,730 | — |
| Impairment provision for interest in a jointly-controlled entity | 7 | — | 20,571 |
| Government grants | 5 | (47,976) | (44,131) |
| Loss on disposal of property, plant and equipment | 7 | 50,260 | 12,894 |
| Loss/(gain) on disposal of a mining right | 5,7 | 3,443 | (111,306) |
| Loss on disposal of other assets | 7 | 4,519 | 1,028 |
| Provision for land restoration and rehabilitation costs | 7 | 1,950 | 19,508 |
| Excess of consideration over the cost on acquiring further equity interest in an associate | 5 | — | (15,560) |
| Exploration and evaluation costs written off | 7 | 61,059 | 47,928 |
| | | 8,637,901 | 6,070,728 |

| | Notes | 2010 *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| Increase in inventories | | **(891,098)** | (722,801) |
| Increase in financial assets at fair value through profit or loss | | **(166,052)** | (91,607) |
| (Increase)/decrease in prepayments, deposits and other receivables | | **(676,945)** | 5,517 |
| Increase in trade receivables | | **(245,595)** | (53,436) |
| (Increase)/decrease in bills receivable | | **(181,960)** | 121,870 |
| Increase in accrued liabilities and other payables | | **562,675** | 253,997 |
| Increase in trade and bills payables | | **42,739** | 205,504 |
| Decrease in long-term other payables | | **(14,536)** | (203,661) |
| Cash generated from operations | | **7,067,129** | 5,586,111 |
| Income tax paid | | **(1,412,035)** | (1,095,394) |
| **Net cash flows from operating activities** | | **5,655,094** | 4,490,717 |

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Bank interest received | 5 | **121,895** | 123,171 |
| Dividends received from available-for-sale investments | 5 | **5,913** | 3,830 |
| Dividends received from associates and jointly-controlled entities | | **197,320** | 6,299 |
| Purchases of available-for-sale investments | | **(1,395,381)** | (85,878) |
| Purchases of property, plant and equipment | | **(3,372,715)** | (2,626,883) |
| Proceeds from disposal of available-for-sale investments | | **206,954** | 420,435 |
| Proceeds from disposal of property, plant and equipment | | **289,909** | 39,670 |
| Additions to prepaid land lease payments | | **(14,340)** | (155,512) |
| Additions to long-term deferred assets | | **(246,335)** | (249,001) |
| Additions to other intangible assets | | **(38,100)** | (161,128) |
| Additions to other assets, other than exploration and evaluation costs | | **(1,000,957)** | (733,532) |
| Additions to exploration and evaluation costs | | **(263,547)** | (178,055) |
| Proceeds from disposal of other intangible assets | | **23,836** | 123,716 |
| Proceeds from disposal of long-term deferred assets | | **—** | 31,651 |
| Proceeds from disposal of other assets | | **171,913** | 21,600 |
| Acquisition of associates | | **(859,306)** | (420,127) |
| Acquisition of subsidiaries | 40(a) | **(203,517)** | (217,065) |
| Proceeds from disposal of subsidiaries | 40(b) | **170,321** | 70,141 |
| Proceeds from disposal of certain equity interests in subsidiaries | | **—** | 2,275 |
| Acquisition of equity interests in subsidiaries from non-controlling shareholders | | **(127,446)** | (379,863) |
| Increase in non-pledged time deposits with original maturity of over three months when acquired | | **249,681** | 1,287,734 |
| Proceeds from disposal of a jointly-controlled entity | | **16,404** | — |
| Decrease/(increase) in pledged deposits | | **41,115** | (106,552) |
| **Net cash flows used in investing activities** | | **(6,026,383)** | (3,183,074) |

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans | | 8,934,344 | 4,625,691 |
| Repayment of bank loans and other borrowings | | (5,742,530) | (4,025,273) |
| Interest paid | | (323,558) | (211,893) |
| Dividends paid | | (1,454,131) | (1,454,131) |
| Dividends paid to non-controlling shareholders | | (437,699) | (332,066) |
| Cash received from government grants | | 63,789 | 70,821 |
| New long-term other payables | | — | 270,828 |
| Repayment to Social Security Fund | | — | (130,860) |
| Cash received from non-controlling shareholders upon interests in subsidiaries | | 144,945 | 144,844 |
| Net cash flows from/(used in) financing activities | | 1,185,160 | (1,042,039) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 813,871 | 265,604 |
| Cash and cash equivalents at beginning of year | | 2,999,054 | 2,719,868 |
| Effect of foreign exchange rate changes, net | | (21,453) | 13,582 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 30 | 3,791,472 | 2,999,054 |

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **1,885,651** | 1,625,871 |
| Prepaid land lease payments | 16 | **70,450** | 71,840 |
| Long-term deferred assets | 17 | **78,962** | 93,066 |
| Other assets | 18 | **1,021,469** | 884,018 |
| Other intangible assets | 19 | **303,866** | 333,207 |
| Interests in subsidiaries | 21 | **10,338,230** | 8,390,888 |
| Interests in associates | 22 | **918,502** | 918,502 |
| Available-for-sale investments | 24 | **416,421** | 76,350 |
| Deferred tax assets | 35 | **107,631** | 9,784 |
| Total non-current assets | | **15,141,182** | 12,403,526 |
| CURRENT ASSETS | | | |
| Inventories | 25 | **268,305** | 320,581 |
| Prepayments, deposits and other receivables | 26 | **3,351,860** | 3,269,196 |
| Trade receivables | 27 | **92,816** | 107,390 |
| Bills receivables | 27 | **80,325** | 41,827 |
| Financial assets at fair value through profit or loss | 28 | **7,610** | 5,961 |
| Derivative financial instruments | 29 | **—** | 2,402 |
| Pledged deposits | 30 | **69,068** | 439,966 |
| Cash and cash equivalents | 30 | **2,136,013** | 2,204,043 |
| Total current assets | | **6,005,997** | 6,391,366 |
| CURRENT LIABILITIES | | | |
| Accrued liabilities and other payables | 31 | **940,536** | 854,601 |
| Trade and bills payables | 32 | **220,603** | 210,201 |
| Derivative financial instruments | | **2,322** | — |
| Interest-bearing bank and other borrowings | 33 | **1,898,525** | 1,098,854 |
| Tax payable | | **199,431** | 86,450 |
| Total current liabilities | | **3,261,417** | 2,250,106 |
| NET CURRENT ASSETS | | **2,744,580** | 4,141,260 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **17,885,762** | 16,544,786 |

continued/...

# Statement of Financial Position

31 December 2010

| | Notes | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 33 | — | 341,410 |
| Provision for land restoration and environmental costs | 34 | **68,320** | 68,320 |
| Government grants | | **9,250** | 9,438 |
| Deferred tax liability | 35 | **31,299** | — |
| Long-term other payables | 36 | **57,724** | 164,274 |
| Total non-current liabilities | | **166,593** | 583,442 |
| Net assets | | **17,719,169** | 15,961,344 |
| **EQUITY** | | | |
| Issued capital | 38 | **1,454,130** | 1,454,130 |
| Reserves | 39 | **16,265,039** | 14,507,214 |
| Total equity | | **17,719,169** | 15,961,344 |

*Director* *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 ("IASB") 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 financial assets at fair value through profit of loss, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. 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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 2.1 BASIS OF PREPARATION *(continued)*

### Basis of consolidation *(continued)*

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the hybrid entity concept/parent entity method, whereby the difference between the cost of additional interests in the subsidiaries and the non-controlling interests' share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the non-controlling interests were reflected partly as goodwill and partly as a reduction in equity.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 1 (Revised) | *First-time Adoption of International Financial Reporting Standards* |
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* |
| IFRS 2 Amendments | Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* |
| IFRS 3 (Revised) | *Business Combinations* |
| IAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| IAS 39 Amendment | Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* |
| IFRIC-Int 17 | *Distributions of Non-cash Assets to Owners* |
| IFRS 5 Amendments included in *Improvements to IFRSs* issued in May 2008 | Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* |
| Improvements to IFRSs 2009 | Amendments to a number of IFRSs issued in April 2009 |

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), amendments to IAS 7 and IAS 17 included in Improvements to IFRSs 2009, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

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

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Interests in Associates and IAS 31 Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| IFRS 1 Amendment | Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2] |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4] |
| IFRS 9 | *Financial Instruments*[5] |
| IAS 24 (Revised) | *Related Party Disclosures*[3] |
| IAS 32 Amendment | Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1] |
| IFRIC-Int 14 Amendments | Amendments to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement*[3] |
| IFRIC-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments*[2] |

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

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

*Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have an impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations*: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

## 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 that are not classified as held for sale in accordance with IFRS 5 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 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 statement of financial position 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. Goodwill arising from the acquisition of jointly-controlled entities, is included as part of the Group's interests in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When an interest in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### 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 statement of financial position 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. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments 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)*

### Business combinations and goodwill

*Business combinations from 1 January 2010*

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity investments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity investments in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Business combinations and goodwill *(continued)*

*Business combinations from 1 January 2010 (continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

*Business combinations prior to 1 January 2010 but after 1 January 2005*

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

## 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 the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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 an 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 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 each item of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 8 to 35 years |
| Power generating and transmission equipment | 8 to 30 years |
| Leasehold improvements | 5 years |
| Plant, machinery and equipment | 5 to 15 years |
| Furniture and fixtures | 4 to 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.

Residual values, useful lives and the depreciation method are reviewed, and adjusted on a prospective basis if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 depreciation 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 and 35 years.

### Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties, deferred tax assets, and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### 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, and costs incurred to construct 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 5 to 50 years. Bi-polar plates are used in the zinc refinery process and are amortised based on the unit-of-production method. Underground auxiliary lanes are constructed to reach the ore body after the main shaft is constructed. Such costs are amortised based on the unit-of-production method. Other long-term deferred assets are written off on the straight-line basis over their estimated useful lives of 5 - 16 years.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 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 acquiring 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 transferred 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.

### 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 period of validity 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Investments and other financial assets

*Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Interests 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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

*Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity interests classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment revaluation reserve. 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.

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Impairment of financial assets *(continued)*

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

*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 investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity interests classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

### Financial liabilities

*Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include some accrued liabilities and other payables, trade and bills payables, interest-bearing bank and other borrowings, derivative financial instruments and other long-term payables.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial liabilities *(continued)*

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

*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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. 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.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial liabilities *(continued)*

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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.

### Derivative financial instruments

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 of derivatives 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 weighted average basis. |
| Finished goods and work in progress | — | cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs. |
| Property under development | — | land cost, construction costs, borrowing costs, professional fees and other costs directly attributed to such properties incurred during the development period. |

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 statement of cash flows, 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash 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 end of the reporting period 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 finance 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 the 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 interests in subsidiaries, associates and 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 interests in subsidiaries, associates and 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition

Revenue is recognised when it is probable that the 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.

### 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Retirement benefits

The Group is mainly composed of companies established in the PRC and these companies participate in a defined retirement contribution plan managed by the local municipal governments of the areas in Mainland China in which they operate. The relevant authorities of the local municipal government in Mainland China 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 it is incurred.

### 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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 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.

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Foreign currencies

These financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. 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 Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, 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 amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. 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.

### Judgements

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, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on 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, 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. The carrying amount of investment properties at 31 December 2010 was RMB53,100,000 (2009: RMB55,145,000)

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)*

### Judgements *(continued)*

*Impairment of assets*

The Group has to exercise judgment 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.

*Income tax*

The Group is subject to income taxes in various regions within Mainland China. 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 on the income tax and tax provisions in the period in which the differences are realised. The amount of income tax expense for the year ended 31 December 2010 was RMB1,575,824,000 (2009: RMB968,254,000).

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

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

### Estimation uncertainty *(continued)*

*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 end of reporting period, 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. At 31 December 2010, impairment losses of RMB73,153,000 (2009:RMB126,754,000) have been recognised for property, plant and equipment. The carrying amount of property, plant and equipment at 31 December 2010 was RMB12,557,115,000 (2009: RMB10,051,014,000).

*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. At 31 December 2010, exploration and evaluation costs of RMB61,059,000 (2009: RMB47,928,000) were written off. The aggregate carrying value of exploration and evaluation costs was RMB779,503,000 (2009: RMB586,323,000).

*Impairment of mining rights*

The carrying value of mining rights 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 mining rights, 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. At 31 December 2010, impairment losses of RMB85,405,000 (2009: RMB202,912,000) have been recognised for mining rights. The aggregate carrying value of mining rights was RMB4,911,274,000 (2009: RMB4,800,562,000).

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

### Estimation uncertainty *(continued)*

*Mine reserves*

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments 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 of the related mine reserves. The useful lives are reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mines. The carrying amount of mining rights and land compensation costs at 31 December 2010 was RMB4,911,274,000 (2009:RMB4,800,562,000) and RMB244,184,000 (2009:RMB211,425,000), respectively.

*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. At 31 December 2010, impairment losses of RMB10,359,000 (2009: RMB14,290,000) have been recognised for goodwill. The carrying amount of goodwill at 31 December 2010 was RMB383,300,000 (2009: RMB437,397,000). More details are given in note 20.

*Impairment of available-for-sale investments*

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 2010, no impairment has been recognised for available-for-sale investments (2009: Nil). The carrying amount of available-for-sale investments at 31 December 2010 was RMB2,341,068,000 (2009: RMB571,777,000).

*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 the end of reporting period and makes provision for obsolete items. Management reassesses the estimation on each reporting date. At 31 December 2010, no impairment loss has been recognised for inventories (2009: Nil).

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

### Estimation uncertainty *(continued)*

*Impairment of trade receivables*

The provision for impairment of receivables of the Group is based on the evaluation of collectability and the aging analysis of trade receivables and on the judgment of management. A considerable amount of judgment 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 reporting date. At 31 December 2010, impairment loss of RMB2,000 has been recognised for receivables (2009: Nil). The carrying amount of trade receivables at 31 December 2010 was RMB669,094,000 (2009: RMB418,147,000).

*Provision for land restoration and environmental costs*

The provision for land restoration and environmental costs is 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 the provision was RMB81,047,000 (2009: RMB79,097,000).

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) the mine-produced gold segment is engaged in 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;

(f) the corporate and others segment comprises, principally, the production of vitriol, copperplate, silver, iron, etc.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments, effects of differences between IFRS and China Accounting Standards ("CAS") as well as head office and corporate expenses are excluded from such measurement.

## 4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, financial assets at fair value through profit or loss, derivative financial instruments, available-for-sales investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

| Year ended 31 December 2010 | Mine-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 | 5,645,510 | 10,646,530 | 932,834 | 2,718,691 | 6,683,846 | 1,912,168 | — | 28,539,579 |
| Intersegment sales | 2,217 | 38,856 | 220,801 | 120 | 591,773 | 667,394 | (1,521,161) | — |
| | 5,647,727 | 10,685,386 | 1,153,635 | 2,718,811 | 7,275,619 | 2,579,562 | (1,521,161) | 28,539,579 |
| Segment results | 3,986,851 | 303,617 | 128,345 | 211,468 | 3,726,301 | 122,665 | — | 8,479,247 |
| Reconciliation: | | | | | | | | |
| Interest and dividend income | | | | | | | | 171,867 |
| Unallocated expenses | | | | | | | | (995,984) |
| Finance costs | | | | | | | | (323,558) |
| Segment profit | | | | | | | | 7,331,572 |
| Assets and liabilities | | | | | | | | |
| Segment assets: | 8,661,767 | 2,410,252 | 2,764,196 | 1,777,253 | 7,980,241 | 5,103,176 | — | 28,696,885 |
| Reconciliation: | | | | | | | | |
| Unallocated assets | | | | | | | | 9,704,347 |
| Total assets | | | | | | | | 38,401,232 |
| Segment liabilities: | 2,000,585 | 761,044 | 758,173 | 1,254,435 | 2,572,700 | 573,769 | — | 7,920,706 |
| Reconciliation: | | | | | | | | |
| Unallocated liabilities | | | | | | | | 4,451,856 |
| Total liabilities | | | | | | | | 12,372,562 |

## 4. OPERATING SEGMENT INFORMATION *(continued)*

| Year ended 31 December 2010 | Mine-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 |
|---|---|---|---|---|---|---|---|---|
| Other segment information: | | | | | | | | |
| Share of profits and losses of: | | | | | | | | |
| Associates | — | — | (6,434) | — | 64,788 | 56,776 | — | 115,130 |
| Jointly-controlled entities | — | 22,236 | — | — | — | — | — | 22,236 |
| Impairment losses recognised in the income statement | 4,583 | 593 | 199 | 5,569 | 89,219 | 88,061 | — | 188,224 |
| Impairment losses reversed in the income statement | — | (7,732) | (218) | — | (3) | (4,582) | — | (12,535) |
| Exploration and evaluation costs written off | 13,102 | 42 | 21 | 587 | 38,472 | 8,835 | — | 61,059 |
| Unallocated non-cash gains | | | | | | | | 107,326 |
| Depreciation and amortisation | 294,606 | 94,203 | 27,238 | 127,337 | 500,604 | 142,892 | — | 1,186,880 |
| Interests in associates | — | — | 101,299 | — | 1,040,663 | 1,029,650 | — | 2,171,612 |
| Interests in jointly-controlled entities | — | 220,097 | — | — | — | — | — | 220,097 |
| Capital expenditure* | 1,184,891 | 128,078 | 841,799 | 154,014 | 1,494,689 | 736,881 | — | 4,540,352 |
| Unallocated capital expenditure | | | | | | | | 37,895 |
| | | | | | | | | 4,578,247 |

## 4. OPERATING SEGMENT INFORMATION *(continued)*

| Year ended 31 December 2009 | Mine-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 | 4,812,441 | 9,513,513 | 401,364 | 1,191,220 | 3,944,226 | 1,093,061 | — | 20,955,825 |
| Intersegment sales | 218,431 | 127,479 | 233,890 | — | 336,090 | 291,042 | (1,206,932) | — |
| | 5,030,872 | 9,640,992 | 635,254 | 1,191,220 | 4,280,316 | 1,384,103 | (1,206,932) | 20,955,825 |
| **Segment results** | 2,866,889 | 189,976 | 191,898 | 201,060 | 1,797,406 | 188,213 | — | 5,435,442 |
| Reconciliation: | | | | | | | | |
| Interest and dividend income | | | | | | | | 127,001 |
| Unallocated expenses | | | | | | | | (375,110) |
| Finance costs | | | | | | | | (168,425) |
| Segment profit | | | | | | | | 5,018,908 |
| **Assets and liabilities** | | | | | | | | |
| **Segment assets:** | 4,005,200 | 1,025,227 | 2,110,446 | 2,591,089 | 9,869,546 | 3,709,889 | — | 23,311,397 |
| Reconciliation: | | | | | | | | |
| Unallocated assets | | | | | | | | 5,624,780 |
| Assets classified as held for sale | | | | | | | | 709,960 |
| Total assets | | | | | | | | 29,646,137 |
| **Segment liabilities:** | 1,210,684 | 577,134 | 189,577 | 1,271,761 | 1,520,490 | 373,481 | — | 5,143,127 |
| Reconciliation: | | | | | | | | |
| Unallocated liabilities | | | | | | | | 2,523,413 |
| Liabilities directly associated with the assets classified as held for sale | | | | | | | | 366,131 |
| Total liabilities | | | | | | | | 8,032,671 |

## 4. OPERATING SEGMENT INFORMATION *(continued)*

| Year ended 31 December 2009 | Mine-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* |
|---|---|---|---|---|---|---|---|---|
| Other segment information: | | | | | | | | |
| Share of profits and losses of: | | | | | | | | |
| Associates | — | — | — | — | 49,657 | 29,393 | — | 79,050 |
| Jointly-controlled entities | — | 16,654 | — | — | — | — | — | 16,654 |
| Impairment losses recognised in the income statement | 347,197 | — | — | 10,000 | 18,086 | 2,658 | — | 377,941 |
| Impairment losses reversed in the income statement | — | (6,594) | — | — | — | (7,197) | — | (13,791) |
| Exploration and evaluation costs written off | 10,136 | — | 2,704 | 3,609 | 22,234 | 9,245 | — | 47,928 |
| Unallocated non-cash gains | | | | | | | | 13,911 |
| Depreciation and amortisation | 306,815 | 57,976 | 10,755 | 77,769 | 417,407 | 122,607 | — | 993,329 |
| Interests in associates | — | — | 107,733 | — | 903,573 | 412,629 | — | 1,423,935 |
| Interests in jointly-controlled entities | — | — | — | — | 76,210 | — | — | 76,210 |
| Capital expenditure* | 974,025 | 45,238 | 20,643 | 472,758 | 2,826,354 | 443,895 | — | 4,782,913 |
| Unallocated capital expenditure | | | | | | | | 39,608 |
| | | | | | | | | 4,822,521 |

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, long-term deferred assets and other assets including assets from the acquisition of subsidiaries.

## 4. OPERATING SEGMENT INFORMATION *(continued)*

The following tables present the reconciliations of reportable segment revenue and profit before tax to the Group's consolidated amounts:

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| **Revenue** | | |
| Revenue for reportable segments | **28,539,579** | 20,955,825 |
| Sales taxes and levies not included in segment revenue | **(352,964)** | (251,578) |
| Other income included in segment revenue | **(417,417)** | (489,136) |
| Revenue for the year | **27,769,198** | 20,215,111 |
| **Profit before tax** | | |
| Segment results | **8,479,247** | 5,435,442 |
| Interest and dividend income | **171,867** | 127,001 |
| Unallocated expenses | **(995,984)** | (375,110) |
| Finance costs | **(323,558)** | (168,425) |
| Effects of differences between IFRS and CAS | **(13,624)** | 26,415 |
| Profit before tax | **7,317,948** | 5,045,323 |

### Geographical information

Over 99% of the Group's revenue is derived from customers based in Mainland China, and over 92% of the Group's assets are located in Mainland China.

### Information about a major customer

Revenue of approximately RMB15,744,382,000 (2009: RMB14,114,171,000) was derived from sales by mine-produced gold segment and processed gold segment to Shanghai Gold Exchange.

## 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:

| | 2010 | 2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Revenue** | | |
| Sale of gold bullion | 16,292,040 | 14,114,171 |
| Sale of gold concentrates | 1,549,240 | 1,019,895 |
| Sale of copper concentrates | 3,503,844 | 2,076,180 |
| Sale of copper cathodes | 932,834 | 401,365 |
| Sale of zinc bullion | 2,718,691 | 1,191,220 |
| Sale of zinc concentrates | 64,329 | 60,085 |
| Sale of iron concentrates | 993,211 | 591,912 |
| Others | 2,067,973 | 1,011,861 |
| Less: Sales taxes and levies* | (352,964) | (251,578) |
| | 27,769,198 | 20,215,111 |
| **Other income** | | |
| Bank interest income | 121,895 | 123,171 |
| Convertible bonds interest income | 44,059 | — |
| Rental income | 5,921 | 7,680 |
| Processing income | 1,303 | 6,738 |
| Dividend income | 5,913 | 3,830 |
| Hotel operating income | 24,219 | 23,630 |
| Gain on sales of scrap materials | — | 19,161 |
| Government grants | 47,976 | 44,131 |
| Others | 56,652 | 64,891 |
| | 307,938 | 293,232 |

## 5. REVENUE, OTHER INCOME AND GAINS *(continued)*

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| **Gains** | | |
| Exchange gains | **10,882** | 729 |
| Fair value gains on derivative financial instruments (note 29) | **88,347** | 2,402 |
| Fair value gains on financial assets at fair value through profit or loss | **18,979** | 26,100 |
| Gain on disposal of financial assets at fair value through profit or loss | **22,678** | — |
| Gain on disposal of a mining right | — | 111,306 |
| Gain on disposal of subsidiaries (note 40(b)) | **59,128** | 4,820 |
| Gain on disposal of certain equity interests in subsidiaries | — | 2,275 |
| Gain on disposal of available-for-sale investments | **2,968** | 37,793 |
| Fair value gains on available-for-sale investments (transfer from equity on disposal) (note 24) | **24,120** | 114,765 |
| Excess of consideration over the cost on acquiring further equity interest in an associate | — | 15,560 |
| | **227,102** | 315,750 |
| | **535,040** | 608,982 |

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

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | Group | |
|---|---|---|
| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
| Interest on bank loans wholly repayable within five years | **350,428** | 211,892 |
| Interest on other borrowings wholly repayable within one year | **4,184** | — |
| Less: Interest capitalised as construction in progress (note 41) | **(31,054)** | (43,467) |
| | **323,558** | 168,425 |

The interest capitalised represents the cost of capital from raising the related borrowings and the interest capitalisation rate ranges from 4.48% to 6.14% (2009: 5.13% to 5.41%) per annum.

## 7. PROFIT BEFORE TAX

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

| | Notes | 2010 *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| Cost of inventories sold | | **17,925,320** | 13,364,964 |
| Amortisation of prepaid land lease payments | 16 | **18,251** | 15,447 |
| Amortisation of long-term deferred assets | 17 | **107,687** | 89,953 |
| Amortisation of other intangible assets | 19 | **199,481** | 166,346 |
| Provision for land restoration and rehabilitation costs | 34 | **1,950** | 19,508 |
| Write-back of inventories to net realisable value | | **(12,535)** | (13,791) |
| | | **18,240,154** | 13,642,427 |
| Depreciation of property, plant and equipment (note (a)) | 14 | **859,416** | 719,517 |
| Depreciation of investment properties | 15 | **2,045** | 2,066 |
| Research and development expenditures | | **63,287** | 38,973 |
| Minimum lease payments under operating leases on land and buildings | | **1,650** | 2,138 |
| Auditors' remuneration | | **5,500** | 4,400 |
| Staff costs (including directors' remuneration (note 8)): | | | |
| Salaries and other staff costs (note (b)) | | **1,091,170** | 837,131 |
| Retirement benefits – defined contribution fund (note (c)) | | **73,356** | 48,422 |
| | | **1,164,526** | 885,553 |
| Impairment provision for property, plant and equipment*^ | 14 | **73,153** | 126,754 |
| Impairment provision for long-term deferred assets*^ | 17 | **12,730** | — |
| Impairment provision for other assets*^ | | **6,000** | 10,007 |
| Impairment provision for other intangible assets*^ | 19 | **85,405** | 202,912 |
| Impairment provision for goodwill*^ | 20 | **10,359** | 14,290 |
| Impairment provision for interest in an associate * | | **—** | 1,750 |
| Impairment provision for interest in a jointly-controlled entity* | | **—** | 20,571 |
| Impairment provision for trade and other receivables* | 26,27 | **577** | 1,657 |
| Donations* | | **311,579** | 140,210 |
| Penalty* | | **46,477** | 8,000 |
| Loss on disposal of property, plant and equipment* | | **50,260** | 12,894 |
| Loss on disposal of a mining right* | | **3,443** | — |
| Loss on disposal of other assets* | | **4,519** | 1,028 |
| Loss on disposal of a jointly-controlled entity* | | **63,346** | — |
| Loss on derivative financial instruments* | 29 | **41,361** | 409,341 |
| Fair value loss on derivative financial instruments* | 29 | **2,322** | — |
| Exploration and evaluation costs written off | 18 | **61,059** | 47,928 |

## 7. PROFIT BEFORE TAX *(continued)*

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

^ Impairment provision was recognised because the actual ore reserve turned out to be lower than the expectation.

Notes:

(a) Depreciation of approximately RMB470,755,000 was included in the cost of sales for the year ended 31 December 2010 (2009: RMB412,226,000).

(b) Staff costs of approximately RMB615,887,000 were included in the cost of sales for the year ended 31 December 2010 (2009: RMB538,925,000). Retirement benefits of approximately RMB32,930,000 (2009: RMB30,366,000) were included in the cost of sales for the year ended 31 December 2010.

(c) According to the relevant rules and regulations of the PRC, the Company and its subsidiaries established 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. 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 areas 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:

Directors' remuneration accrued during the year:

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Fees | **600** | 600 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **8,970** | 8,413 |
| Discretionary bonuses* | **16,913** | 11,740 |
| Pension scheme contributions | **18** | 26 |
| | **25,901** | 20,179 |
| | **26,501** | 20,779 |

* Balance consisted of the discretionary bonuses of RMB8,080,000 (2009: RMB7,178,000) provided in accordance with the directors' remuneration policy of the Company, further reduction to the directors' discretionary bonuses of RMB1,515,000 (2009: Nil) proposed by the board of directors of the Company but subject to the approval of the annual general meeting and an adjustment to the unpaid discretionary bonuses of previous years of RMB7,318,000 (2009: RMB 4,562,000).

## 8. DIRECTORS' REMUNERATION *(continued)*

Directors' remuneration paid during the year:

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Fees | 600 | 600 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 8,183 | 7,935 |
| Discretionary bonuses | 17,817 | 2,673 |
| Pension scheme contributions | 18 | 6 |
| | 26,018 | 10,614 |
| | 26,618 | 11,214 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: 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 (2009: Nil).

### (a) Independent non-executive directors

The fees accrued and paid to the independent non-executive directors during the year are as follows:

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Mr. Chen Yuchuan | 150 | 150 |
| Mr. Lin Yongjing | 150 | 150 |
| Mr. Su Congfu | 150 | 150 |
| Mr. Long Ping Kwan* | — | 125 |
| Mr. Wang Xiaojun** | 150 | 25 |
| | 600 | 600 |

* Independent non-executive director resigned on 4 November 2009

** Independent non-executive director appointed on 5 November 2009

## 8. DIRECTORS' REMUNERATION *(continued)*

### (b) Executive directors and a non-executive director

The directors' remuneration accrued for executive directors and a non-executive director during the year are as follow:

| 2010 | Salaries allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Chen Jinghe | 1,772 | 2,028 | — | 3,800 |
| Mr. Luo Yingnan | 1,598 | 1,802 | — | 3,400 |
| Mr. Liu Xiaochu | 1,300 | 1,000 | — | 2,300 |
| Mr. Lan Fusheng | 1,450 | 1,150 | 9 | 2,609 |
| Mr. Zou Laichang | 1,350 | 1,050 | 9 | 2,409 |
| Mr. Huang Xiaodong | 1,350 | 1,050 | — | 2,400 |
| Non-executive director: | | | | |
| Mr. Peng Jiaqing | 150 | — | — | 150 |
| | 8,970 | 8,080 | 18 | 17,068 |

| 2009 | Salaries allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Chen Jinghe | 1,939 | 2,279 | — | 4,218 |
| Mr. Luo Yingnan | 1,324 | 1,103 | — | 2,427 |
| Mr. Liu Xiaochu | 1,250 | 949 | — | 2,199 |
| Mr. Lan Fusheng | 1,250 | 949 | 13 | 2,212 |
| Mr. Zou Laichang | 1,250 | 949 | 13 | 2,212 |
| Mr. Huang Xiaodong | 1,250 | 949 | — | 2,199 |
| Non-executive director: | | | | |
| Mr. Peng Jiaqing | 150 | — | — | 150 |
| | 8,413 | 7,178 | 26 | 15,617 |

## 8. DIRECTORS' REMUNERATION *(continued)*

### (b) Executive directors and a non-executive director *(continued)*

The directors' remuneration paid to executive directors and a non-executive director during the year are as follow:

| 2010 | Salaries allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Chen Jinghe | 1,935 | 5,693 | — | 7,628 |
| Mr. Liu Xiaochu | 1,010 | 2,254 | — | 3,264 |
| Mr. Lan Fusheng | 1,270 | 2,444 | 9 | 3,723 |
| Mr. Zou Laichang | 1,280 | 2,285 | 9 | 3,574 |
| Mr. Luo Yingnan | 1,288 | 2,529 | — | 3,817 |
| Mr. Huang Xiaodong | 1,250 | 2,612 | — | 3,862 |
| Non-executive director: | | | | |
| Mr. Peng Jiaqing | 150 | — | — | 150 |
| | 8,183 | 17,817 | 18 | 26,018 |

| 2009 | Salaries allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Chen Jinghe | 1,903 | 857 | — | 2,760 |
| Mr. Liu Xiaochu | 981 | 340 | — | 1,321 |
| Mr. Lan Fusheng | 1,230 | 368 | 3 | 1,601 |
| Mr. Zou Laichang | 1,226 | 339 | 3 | 1,568 |
| Mr. Luo Yingnan | 1,100 | 369 | — | 1,469 |
| Mr. Huang Xiaodong | 1,345 | 400 | — | 1,745 |
| Non-executive director: | | | | |
| Mr. Peng Jiaqing | 150 | — | — | 150 |
| | 7,935 | 2,673 | 6 | 10,614 |

Pursuant to the remuneration policy of the Company, the discretionary bonuses and certain salaries allowances and benefits in kind accrued for the executive directors is subject to the approval of the Remuneration Committee and the annual general meeting.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included five (2009: five) directors, details of whose remuneration are set out in note 8 above.

## 10. INCOME TAX EXPENSE

| | 2010 | 2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Group: | | |
| Current – Hong Kong | — | — |
| – Mainland China | **1,690,915** | 893,897 |
| Underprovision in prior years | **2,495** | 94,661 |
| Deferred (note 35) | **(117,586)** | (20,304) |
| | **1,575,824** | 968,254 |

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong during the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Provision for the PRC corporate income tax has been provided at the rate of 25% (2009: 25%) based on the taxable profits except for those related to the following operations in the Group:

Pursuant to Min Ke Gao [2009] No.6 jointly issued by the Fujian Science and Technology Bureau, Fujian General Finance Bureau, Fujian State Tax Bureau, and Fujian Local Tax Bureau, the Company was granted the status of High-New Technology Enterprise from 2008 to 2010. Therefore, the Company was granted a preferential tax rate of 15% from 1 January 2008 to 31 December 2010 pursuant to Guo Shui Fa [2008] No.111 issued by the State Administration of Taxation and Hang Di Shui [2009] No.8001 issued by Shanghang Local Tax Bureau. During the year, there had been two incidents of leakage of acidic copper solution at Zijinshan Copper Mine hydro-metallurgical plant of the Company on 3 July and 16 July 2010, respectively, resulting in water pollution of the Ting River. Since the Company has not discovered the potential environmental risk in the production, pursuant to Min Ke Gao [2011] No.15 issued by the Fujian Recognition of High-New Technology Enterprise Leading Committee dated on 10 March 2011, the qualification of High and New Technology Enterprise of the Company was terminated from 3 July 2010.

Pursuant to A Di Guo Shui Ban [2008] No.421 issued by Fuyun tax bureau, Fuyun Jinshan Mining Company Limited ("Fuyun Jinshan") was exempted from corporate income tax from 1 January 2008 to 31 December 2010.

Pursuant to Cai Shui [2001] No.202 issued by State Tax Bureau and Yun Di Shui Er Zi [2002] No.65 issued by Yunnan Tax Bureau, Yuanyang Huaxi Mining Company Limited ("Yuanyang Huaxi") was granted a preferential tax rate of 15% from 1 January 2003 to 31 December 2010.

## 10. INCOME TAX EXPENSE *(continued)*

Pursuant to Ha Di Shui Han [2005] No.80 issued by the local tax bureau of Habahe County, Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele") is exempted from corporate income tax for a five-year period from 1 January 2005 to 31 December 2009. The tax concession was terminated on 1 January 2009 pursuant to Xin Zheng Fa [2008] No.29. Pursuant to Xin Zheng Fa [2001] No.202, Xinjiang Ashele was granted a preferential tax rate of 15% from 1 January 2009 to 31 December 2010.

Pursuant to Guo Fa [2007] No.39 issued by the State Council, Zijin Mining Group (Xiamen) Investment Company Limited and Xiamen Zijin Mining Technology Company Limited are granted a tax concession at preferential tax rate of 20% for the year ended 31 December 2009, 22% for 2010, 24% for 2011, and tax rate becomes 25% since 2012.

Pursuant to Cai Shui [2001] No.202 jointly issued by the General office of Finance, the State Administration of Taxation, Maritime Customs Administration and Guo Fa [2007] No.29 issued by the State Council, Qinghai West Copper Company Limited ("Qinghai West") was granted a tax concession at a preferential rate of 15% from 1 January 2007 to 31 December 2010.

Pursuant to Cai Shui [2001] No.202 jointly issued by the General office of Finance, the State Administration of Taxation, Maritime Customs Administration, Guo Shui Han [2002] No.47 and Ba Guo Shui Han [2008] No.50 issued by State Council, Bayannaoer Zijin Non-ferrous Metal Company Limited ("Bayannaoer Zijin") was granted a tax concession at a preferential rate of 15% for the year ended 31 December 2010.

Pursuant to Ji Guo Shui Fa [2006] No.80 issued by the State Tax Bureau dated 11 April 2006, Hunchun Zijin Mining Company Limited enjoyed a tax concession at a preferential rate of 15% from 1 January 2006 to 31 December 2010.

## 10. INCOME TAX EXPENSE *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the applicable 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 to the effective tax rate, are as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | *RMB'000* | % | *RMB'000* | % |
| Profit before tax | **7,317,948** | | 5,045,323 | |
| At the PRC applicable tax rate | **1,829,487** | **25.00** | 756,798 | 15.00 |
| Expenses not deductible for tax | **68,934** | **0.94** | 25,969 | 0.51 |
| Income not subject to tax | **(14,177)** | **(0.19)** | (7,902) | (0.16) |
| Profit attributable to associates and jointly-controlled entities | **(34,341)** | **(0.47)** | (14,356) | (0.28) |
| Different tax rates on the profit of the Company and certain subsidiaries | **(341,443)** | **(4.67)** | 58,286 | 1.15 |
| Underprovision in prior years | **2,495** | **0.03** | 94,661 | 1.88 |
| Tax losses not recognised | **32,862** | **0.45** | 15,591 | 0.31 |
| Deductible temporary differences not recognised | **32,007** | **0.44** | 39,207 | 0.78 |
| Tax charge at the Group's effective rate | **1,575,824** | **21.53** | 968,254 | 19.19 |

The share of tax attributable to associates and jointly-controlled entities amounting to RMB67,951,000 (2009: RMB31,909,000) is included in ''Share of profits and losses of associates and jointly-controlled entities'' in the consolidated income statement.

## 11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB2,084,764,000 (2009: RMB1,942,301,000) which has been dealt with in the financial statements of the Company (note 39).

## 12. DIVIDENDS

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Proposed final dividend – RMB0.10 (2009: RMB0.10) per ordinary share | **1,454,131** | 1,454,131 |

The proposed final dividend of RMB1,454,131,000 for the year ended 31 December 2010 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

At the shareholders' meeting on 30 March 2010, the directors declared a final dividend of RMB1,454,131,000 in respect of the year ended 31 December 2009.

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 the China Accounting Standards and regulations and that under IFRSs.

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the parent of RMB4,812,665,000 (2009: RMB3,552,347,000) and the weighted average number of ordinary shares of 14,541,309,100 (2009: 14,541,309,100) in issue during the year.

There were no potentially diluting events for the years ended 31 December 2010 and 2009.

## 14. PROPERTY, PLANT AND EQUIPMENT

### Group

| | Buildings RMB'000 (note (a)) | Power generating and transmission equipment 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 2010 | 2,013,818 | 527,774 | 3,578,194 | 24,864 | 3,304,339 | 111,525 | 449,101 | 2,851,615 | 12,861,230 |
| Additions | 150,414 | 30,770 | 132,170 | 2,576 | 421,464 | 28,895 | 226,414 | 2,541,778 | 3,534,481 |
| Acquisition of subsidiaries (note 40(a)) | 41 | — | 213 | — | 1,387 | 590 | 3,220 | 21,608 | 27,059 |
| Transfers | 210,429 | 29,579 | 789,984 | 119 | 97,250 | 3,410 | 3,727 | (1,134,498) | — |
| Disposals | (31,600) | (7,804) | (136,212) | (3,126) | (159,298) | (3,488) | (131,020) | (98,731) | (571,279) |
| Disposal of subsidiaries (note 40(b)) | (30,814) | (922) | (86,517) | — | (57,649) | (1,129) | (1,711) | — | (178,742) |
| Transfer from assets classified as held for sale (note 37) | — | 23,584 | 225,231 | — | 129,732 | 745 | 1,134 | 22,245 | 402,671 |
| At 31 December 2010 | 2,312,288 | 602,981 | 4,503,063 | 24,433 | 3,737,225 | 140,548 | 550,865 | 4,204,017 | 16,075,420 |
| Accumulated depreciation and impairment: | | | | | | | | | |
| At 1 January 2010 | 237,797 | 124,049 | 1,175,082 | 12,548 | 821,086 | 60,309 | 238,423 | 140,922 | 2,810,216 |
| Depreciation for the year | 114,168 | 41,622 | 296,402 | 1,563 | 330,826 | 19,967 | 54,868 | — | 859,416 |
| Impairment provided for the year | 2,683 | — | 42,941 | — | 27,529 | — | — | — | 73,153 |
| Acquisition of subsidiaries (note 40(a)) | — | — | 13 | — | 51 | 156 | 167 | — | 387 |
| Transfers | — | — | 49,452 | — | — | — | — | (49,452) | — |
| Disposal of subsidiaries (note 40(b)) | (16,565) | (346) | (34,376) | — | (36,032) | (729) | (1,104) | — | (89,152) |
| Disposals | (2,893) | (3,389) | (59,114) | (1,682) | (66,927) | (2,974) | (44,421) | — | (181,400) |
| Transfer from assets classified as held for sale (note 37) | — | 3,726 | 15,893 | — | 25,230 | 373 | 463 | — | 45,685 |
| At 31 December 2010 | 335,190 | 165,662 | 1,486,293 | 12,429 | 1,101,763 | 77,102 | 248,396 | 91,470 | 3,518,305 |
| Net book value: | | | | | | | | | |
| At 31 December 2010 | 1,977,098 | 437,319 | 3,016,770 | 12,004 | 2,635,462 | 63,446 | 302,469 | 4,112,547 | 12,557,115 |

## 14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

### Group *(continued)*

| | Buildings RMB'000 (note (a)) | Power generating and transmission equipment 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 2009 | 1,448,113 | 322,246 | 2,769,602 | 18,425 | 2,407,999 | 98,703 | 392,907 | 2,677,708 | 10,135,703 |
| Additions | — | 40,581 | 65,745 | 7,585 | 322,683 | 12,751 | 46,094 | 2,174,228 | 2,669,667 |
| Additions of subsidiaries (note 40(a)) | 88,237 | 99,065 | 225,658 | 1,205 | 150,366 | 3,876 | 18,505 | 123,760 | 710,672 |
| Transfers | 532,699 | 96,196 | 824,622 | 41 | 586,947 | 429 | 12,398 | (2,053,332) | — |
| Disposals | (40,798) | (1,080) | (39,781) | (2,382) | (27,752) | (1,969) | (11,937) | (28,761) | (154,460) |
| Disposal of subsidiaries (note 40(b)) | (14,433) | (5,650) | (42,421) | (10) | (6,172) | (1,520) | (7,732) | (19,743) | (97,681) |
| Assets classified as held for sale (note 37) | — | (23,584) | (225,231) | — | (129,732) | (745) | (1,134) | (22,245) | (402,671) |
| At 31 December 2009 | 2,013,818 | 527,774 | 3,578,194 | 24,864 | 3,304,339 | 111,525 | 449,101 | 2,851,615 | 12,861,230 |
| Accumulated depreciation and impairment: | | | | | | | | | |
| At 1 January 2009 | 138,090 | 53,700 | 857,676 | 8,795 | 572,663 | 47,120 | 168,806 | 29,548 | 1,876,398 |
| Depreciation for the year | 92,335 | 31,206 | 256,071 | 5,977 | 243,485 | 14,208 | 76,235 | — | 719,517 |
| Impairment provided for the year | 437 | — | 14,908 | — | 35 | — | — | 111,374 | 126,754 |
| Additions of subsidiaries (note 40(a)) | 20,489 | 44,239 | 109,708 | 96 | 48,265 | 1,239 | 1,824 | — | 225,860 |
| Disposal of subsidiaries (note 40(b)) | (2,601) | (599) | (9,604) | (8) | (4,121) | (444) | (2,114) | — | (19,491) |
| Disposals | (10,953) | (771) | (37,784) | (2,312) | (14,011) | (1,441) | (5,865) | — | (73,137) |
| Assets classified as held for sale (note 37) | — | (3,726) | (15,893) | — | (25,230) | (373) | (463) | — | (45,685) |
| At 31 December 2009 | 237,797 | 124,049 | 1,175,082 | 12,548 | 821,086 | 60,309 | 238,423 | 140,922 | 2,810,216 |
| Net book value: | | | | | | | | | |
| At 31 December 2009 | 1,776,021 | 403,725 | 2,403,112 | 12,316 | 2,483,253 | 51,216 | 210,678 | 2,710,693 | 10,051,014 |

## 14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

### Company

| | Buildings *RMB'000* | Power generating and transmission equipment *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 2010 | 85,412 | 30,063 | 914,750 | 8,915 | 496,166 | 27,476 | 112,768 | 840,570 | 2,516,120 |
| Additions | 75,243 | 182 | 18,583 | 736 | 105,912 | 11,285 | 29,081 | 341,601 | 582,623 |
| Transfers | 77,483 | 10,879 | 109,749 | — | 3,388 | — | — | (201,499) | — |
| Disposals | — | — | (82,317) | — | (73,708) | (449) | (91,735) | — | (248,209) |
| At 31 December 2010 | 238,138 | 41,124 | 960,765 | 9,651 | 531,758 | 38,312 | 50,114 | 980,672 | 2,850,534 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2010 | 24,507 | 14,000 | 591,029 | 7,771 | 206,202 | 16,313 | 30,427 | — | 890,249 |
| Depreciation charged for the year | 9,681 | 1,920 | 64,429 | 291 | 61,424 | 4,712 | 18,969 | — | 161,426 |
| Disposals | — | — | (43,331) | — | (15,581) | (430) | (27,450) | — | (86,792) |
| At 31 December 2010 | 34,188 | 15,920 | 612,127 | 8,062 | 252,045 | 20,595 | 21,946 | — | 964,883 |
| Net book value: | | | | | | | | | |
| At 31 December 2010 | 203,950 | 25,204 | 348,638 | 1,589 | 279,713 | 17,717 | 28,168 | 980,672 | 1,885,651 |

## 14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

### Company *(continued)*

| | Buildings RMB'000 | Power generating and transmission equipment 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 2009 | 89,030 | 29,974 | 844,027 | 8,903 | 417,496 | 22,998 | 90,130 | 382,251 | 1,884,809 |
| Additions | 1,819 | 373 | 2,049 | 12 | 90,175 | 5,194 | 24,729 | 556,855 | 681,206 |
| Transfers | — | — | 97,010 | — | 1,526 | — | — | (98,536) | — |
| Disposals | (5,437) | (284) | (28,336) | — | (13,031) | (716) | (2,091) | — | (49,895) |
| At 31 December 2009 | 85,412 | 30,063 | 914,750 | 8,915 | 496,166 | 27,476 | 112,768 | 840,570 | 2,516,120 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2009 | 21,612 | 11,901 | 536,919 | 7,492 | 154,850 | 12,494 | 15,118 | — | 760,386 |
| Depreciation charged for the year | 4,306 | 2,233 | 78,139 | 279 | 59,278 | 4,373 | 16,879 | — | 165,487 |
| Disposals | (1,411) | (134) | (24,029) | — | (7,926) | (554) | (1,570) | — | (35,624) |
| At 31 December 2009 | 24,507 | 14,000 | 591,029 | 7,771 | 206,202 | 16,313 | 30,427 | — | 890,249 |
| Net book value: | | | | | | | | | |
| At 31 December 2009 | 60,905 | 16,063 | 323,721 | 1,144 | 289,964 | 11,163 | 82,341 | 840,570 | 1,625,871 |

As at 31 December 2010, equipments with a net carrying amount of RMB38,974,000 (2009: RMB42,740,000) of the Group was pledged to a bank for a bank loan of RMB30,000,000 (note 33).

As at 31 December 2010, items of property, plant and equipment with a net carrying amount of RMB303,797,000 (2009: Nil) of the Group were frozen for a lawsuit (note 43 (b)).

Notes:

(a) Included in the balance is a net carrying amount of RMB1,107,776,000 (2009: RMB920,295,000) of building structure in respect of which the Group was in the process of applying for the relevant real estate certificates as at 31 December 2010.

(b) Included in the balance is a net carrying amount of RMB70,711,000 (2009: RMB74,506,000) of building structures located in mines in respect of which the Group was in the process of applying for the relevant land use rights certificates as at 31 December 2010.

## 15. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | *RMB'000* | *RMB'000* |
| Cost: | | |
| At 1 January | 62,627 | 62,627 |
| Additions | — | — |
| At 31 December | 62,627 | 62,627 |
| Accumulated depreciation: | | |
| At 1 January | 7,482 | 5,416 |
| Depreciation charge for the year | 2,045 | 2,066 |
| At 31 December | 9,527 | 7,482 |
| Net book value: | | |
| At 31 December | 53,100 | 55,145 |

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

## 16. PREPAID LAND LEASE PAYMENTS

| | Group | Company |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cost: | | |
| At 1 January 2010 | 406,139 | 79,318 |
| Additions | 14,340 | 355 |
| Transfer from assets classified as held for sale (note 37) | 1,896 | — |
| At 31 December 2010 | 422,375 | 79,673 |
| Accumulated amortisation and impairment: | | |
| At 1 January 2010 | 44,200 | 7,478 |
| Provided during the year | 18,251 | 1,745 |
| Transfer from assets classified as held for sale (note 37) | 169 | — |
| At 31 December 2010 | 62,620 | 9,223 |
| Net book value: | | |
| At 31 December 2010 | 359,755 | 70,450 |

## 16. PREPAID LAND LEASE PAYMENTS *(continued)*

| | Group | Company |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cost: | | |
| At 1 January 2009 | 554,179 | 62,262 |
| Additions | 133,105 | 17,056 |
| Acquisition of subsidiaries (note 40(a)) | 22,408 | — |
| Transfer to property under development | (301,657) | — |
| Assets classified as held for sale (note 37) | (1,896) | — |
| At 31 December 2009 | 406,139 | 79,318 |
| Accumulated amortisation and impairment: | | |
| At 1 January 2009 | 28,877 | 6,255 |
| Provided during the year | 15,447 | 1,223 |
| Acquisition of subsidiaries (note 40(a)) | 45 | — |
| Assets classified as held for sale (note 37) | (169) | — |
| At 31 December 2009 | 44,200 | 7,478 |
| Net book value: | | |
| At 31 December 2009 | 361,939 | 71,840 |

The land use rights are situated in 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 2010 | 295,890 | 106,002 | 189,012 | 262,701 | 853,605 |
| Additions | 61,280 | 147,647 | 16,794 | 63,989 | 289,710 |
| Acquisition of subsidiaries (note 40(a)) | — | — | — | 474 | 474 |
| Disposal of subsidiaries (note 40(b)) | (1,531) | — | — | (12,928) | (14,459) |
| Transfer from assets classified as held for sale (note 37) | — | — | — | 8,169 | 8,169 |
| At 31 December 2010 | 355,639 | 253,649 | 205,806 | 322,405 | 1,137,499 |
| Accumulated amortisation and impairment: | | | | | |
| At 1 January 2010 | 84,465 | 69,075 | 48,224 | 71,460 | 273,224 |
| Amortisation provided for the year | 18,928 | 43,366 | 17,966 | 27,427 | 107,687 |
| Impairment provided for the year | 8,460 | — | — | 4,270 | 12,730 |
| Disposal of subsidiaries (note 40(b)) | (398) | — | — | (8,290) | (8,688) |
| At 31 December 2010 | 111,455 | 112,441 | 66,190 | 94,867 | 384,953 |
| Net book value: | | | | | |
| At 31 December 2010 | 244,184 | 141,208 | 139,616 | 227,538 | 752,546 |

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

### Group *(continued)*

| | 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 2009 | 295,527 | 100,214 | 160,121 | 214,613 | 770,475 |
| Additions | 10,370 | 5,788 | 39,751 | 59,137 | 115,046 |
| Acquisition of subsidiaries (note 40(a)) | 645 | — | — | 1,879 | 2,524 |
| Disposal of subsidiaries (note 40(b)) | (1,917) | — | (10,860) | (4,759) | (17,536) |
| Disposals | (8,735) | — | — | — | (8,735) |
| Assets classified as held for sale (note 37) | — | — | — | (8,169) | (8,169) |
| At 31 December 2009 | 295,890 | 106,002 | 189,012 | 262,701 | 853,605 |
| Accumulated amortisation: | | | | | |
| At 1 January 2009 | 55,003 | 41,773 | 31,582 | 57,547 | 185,905 |
| Provided during the year | 30,300 | 27,302 | 18,593 | 13,758 | 89,953 |
| Acquisition of subsidiaries (note 40(a)) | — | — | — | 155 | 155 |
| Disposal of subsidiaries (note 40(b)) | (356) | — | (1,951) | — | (2,307) |
| Disposals | (482) | — | — | — | (482) |
| At 31 December 2009 | 84,465 | 69,075 | 48,224 | 71,460 | 273,224 |
| Net book value: | | | | | |
| At 31 December 2009 | 211,425 | 36,927 | 140,788 | 191,241 | 580,381 |

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

### Company

| | Land compensation costs *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Cost: | | | |
| At 1 January 2010 | 160,293 | 7,971 | 168,264 |
| Additions | — | 1,737 | 1,737 |
| Disposal | — | (129) | (129) |
| At 31 December 2010 | 160,293 | 9,579 | 169,872 |
| Accumulated amortisation: | | | |
| At 1 January 2010 | 70,402 | 4,796 | 75,198 |
| Provided during the year | 14,167 | 1,545 | 15,712 |
| At 31 December 2010 | 84,569 | 6,341 | 90,910 |
| Net book value: | | | |
| At 31 December 2010 | 75,724 | 3,238 | 78,962 |
| Cost: | | | |
| At 1 January 2009 | 159,429 | 6,639 | 166,068 |
| Additions | 864 | 1,393 | 2,257 |
| Disposal | — | (61) | (61) |
| At 31 December 2009 | 160,293 | 7,971 | 168,264 |
| Accumulated amortisation: | | | |
| At 1 January 2009 | 55,431 | 3,385 | 58,816 |
| Provided during the year | 14,971 | 1,411 | 16,382 |
| At 31 December 2009 | 70,402 | 4,796 | 75,198 |
| Net book value: | | | |
| At 31 December 2009 | 89,891 | 3,175 | 93,066 |

## 18. OTHER ASSETS

### Group

| | 2010 | 2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Prepayment for construction works | **1,369,724** | 970,740 |
| Prepayment for mining and exploration rights | **84,254** | 215,047 |
| Prepayment for land use rights | **173,335** | 143,869 |
| Exploration and evaluation costs | **779,503** | 586,323 |
| Loan to the then non-controlling shareholder of a subsidiary (note a) | **13,900** | 38,900 |
| Loan to a non-controlling shareholder (note b) | **40,823** | 32,020 |
| Prepaid investment costs (note c) | **465,416** | 150,029 |
| Prepayment for an operating right | **247,000** | — |
| Prepayment for land compensation costs | **86,933** | — |
| Other | **114,050** | 87,080 |
| Total | **3,374,938** | 2,224,008 |

### Company

| | 2010 | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Prepayment for construction works | **144,110** | 76,100 |
| Prepayment for land use rights | **15,196** | 15,250 |
| Loan to the then non-controlling shareholder of a subsidiary (note a) | **13,900** | 38,900 |
| Prepaid investment costs (note c) | **777,000** | 732,000 |
| Exploration and evaluation assets | **71,263** | 21,768 |
| Total | **1,021,469** | 884,018 |

Note a: The loan to the then non-controlling shareholder of a subsidiary is interest-free, repayable by four instalments by 2012 and is secured by property, plant and equipment and prepaid land lease payments.

Note b: The loan to a non-controlling shareholder is unsecured, repayable by three instalments by 2012 and bears interest at a rate of 5.4% per annum.

Note c: Included in the balance of prepaid investment costs of the Group is a prepaid investment cost in an associate of RMB132,000,000 (2009: RMB132,000,000) and a prepayment for the acquisition of a company of RMB198,000,000 (2009: Nil).

Included in the balance of prepaid investment costs of the Company is a prepaid investment cost in an associate of RMB132,000,000 (2009: RMB132,000,000) and prepaid investment costs in the subsidiaries for capital increment.

## 18. OTHER ASSETS *(continued)*

The movements in exploration and evaluation costs during the years ended 31 December 2010 and 2009 were as follows:

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| **Group** | | |
| At 1 January | **586,323** | 472,632 |
| Additions | **167,887** | 252,847 |
| Transferred to other intangible assets (note 19) | **(9,308)** | (80,133) |
| Amount written off | **(61,059)** | (47,928) |
| Transfer from assets classified as held for sale | **11,095** | (11,095) |
| Acquisition of subsidiaries (note 40(a)) | **84,565** | — |
| At 31 December | **779,503** | 586,323 |

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| **Company** | | |
| At 1 January | **21,768** | 24,363 |
| Additions | **49,511** | 4,089 |
| Amount written off | **(16)** | (2,704) |
| Transferred to other intangible assets (note 19) | **—** | (3,980) |
| At 31 December | **71,263** | 21,768 |

## 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 2010 | 5,458,534 | 2,593 | 17,455 | 5,478,582 |
| Additions | 18,837 | 104 | 9,851 | 28,792 |
| Transferred from exploration and evaluation costs (note 18) | 9,308 | — | — | 9,308 |
| Acquisition of subsidiaries (note 40(a)) | 365,810 | — | 201 | 366,011 |
| Disposal of subsidiaries (note 40(b)) | (5,050) | — | (4,231) | (9,281) |
| Disposals | (30,738) | — | (529) | (31,267) |
| Transfer from assets classified as held for sale (note 37) | 36,179 | — | 104 | 36,283 |
| At 31 December 2010 | 5,852,880 | 2,697 | 22,851 | 5,878,428 |
| Accumulated amortisation and impairment: | | | | |
| At 1 January 2010 | 657,972 | 1,183 | 4,367 | 663,522 |
| Amortisation provided for the year | 199,012 | 248 | 221 | 199,481 |
| Impairment provided for the year | 85,405 | — | — | 85,405 |
| Disposal of subsidiaries (note 40(b)) | (987) | — | (2,046) | (3,033) |
| Disposals | (3,626) | — | (362) | (3,988) |
| Transfer from assets classified as held for sale (note 37) | 3,830 | — | 47 | 3,877 |
| At 31 December 2010 | 941,606 | 1,431 | 2,227 | 945,264 |
| Net book value: | | | | |
| At 31 December 2010 | 4,911,274 | 1,266 | 20,624 | 4,933,164 |

At 31 December 2010, a mining right with a net carrying amount of RMB10,316,000 (2009: Nil) of the Group was frozen for a lawsuit (note 43(b)).

## 19. OTHER INTANGIBLE ASSETS *(continued)*

### Group *(continued)*

| | Mining rights *RMB'000* | Trading rights in Shanghai Gold Exchange *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 January 2009 | 3,878,235 | 2,552 | 6,576 | 3,887,363 |
| Additions | 1,559,943 | 41 | 11,740 | 1,571,724 |
| Transfer from exploration and evaluation assets (note 18) | 80,133 | — | — | 80,133 |
| Acquisition of subsidiaries (note 40(a)) | 3,336 | — | — | 3,336 |
| Disposal of subsidiaries (note 40(b)) | (14,503) | — | — | (14,503) |
| Disposals | (12,431) | — | (757) | (13,188) |
| Transfer from assets classified as held for sale (note 37) | (36,179) | — | (104) | (36,283) |
| At 31 December 2009 | 5,458,534 | 2,593 | 17,455 | 5,478,582 |
| Accumulated amortisation and impairment: | | | | |
| At 1 January 2009 | 298,190 | 938 | 1,412 | 300,540 |
| Amortisation provided for the year | 162,342 | 245 | 3,759 | 166,346 |
| Impairment provided for the year | 202,912 | — | — | 202,912 |
| Disposal of subsidiaries (note 40(b)) | (1,642) | — | — | (1,642) |
| Disposals | — | — | (757) | (757) |
| Transfer from assets classified as held for sale (note 37) | (3,830) | — | (47) | (3,877) |
| At 31 December 2009 | 657,972 | 1,183 | 4,367 | 663,522 |
| Net book value: | | | | |
| At 31 December 2009 | 4,800,562 | 1,410 | 13,088 | 4,815,060 |

## 19. OTHER INTANGIBLE ASSETS *(continued)*

### Company

| | Mining rights *RMB'000* | Trading rights in Shanghai Gold Exchange *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 January 2010 | 402,805 | 593 | 1,245 | 404,643 |
| Additions | — | 104 | — | 104 |
| At 31 December 2010 | 402,805 | 697 | 1,245 | 404,747 |
| Accumulated amortisation: | | | | |
| At 1 January 2010 | 71,044 | 366 | 26 | 71,436 |
| Provided for the year | 29,355 | 65 | 25 | 29,445 |
| At 31 December 2010 | 100,399 | 431 | 51 | 100,881 |
| Net book value: | | | | |
| At 31 December 2010 | 302,406 | 266 | 1,194 | 303,866 |
| Cost: | | | | |
| At 1 January 2009 | 197,985 | 552 | 997 | 199,534 |
| Additions | 200,840 | 41 | 248 | 201,129 |
| Transfer from exploration and evaluation assets (note 18) | 3,980 | — | — | 3,980 |
| At 31 December 2009 | 402,805 | 593 | 1,245 | 404,643 |
| Accumulated amortisation: | | | | |
| At 1 January 2009 | 49,232 | 305 | 6 | 49,543 |
| Provided for the year | 21,812 | 61 | 20 | 21,893 |
| At 31 December 2009 | 71,044 | 366 | 26 | 71,436 |
| Net book value: | | | | |
| At 31 December 2009 | 331,761 | 227 | 1,219 | 333,207 |

## 20. GOODWILL

### Group

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Net carrying amount at 1 January | **437,397** | 327,982 |
| Acquisition of subsidiaries (note 40(a)) | **—** | 125,794 |
| Disposal of subsidiaries (note 40(b)) | **(43,738)** | (2,089) |
| Impairment provided for the year | **(10,359)** | (14,290) |
| Net carrying amount at 31 December | **383,300** | 437,397 |

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Cost | | |
| At 1 January | **460,345** | 336,640 |
| Acquisition of subsidiaries (note 40(a)) | **—** | 125,794 |
| Disposal of subsidiaries (note 40(b)) | **(43,738)** | (2,089) |
| At 31 December | **416,607** | 460,345 |

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Impairment: | | |
| At 1 January | **22,948** | 8,658 |
| Provided for the year | **10,359** | 14,290 |
| At 31 December | **33,307** | 22,948 |

## 20. GOODWILL *(continued)*

### Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units for impairment testing:

- Mine-produced gold cash-generating unit
- Processed gold cash-generating unit
- Zinc bullion cash-generating unit
- Ore concentrates cash-generating unit
- Others

The recoverable amounts of the above cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by senior management. The discount rates applied to cash flow projections ranged from 10% to 16% (2009: 11% to 13%) and cash flows beyond the three-year period are extrapolated using a growth rate of 4% (2009: 3%) which is the estimated inflation rate in the PRC.

The carrying amount of goodwill allocated to each of the cash-generating units after the impairment provision is as follows:

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| Mine-produced gold cash-generating unit | **14,220** | 24,579 |
| Processed gold cash-generating unit | **1,241** | 1,241 |
| Zinc bullion cash-generating unit | **14,532** | 14,532 |
| Ore concentrates cash-generating unit | **273,665** | 275,591 |
| Others | **79,642** | 121,454 |
| | **383,300** | 437,397 |

Key assumptions used in the value in use calculation of the subsidiaries for 31 December 2010 and 31 December 2009 are as follows:

## 20. GOODWILL *(continued)*

*Gross margins*

The basis used to determine the value assigned to the future gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

*Raw materials price inflation*

The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during of the budget year.

*Commodity price inflation*

The basis used to determine the value assigned to commodity price inflation is the expectations of future changes in the market.

*Discount rates*

The discount rates used reflect specific risks relating to the relevant units.

## 21. INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2010 | 2009 |
| | *RMB'000* | *RMB'000* |
| Unlisted shares, at cost | **8,805,070** | 7,883,999 |
| Advance to a subsidiary | **—** | 223,799 |
| Loans to subsidiaries | **2,029,737** | 493,000 |
| | **10,834,807** | 8,600,798 |
| Impairment provision | **(496,577)** | (209,910) |
| | **10,338,230** | 8,390,888 |

An impairment provision was recognised for certain unlisted interests in subsidiaries with a carrying amount of RMB496,577,000 (2009: RMB209,910,000) (before deducting the impairment loss) because the actual ore reserve of the subsidiaries turned out to be lower than the expectation. An impairment loss of RMB286,667,000 was recognised during the current year (2009: RMB160,891,000). No impairment provision had been written off during the current year (2009: RMB15,300,000).

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,945,748,000 (2009: RMB2,854,893,000) and RMB223,443,000 (2009: RMB170,924,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

At 31 December 2009, the amount advanced to a subsidiary included in the interests in subsidiaries above was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the Company's directors, the advance was considered as quasi-equity loan to the subsidiary. At 31 December 2010, the advance was transferred to the equity of the subsidiary and included in the cost of interests in subsidiaries of the Company.

The loans to subsidiaries are unsecured, bear interest at rates ranging from nil to 10% (2009: Nil to 7.47%) 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 | Kind of legal entity | Place of incorporation/ registration and operations | Nominal value of paid-up capital/ registered capital '000 | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|---|
| Guizhou Zijin Mining Company Limited ("Guizhou Zijin") | Limited liability company | PRC | RMB200,000 | 51% | 5% | Gold mining and geological studies |
| Zijin Mining Group (Xiamen) Investment Company Limited ("Xiamen Investment") | Limited liability company | PRC | RMB 400,000 | 100% | — | Geological studies and provision of mining technical consultancy services |
| Hunchun Zijin Mining Company Limited ("Hunchun Zijin") | Limited liability company | PRC | RMB200,000 | 96.63% | 3.37% | Gold mining and geological studies |
| Fujian Zijin Copper Company Limited ("Fujian Copper") | Limited liability company | PRC | RMB300,000 | — | 100% | Production and sale of copper alloys |
| Xinjiang Jinbao Mining Company Limited ("Xinjiang Jinbao") | Limited liability company | PRC | RMB50,000 | — | 56% | Iron mining and geological studies |
| Fujian Zijin Investment Company Limited ("Zijin Investment") | Limited liability company | PRC | RMB564,000 | 99.09% | 0.91% | Investment holding |
| Bayannaoer Zijin Non-ferrous Metal Company Limited ("Bayannaoer Zijin") | Limited liability company | PRC | RMB375,000 | 67.2% | — | Refinery of zinc concentrates |
| Wulate Houqi Zijin Mining Company Limited ("Wulate Zijin") | Limited liability company | PRC | RMB50,000 | — | 95% | Zinc mining |
| Zijin International Mining Company Limited ("Zijin International") | Limited liability company | PRC | RMB100,000 | 95% | 5% | Geological studies |

## 21. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

| Name | Kind of legal entity | Place of incorporation/ registration and operations | Nominal value of paid-up capital/ registered capital '000 | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|---|
| Luoyang Yinhui Gold Refinery Company Limited ("Luoyang Yinhui") | Limited liability company | PRC | RMB150,000 | 70% | — | Gold and silver refinery and geological studies |
| Zijin Mining Group Finance Company Limited ("Zijin Finance") | Limited liability company | PRC | RMB500,000 | 95% | — | Guarantee, depository and financing |
| Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele") | Limited liability company | PRC | RMB250,000 | 51% | — | Copper mining and geological studies |
| Yunnan County Huaxi Mining Company Limited ("Yunnan Huaxi") | Limited liability company | PRC | RMB200,000 | 53% | — | Geological studies |
| JV Zeravshan LLC ("ZGC") | — | Tajikistan | US$24,249 | — | 75% | Gold mining |
| Yuanyang County Huaxi Mining Company Limited ("Yuanyang Huaxi") | Limited liability company | PRC | RMB150,000 | — | 100% | Mining of gold, silver, copper, etc. and geological studies |
| Qinghai West Copper Company Limited ("Qinghai West") | Limited liability company | PRC | RMB120,000 | 100% | — | Copper mining |
| Huanmin Mining Company Limited ("Huanmin Mining") | Limited liability company | PRC | RMB156,410 | 51% | — | Mining of copper and molybdenum and geological studies |
| Luoning Huatai Mining Development Company Limited ("Luoning Huatai") | Limited liability company | PRC | RMB20,000 | — | 100% | Gold mining and geological studies |
| Zijin Copper Company Limited ("Zijin Copper") | Limited liability company | PRC | RMB600,000/ RMB1,000,000 | 100% | — | Refinery activities |

## 21. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

| Name | Kind of legal entity | Place of incorporation/ registration and operations | Nominal value of paid-up capital/ registered capital '000 | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|---|
| Sino Trend Hydro Power Investment Limited ("Sino Trend") | — | BVI | US$3,500/ US$50,000 | — | 100% | Hydraulic electric generation |
| Golden China Nei Meng Gold Exploration Corporation ("Nei Meng Golden") | — | BVI | US$1 | — | 55% | Geological studies |
| Yongding Zijin Longhu Ecological Industry Development Co., Ltd ("Yongding Zijin") | Limited liability company | PRC | RMB400,000/ RMB500,000 | — | 70% | Aquiculture and Ecotourism |

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.

Except for the statutory audited financial statements of Xinjiang Ashele, Qinghai West, Hunchun Zijin, Xinjiang Jinbao, Luoning Huatai and Luoyang Yinhui were audited by Ernst & Young Hua Ming, the statutory audited financial statements of other 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 | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Unlisted shares, at cost | **—** | — | **918,502** | 918,502 |
| Share of net assets | **2,171,612** | 1,423,935 | **—** | — |
| | **2,171,612** | 1,423,935 | **918,502** | 918,502 |

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 | 200,000 | 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 |
| Fujian Haixia Kehua Company Limited | PRC | 230,000 | 28% | Production of dynamite |
| Xiamen Zijin Tongguan Investment Development Company Limited* ("Zijin Tongguan") | PRC | 1,350,000 | 45% | Investment holding of mining companies |
| Xiamen Modern Terminal Company Limited | PRC | 335,580 | 25% | Logistics services |
| Wancheng Commercial Mining Company Limited ("Wancheng Commercial") | PRC | 12,000 | 47.5% | Zinc and lead mining and geological studies |

* Monterrico Metals Plc ("Monterrico"), a subsidiary of Zijin Tongguan, is the defendant in claims brought in the High Court in London in respect to personal injuries. In relation to this litigation, Monterrico's assets are subject to a worldwide freezing order up to £5,015,000 (approximately RMB55,055,000). As at 31 December 2010, the litigation is still in progress which has not gone to trial yet.

## 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 years of the associates are coterminous with those of the Group.

The Group's prepayment and other receivable, trade receivable and trade payable balances with the associates are disclosed in notes 26, 27 and 32 to the financial statements, respectively.

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

| | Group | |
|---|---|---|
| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
| Share of net assets of associates: | | |
| Current assets | **967,334** | 639,745 |
| Non-current assets | **2,817,542** | 1,940,862 |
| Current liabilities | **(630,704)** | (337,027) |
| Non-current liabilities | **(982,560)** | (819,645) |
| Net assets | **2,171,612** | 1,423,935 |
| Share of the associates' revenue and profit: | | |
| Revenue | **829,704** | 414,714 |
| Profit | **115,130** | 79,050 |

Except for the statutory audited financial statements of Zijin Tongguan as at 31 December 2009 were audited by Ernst & Young Hua Ming, the statutory audited financial statements of other 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 | |
|---|---|---|
| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
| Share of net assets | **220,097** | 76,210 |

## 23. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(CONTINUED)*

Particulars of the 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 |
|---|---|---|---|---|---|
| Shandong Guoda Gold Company Limited ("Shandong Guoda") | PRC | 50.05% | 50.05% | 50.05% | Gold and copper cathode mining, exploitation and processing |
| Russia Lankatasikaya Closed Mining Company Limited* ("Lankatasikaya") | Russia | 50% | 50% | 50% | Metal mining, exploitation and processing |

* Lankatasikaya was disposed in September 2010.

The Group's balances of other receivables and other payables with the jointly-controlled entities are disclosed in notes 26 and 31 to the financial statements, respectively.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

| | Group 2010 *RMB'000* | Group 2009 *RMB'000* |
|---|---|---|
| Share of the jointly-controlled entities' assets and liabilities: | | |
| Current assets | **257,467** | 2,780 |
| Non-current assets | **219,705** | 76,708 |
| Current liabilities | **(250,094)** | (3,278) |
| Non-current liabilities | **(6,981)** | — |
| Net assets | **220,097** | 76,210 |
| Share of the jointly-controlled entities' revenue and profit: | | |
| Revenue | **949,804** | 578,836 |
| Total expenses | **(922,323)** | (559,243) |
| Tax | **(5,245)** | (2,939) |
| Profit | **22,236** | 16,654 |

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

## 24. AVAILABLE-FOR-SALE INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Listed equity interests, at fair value | **759,533** | 413,855 | **281,671** | 30,000 |
| Listed convertible bonds, at fair value | **1,329,441** | — | **—** | — |
| Unlisted equity interests, at cost | **252,094** | 157,922 | **134,750** | 46,350 |
| | **2,341,068** | 571,777 | **416,421** | 76,350 |

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB426,176,000 (2009: RMB342,367,000), of which RMB24,120,000 (2009:RMB114,765,000) was reclassified from other comprehensive income to the income statement.

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

During the year, the Group acquired 2,000 convertible bonds issued by Glencore Finance (Europe) S.A ("Glencore Finance") with a nominal value of US$200,000,000 at a consideration of US$200,000,000 (approximately RMB1,324,540,000). The convertible bonds were listed in Luxembourg, which carry interest at a rate of 5% per annum with maturity on 31 December 2014. The bonds are convertible at the option of the bondholders into ordinary shares of Glencore Holding A.G ("Glencore A.G"), the shareholder of Glencore Finance, after listing the shares of Glencore A.G. The directors plan to convert the bonds when Glencore A.G succeeds in listing its shares. The convertible bonds are redeemable under certain circumstances before 31 December 2014.

Convertible bonds are separated into two components: the debt element and the conversion options element. The Group has classified the debt element and the conversion option element as available-for-sale investments and derivative financial instruments, respectively. The fair value of the debt element at the acquisition date and 31 December 2010 was RMB1,140,032,000 and RMB 1,329,441,000 respectively. The fair value of the conversion option at the acquisition date and 31 December 2010 was RMB184,508,000 and RMB272,855,000, respectively (note 29).

As at 31 December 2010, certain unlisted equity investments with a carrying amount of RMB252,094,000 (2009:RMB157,922,000) were stated at cost less impairment because the Group's directors think that the estimated range of reasonable fair values is relatively significant that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

## 25. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Raw materials and consumable supplies | **1,362,184** | 955,363 | **40,504** | 27,260 |
| Work in progress | **760,196** | 738,035 | **158,686** | 200,392 |
| Finished goods | **822,175** | 465,861 | **69,115** | 92,929 |
| Property under development | **538,127** | 431,145 | **—** | — |
| | **3,482,682** | 2,590,404 | **268,305** | 320,581 |

At 31 December 2010, the Group's inventories with a carrying amount of RMB14,536,000 (2009: Nil) were frozen for a lawsuit (note 43(b)).

At 31 December 2010, the Group's inventories with a carrying amount of RMB46,890,000 (2009: Nil) was pledged as security for the Group's bank loan of RMB47,200,000 (note 33).

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Prepayments | **631,893** | 347,363 | **63,881** | 61,496 |
| Deposits and other receivables | **919,880** | 510,148 | **3,293,467** | 3,213,122 |
| | **1,551,773** | 857,511 | **3,357,348** | 3,274,618 |
| Impairment | **(9,203)** | (8,663) | **(5,488)** | (5,422) |
| | **1,542,570** | 848,848 | **3,351,860** | 3,269,196 |

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| At 1 January | **8,663** | 16,998 | **5,422** | 5,648 |
| Impairment losses recognised | **700** | 1,657 | **66** | — |
| Amount written off as uncollectible | **(35)** | (9,992) | **—** | (226) |
| Impairment losses reversed | **(125)** | — | **—** | — |
| At 31 December | **9,203** | 8,663 | **5,488** | 5,422 |

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB9,203,000 (2009:RMB8,663,000) with a carrying amount before provision of RMB9,203,000 (2009: RMB8,663,000) that relate to counterparties that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

All the Group's financial assets included in the deposits and other receivables above were neither past due nor impaired, except for amount of RMB57,829,000 (2009: RMB38,310,000) and RMB22,562,000 (2009: RMB21,311,000) that were past due for less than six months and more than six months, respectively, at the end of the reporting period, but not impaired.

All the Company's financial assets included in the deposits and other receivables above were neither past due nor impaired, except for amount of RMB13,238,000 (2009: RMB13,989,000) and RMB2,809,000 (2009: RMB11,075,000) that were past due for less than six months and more than six months, respectively, at the end of the reporting period, but not impaired.

Financial assets included in the deposits and other receivables above that were neither past due nor impaired relate to a large number of diversified counterparties for whom there was no recent history of default.

Financial assets included in the deposits and other receivables above that were past due but not impaired related to a number of independent counterparties 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.

Included in other receivables of the Group as at 31 December 2010 are receivables from associates, a jointly-controlled entity, non-controlling shareholders and a shareholder of the Company of RMB20,131,000 (2009: RMB18,750,000), nil (2009: RMB27,272,000), RMB37,000,000 (2009: RMB3,540,000) and RMB3,915,000 (2009: Nil), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

Included in the prepayments of the Group as at 31 December 2010 is a prepayment to an associate and a shareholder of the Company for the purchase of raw materials of RMB43,082,000 (2009: RMB12,997,000) and RMB68,583,000 (2009: RMB90,847,000), respectively.

## 27. TRADE AND BILLS RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | **669,185** | 418,236 | **92,904** | 107,478 |
| Impairment | **(91)** | (89) | **(88)** | (88) |
| | **669,094** | 418,147 | **92,816** | 107,390 |

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 ranges 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 interest-free.

An aged analysis of the trade receivables as at the end of the reporting period, based on the respective invoice dates of the sales of goods, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 4 months | **639,376** | 393,301 | **47,248** | 45,725 |
| Over 4 months but within 12 months | **26,960** | 23,704 | **36,544** | 34,501 |
| Over 1 year but within 2 years | **2,225** | 940 | **9,036** | 27,201 |
| Over 2 years | **624** | 291 | **76** | 51 |
| | **669,185** | 418,236 | **92,904** | 107,478 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | **89** | 145 | **88** | 92 |
| Impairment losses recognised (note7) | **2** | — | **—** | — |
| Impairment written off as uncollectible | **—** | (56) | **—** | (4) |
| | **91** | 89 | **88** | 88 |

## 27. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Neither past due nor impaired | **639,376** | 393,301 | **74,463** | 92,953 |
| 1 to 6 months past due | **16,782** | 19,634 | **18,163** | 14,203 |
| More than 6 months past due | **12,936** | 5,212 | **190** | 234 |
| | **669,094** | 418,147 | **92,816** | 107,390 |

Trade 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.

Trade 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.

As at 31 December 2010, trade receivables of the Group included trading balances due from an associate and a shareholder of the Company of RMB29,000 (2009: RMB11,174,000) and RMB1,027,000 (2009: Nil), respectively. The balances are unsecured, interest-free and repayable in accordance with normal credit terms similar to those offered to the major customers of the Group.

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Bills receivable | **326,626** | 111,641 | **80,325** | 41,827 |

Bills receivables are interest-free. The age of bills receivables is within four months and they are neither past due nor impaired.

Included in the bills receivable of the Group as at 31 December 2010 were bank acceptance bills with a net book value of RMB313,626,000 (2009: RMB96,641,000) and commercial acceptance bills with a net book value of RMB13,000,000 (2009: RMB15,000,000), respectively.

Included in the bills receivable of the Company as at 31 December 2010 are bank acceptance bills with a net book value of RMB80,325,000 (2009: RMB41,827,000).

## 28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Listed bond interests | **—** | 23,512 | **—** | — |
| Listed equity interests | **115,529** | 118,287 | **7,610** | 5,961 |
| | **115,529** | 141,799 | **7,610** | 5,961 |

The financial assets were carried at quoted market prices at 31 December 2010 and 2009.

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

### Group and Company

The Group and the Company entered into forward contracts for the sale of copper, zinc, gold and silver. The Group recorded realised losses of RMB41,361,000 (2009: RMB409,341,000) and unrealised losses of RMB2,322,000 (2009: unrealised gains of RMB2,402,000), for the year.

The following is a summary of open forward contracts as at 31 December 2010 and 2009:

| | **2010** | 2009 |
|---|---|---|
| Gold | | |
| – gram | **315,000** | 367,000 |
| – average price (RMB/g) | **308** | 252 |
| – maturity | **January 2011** | June 2010 |

| | **2010** | 2009 |
|---|---|---|
| Copper | | |
| – tone | **1,300** | — |
| – average price (RMB/tonne) | **71,840** | — |
| – maturity | **January 2011** | — |

During the year, the Group acquired 2,000 convertible bonds issued by Glencore Finance, as further detailed in note 24 to the financial statements. The Group had classified the conversion options element as derivative financial instruments, the fair value of the conversion option was RMB184,508,000 and RMB272,855,000 as at the acquisition date and 31 December 2010, respectively. The Group recorded an unrealised gains of RMB88,347,000 for the year.

## 30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Cash and bank balances | **2,938,856** | 2,549,935 | **1,213,990** | 1,452,580 |
| Time deposits | **1,712,354** | 1,588,034 | **991,091** | 1,191,429 |
| | **4,651,210** | 4,137,969 | **2,205,081** | 2,644,009 |
| Less: Quality guarantee deposit pledged to a bank for gold bullion sold | **(29,653)** | (58,152) | **(16,348)** | (26,646) |
| Time deposit restricted for land restoration and environmental costs upon the closure of mines (Note) | **(52,720)** | (52,720) | **(52,720)** | (52,720) |
| Deposit pledged to a bank for donation | **(64,203)** | (72,205) | **—** | — |
| Deposit pledged as security for insurance of bank acceptance bills | **(6,870)** | — | **—** | — |
| Deposit pledged to a bank for interest-bearing bank borrowings (note 33) | **(113,000)** | (360,600) | **—** | (360,600) |
| Bank balance frozen for a lawsuit (note 43 (b)) | **(1,849)** | — | **—** | — |
| | **(268,295)** | (543,677) | **(69,068)** | (439,966) |
| Cash and cash equivalents in the consolidated statement of financial position | **4,382,915** | 3,594,292 | **2,136,013** | 2,204,043 |
| Less: Non-pledged time deposits with original maturity of three months or more when acquired | **(591,443)** | (595,238) | **(500,000)** | (456,503) |
| Cash and cash equivalents in the consolidated statement of cash flows | **3,791,472** | 2,999,054 | **1,636,013** | 1,747,540 |

## 30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(CONTINUED)*

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB3,786,982,000 (2009: RMB3,288,010,000). 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 seven days to 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.

Note: As required by the Shanghang Municipal Government, the Company is required to pledge certain deposit to a bank which is reserved for land restoration and environmental costs upon the closure of mines. As at 31 December 2010, the Company had pledged bank deposits of RMB52,720,000 (2009: RMB52,720,000). The use of these bank deposits is subject to approval by the Shanghang Municipal Government.

## 31. ACCRUAL LIABILITIES AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Other payables | **2,447,471** | 1,935,141 | **673,632** | 776,017 |
| Accrual liabilities | **200,643** | 150,298 | **266,904** | 78,584 |
| | **2,648,114** | 2,085,439 | **940,536** | 854,601 |

Included in the balance of the other payables of the Group are amounts payable to non-controlling shareholders of subsidiaries, a shareholder and a jointly-controlled entity of RMB15,634,000 (2009: RMB35,364,000), RMB1,150,000 (2009: RMB6,037,000) and RMB3,328,000 (2009: RMB12,636,000), respectively.

Other payables are interest-free and have an average term of three months.

## 32. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at end of the reporting period, based on the invoice date, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Within 1 year | **982,690** | 922,075 | **211,676** | 203,298 |
| Over 1 year but within 2 years | **27,770** | 19,209 | **3,680** | 1,202 |
| Over 2 years but within 3 years | **5,064** | 11,740 | **469** | 2,020 |
| Over 3 years | **9,266** | 4,263 | **4,778** | 3,681 |
| | **1,024,790** | 957,287 | **220,603** | 210,201 |

Trade payables of the Group and the Company included trading balances due to a company controlled by a shareholder of RMB6,436,000 (2009: RMB4,986,000) and RMB6,431,000 (2009: Nil), respectively, as at 31 December 2010. The balances are unsecured, interest-free and are repayable in accordance with normal commercial terms.

Trade payables of the Group included a trading balance due to an associate of RMB886,000 (2009: RMB5,068,000) as at 31 December 2010. The balance is unsecured, interest-free and is repayable in accordance with normal commercial terms.

The trade payables are interest-free and are normally settled on 90-day terms.

## 33. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | | | Group | | Company | |
|---|---|---|---|---|---|---|
| | Effective interest rate | Maturity | 2010 RMB'000 | 2009 RMB'000 | 2010 RMB'000 | 2009 RMB'000 |
| Bank loans: | | | | | | |
| Unsecured | 2.04%-6.89% | 2011-2020 | **7,153,222** | 3,466,877 | **1,731,135** | 1,079,110 |
| Secured | 2.29%-5.4% | 2011-2012 | **186,475** | 398,188 | **—** | 361,154 |
| Other borrowings: | | | | | | |
| Unsecured | 4% | 2011 | **243,387** | — | **167,390** | — |
| Total bank loans and other borrowings: | | | **7,583,084** | 3,865,065 | **1,898,525** | 1,440,264 |
| Total bank and other borrowings: | | | **7,583,084** | 3,865,065 | **1,898,525** | 1,440,264 |
| Less: Amounts due within one year under current liabilities | 2.29%-6.39% | 2011 | **(5,280,009)** | (3,457,655) | **(1,898,525)** | (1,098,854) |
| Amounts due after one year | | | **2,303,075** | 407,410 | **—** | 341,410 |
| Bank loans repayable: | | | | | | |
| Within one year | 2.29%-6.39% | 2011 | **5,036,622** | 3,457,655 | **1,731,135** | 1,098,854 |
| In the second year | 5.13%-6.89% | 2012 | **142,000** | 377,410 | **—** | 341,410 |
| In the third to fifth years, inclusive | 5.15%-5.83% | 2013-2015 | **1,631,075** | 30,000 | **—** | — |
| Beyond five years | 5.35%-6.14% | 2016-2020 | **530,000** | — | **—** | — |
| | | | **7,339,697** | 3,865,065 | **1,731,135** | 1,440,264 |
| Other borrowings repayable: | | | | | | |
| Within one year | 4% | 2011 | **243,387** | — | **167,390** | — |
| | | | **7,583,084** | 3,865,065 | **1,898,525** | 1,440,264 |

## 33. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

As at 31 December 2010, a bank loan of RMB30,000,000 (2009: RMB30,000,000) was secured by equipment with a net book value of RMB38,974,000 (2009: RMB42,740,000) (note 14).

As at 31 December 2010, a bank loan of RMB109,275,000 (2009:RMB360,188,000) was secured by a time deposit of RMB113,000,000 (2009:RMB:360,600,000) (note 30).

As at 31 December 2010, a bank loan of RMB47,200,000 (2009: Nil) was secured by the Group's inventories with a net book value of RMB46,890,000 (2009: Nil) (note 25).

As at 31 December 2010, a loan of RMB167,390,000 (2009: Nil) was borrowed from an associate of the Company.

## 34. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

### Group

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| At beginning of year | **79,097** | 59,589 |
| Additional provision during the year (note 7) | **1,950** | 19,508 |
| At end of year | **81,047** | 79,097 |

### Company

| | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|
| At beginning of year | **68,320** | 59,589 |
| Additional provision during the year | **—** | 8,731 |
| At end of year | **68,320** | 68,320 |

As required by the Shanghang Municipal Government, with effect from 1 January 2003, the Company provided for land restoration and environmental costs at a rate of RMB1/ton of ore excavated provided that the grading of the gold content of the ore is above 0.5gram/ton. In addition, the Company is required to deposit the money in a bank which is reserved for land restoration and environmental costs upon the closure of the mines (note 30).

Pursuant to relevant notice jointly issued by the Department of Land and Resources of Fujian Province, the Finance Bureau of Fujian Province and the Fujian Environmental Protection Bureau with effect from 1 January 2007 and the regulation issued by the Government of Jilin Province, the provision for land restoration and environmental costs is provided based on the area of the mines and a coefficient set by relevant authority.

## 35. DEFERRED TAX

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

### Deferred tax assets

Group

| | Elimination of unrealised profit *RMB'000* | Impairment provision *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| At 1 January 2009 | 9,136 | 33,945 | 28,114 | 71,195 |
| Deferred tax credited /(charged) to the income statement during the year (note 10) | 16,485 | (27,110) | 23,314 | 12,689 |
| Acquisition of subsidiaries (note 40(a)) | — | — | 4,217 | 4,217 |
| Deferred tax assets at 31 December 2009 and 1 January 2010 | 25,621 | 6,835 | 55,645 | 88,101 |
| Deferred tax credited /(charged) to the income statement during the year (note 10) | (4,548) | 4,291 | 106,127 | 105,870 |
| Deferred tax assets at 31 December 2010 | 21,073 | 11,126 | 161,772 | 193,971 |

## 35. DEFERRED TAX *(continued)*

### Deferred tax liabilities

Group

| | Changes in fair value of available-for-sale investments *RMB'000* | Fair value adjustments arising from acquisition of subsidiaries *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| 1 January 2009 | — | 130,434 | 894 | 131,328 |
| Acquisition of subsidiaries (note 40(a)) | — | 20,177 | — | 20,177 |
| Deferred tax credited to the income statement during the year (note 10) | — | (6,721) | (894) | (7,615) |
| Deferred tax liabilities at 31 December 2009 and 1 January 2010 | — | 143,890 | — | 143,890 |
| Acquisition of subsidiaries (note 40(a)) | — | 63,053 | — | 63,053 |
| Deferred tax credited to the income statement during the year (note 10) | — | (11,716) | — | (11,716) |
| Deferred tax debited to the equity during the year | 31,299 | — | — | 31,299 |
| Disposal of subsidiaries (note 40(b)) | — | (7,100) | — | (7,100) |
| Deferred tax liabilities at 31 December 2010 | 31,299 | 188,127 | — | 219,426 |

## 35. DEFERRED TAX *(continued)*

### Deferred tax assets

Company

| | Impairment provision *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| At 1 January 2009 | — | 5,961 | 5,961 |
| Deferred tax credited to the income statement during the year | — | 3,823 | 3,823 |
| At 31 December 2009 and 1 January 2010 | — | 9,784 | 9,784 |
| Deferred tax credited to the income statement during the year | 60,975 | 36,872 | 97,847 |
| Deferred tax assets at 31 December 2010 | 60,975 | 46,656 | 107,631 |

### Deferred tax liabilities

Company

| | Change in fair value of available-for-sale investment *RMB'000* | Total *RMB'000* |
|---|---|---|
| Deferred tax liabilities at 31 December 2009 and 1 January 2010 | — | — |
| Deferred tax credited to the income statement during the year | 31,299 | 31,299 |
| Deferred tax liabilities at 31 December 2010 | 31,299 | 31,299 |

## 35. DEFERRED TAX *(continued)*

### Deferred tax liabilities *(continued)*

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Tax losses | **292,855** | 181,688 |
| Deductible temporary differences | **640,762** | 515,333 |
| | **933,617** | 697,021 |

The above tax losses will expire in one to five years for offsetting against future taxable profit of the companies in which the losses arose. The deductible temporary differences are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2010, there was no significant unrecognised deferred tax liability (2009: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates and 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 | |
|---|---|---|---|---|---|
| | Notes | **2010** | 2009 | **2010** | 2009 |
| | | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Shanghang Finance Bureau（上杭縣財政局） | (a) | **13,999** | 18,182 | **13,999** | 18,182 |
| Jingmei villagers（逕美村村民） | (b) | **—** | 106,145 | **—** | 106,145 |
| Tongkang villagers（同康村村民） | (c) | **18,746** | 18,746 | **18,746** | 18,746 |
| Others | | **43,356** | 50,310 | **24,979** | 21,201 |
| | | **76,101** | 193,383 | **57,724** | 164,274 |

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

Notes:

(a) 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 2005 onwards. The current portion of RMB5,600,000 (2009: RMB5,633,000) has been included in accrued liabilities and other payables as at 31 December 2010.

(b) At 31 December 2009, the balance of RMB22,145,000 represents the compensation fee payable to the Jingmei villagers for the acquisition of land use rights. Pursuant to the agreements entered into between the Company and the villagers, the balance bears interest at 10% per annum and has no fixed terms of repayment. The balance of RMB84,000,000 bears interest at 5% per annum. The directors consider that it will be repaid in 2011 and therefore, the balance has been included in accrued liabilities and other payables as at 31 December 2010.

(c) The balance represents the compensation fee payable to the Tongkang villagers for the acquisition of land use rights. Pursuant to the agreements entered into between the Company and the villagers, the balance bears interest at 10% per annum and repayable in 2030.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Within two to five years | **57,355** | 146,092 | **38,978** | 146,092 |
| Over five years | **18,746** | 47,291 | **18,746** | 18,182 |
| | **76,101** | 193,383 | **57,724** | 164,274 |

## 37. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Pursuant to the agreement entered into between the Group and Xinxing Zhuguan (XinJiang) Resource Development Company Limited（「新興鑄管(新疆)資源發展有限公司」）and Aletai Qiaxiatiemierte Mining Company Limited（「阿勒泰市恰夏鐵米爾特礦業有限責任公司」）, both were independent third-party, dated 3 August 2009, the three parties have decided to set up a mining company with registered capital of RMB1,000,000,000. The Group would inject its 60% equity interest in Fuyun Jinshan as capital contribution and hold a 25.92% equity interest in the new company. Fuyun Jinshan is engaged in iron concentrate mining activities. Pursuant to the agreement entered into between the Group and above two parties dated 13 July 2010, the arrangement above was cancelled. Therefore, Fuyun Jinshan was accounted for as a subsidiary as at 31 December 2010.

Pursuant to the agreement entered into between the Group and Marigold Time International Limited ("Marigold Time"), an independent third party, dated 25 September 2009, the Group disposed of its 50.05% equity interests in Shandong Guoda for a consideration of RMB192, 500,000. Shandong Guoda is engaged in gold refinery activities. Pursuant to the agreement entered into between the Group and Marigold Time dated 6 January 2011, the disposal of 50.05% equity interests in Shandong Guoda to Marigold Time was cancelled. Therefore, Shandong Guoda was classified as a jointly-controlled entity as at 31 December 2010.

The assets and liabilities classified as held for sale as at 31 December 2009 are as follows:

| | 2009<br>RMB'000 |
|---|---|
| **Assets** | |
| Property, plant and equipment (note 14) | 356,986 |
| Prepaid land lease payments (note 16) | 1,727 |
| Long-term deferred assets (note 17) | 8,169 |
| Other assets | 24,594 |
| Intangible assets (note 19) | 32,406 |
| Interest in a jointly-controlled entity | 192,500 |
| Inventories | 47,214 |
| Prepayments, deposits and other receivables | 1,668 |
| Trade receivables | 9,684 |
| Bills receivable | 33,025 |
| Cash and cash equivalents | 1,987 |
| Assets classified as held for sale | 709,960 |
| **Liabilities** | |
| Accrued liabilities and other payables | 30,191 |
| Trade and bills payables | 20,899 |
| Interest-bearing bank borrowings | 311,000 |
| Tax payable | 4,041 |
| Liabilities directly associated with the assets classified as held for sale | 366,131 |

## 37. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *(continued)*

During the year ended 31 December 2010, due to the cancellation of agreements as mentioned above, the assets and liabilities classified as held for sales are transferred to respective assets and liabilities on the consolidated statement of financial position.

## 38. SHARE CAPITAL

| | 2010 Number of shares *'000* | 2010 Nominal value *RMB'000* | 2009 Number of shares *'000* | 2009 Nominal value *RMB'000* |
|---|---|---|---|---|
| Registered | **14,541,309** | **1,454,130** | 14,541,309 | 1,454,130 |
| Issued and fully paid: | | | | |
| Domestic shares of RMB0.10 each (2009: RMB0.10 each) | **4,210,902** | **421,090** | 4,210,902 | 421,090 |
| A shares of RMB0.10 each | **6,324,967** | **632,496** | 6,324,967 | 632,496 |
| H shares of RMB0.10 each | **4,005,440** | **400,544** | 4,005,440 | 400,544 |
| | **14,541,309** | **1,454,130** | 14,541,309 | 1,454,130 |

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

## 39. 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 76 to 77 of the financial statements.

### Company

| | Notes | Share premium account *RMB'000* | Statutory surplus reserve *RMB'000* note (a) | Retained profits *RMB'000* note (b) | Proposed final dividend *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| At 1 January 2009 | | 9,698,621 | 781,003 | 1,432,135 | 1,454,131 | 13,365,890 |
| Total comprehensive income for the year | 11 | — | — | 2,595,455 | — | 2,595,455 |
| Dividends paid | | — | — | — | (1,454,131) | (1,454,131) |
| Provision for special reserve (note (c)) | | — | 61,240 | (61,240) | — | — |
| Utilisation of special reserve | | — | (70,360) | 70,360 | — | — |
| Proposed final dividend | 12 | — | — | (1,454,131) | 1,454,131 | — |
| At 31 December 2009 | | 9,698,621 | 771,883 | 2,582,579 | 1,454,131 | 14,507,214 |

| | Notes | Share premium account *RMB'000* | Statutory surplus reserve *RMB'000* note (a) | Retained profits *RMB'000* note (b) | Proposed final dividend *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| At 1 January 2010 | | 9,698,621 | 771,883 | 2,582,579 | 1,454,131 | 14,507,214 |
| Total comprehensive income for the year | 11 | — | — | 3,211,956 | — | 3,211,956 |
| Dividends paid | | — | — | — | (1,454,131) | (1,454,131) |
| Provision for special reserve (note (c)) | | — | 300,271 | (300,271) | — | — |
| Utilisation of special reserve | | — | (300,426) | 300,426 | — | — |
| Proposed final dividend | 12 | — | — | (1,454,131) | 1,454,131 | — |
| At 31 December 2010 | | 9,698,621 | 771,728 | 4,340,559 | 1,454,131 | 16,265,039 |

## 39. RESERVES

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 established in the PRC, the Company and the subsidiaries are required to allocate 10% of their respective profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of the respective 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) 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 the 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 2010, the Company's reserves available for distribution amounted to approximately RMB5,794,690,000 (2009: RMB4,036,710,000).

(c) Provision for special reserve

Pursuant to the relevant regulation in the PRC, the Group is required to provide for safety fund based on the volume of ore excavated.

## 40. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES

### (a) Acquisition of subsidiaries

During the year ended 31 December 2010, the Group acquired the following subsidiaries:

Pursuant to the agreement entered into between the Group and Wellhope International Investment Limited（「滙信達國際投資有限公司」） dated 30 March 2010, the Group acquired a 55% equity interests in Nei Meng Golden (「內蒙金華黃金勘查有限公司」) at a consideration of RMB181,500,000. Nei Meng Golden is a company incorporated in the British Virgins Islands and held 95% and 100% equity interests in Neimenggu Golden China Minerals Inc. ("Golden Mineral")（「內蒙古金中礦業有限公司」）and Neimenggu Ipak Resources Company Limited("Neimenggu Ipak")（「內蒙古愛派克資源有限公司」）, respectively. As a result, the Group indirectly held 95% and 100% equity interests in Golden mineral and Neimenggu Ipak, respectively. Golden Mineral and Neimenggu Ipak are engaged in gold mining activities. The registered capital of Golden Mineral and Neimenggu Ipak were USD20,000,000 and USD500,000, respectively, as at 31 December 2010.

Pursuant to the agreement entered into between the Group and shareholders of Fujian Jinshan Resistant Material Limited ("Jinshan Material")（「福建金山耐磨材料有限公司」） dated 20 June 2010, the Group acquired a 51% equity interests in Jinshan Material at a consideration of RMB9,200,000. As a result, the Group held a 51% equity interests in Jinshan Material, which was accounted for as a subsidiary as at 31 December 2010. Jinshan Material is engaged in the production of resistant material and its registered capital was RMB20,000,000 as at 31 December 2010.

Pursuant to the agreement entered into between the Group and shareholders of Tongling Guanglongke Industrial and Trading Company Limited ("Tongling Guanglongke")（「銅陵廣隆科工貿有限公司」）dated 9 August 2010, the Group acquired a 59.55% equity interests in Tongling Guanglongke at a consideration of RMB3,715,000. As a result, the Group held a 59.55% equity interests in Tongling Guanglongke, which was accounted for as a subsidiary as at 31 December 2010. Tongling Guanglongke is engaged in the production of chemicals and its registered capital was RMB3,818,000 as at 31 December 2010.

Pursuant to the agreement entered into between the Group and World Fortune Enterprise Inc ("World Fortune")（「加拿大世運企業機構」）dated 15 July 2009, the Group acquired a 80% equity interests in Luoyang Jialian Mine Limited ("Luoyang Jialian")（「洛陽加聯礦業有限公司」）at a consideration of RMB18,450,000. As a result, the Group held a 80% equity interests in Luoyang Jialian, which was accounted for as a subsidiary as at 31 December 2010. Luoyang Jialian is engaged in gold mining activities and its registered capital was RMB34,140,000 as at 31 December 2010.

## 40. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

### (a) Acquisition of subsidiaries *(continued)*

The fair values of the identifiable assets and liabilities of the subsidiaries as at the dates of acquisition were as follows:

| | Notes | 2010 Fair value recognised on acquisition *RMB'000* | 2009 Fair value recognised on acquisition *RMB'000* |
|---|---|---|---|
| Property, plant and equipment | 14 | **26,672** | 484,812 |
| Long-term deferred assets | 17 | **474** | 2,369 |
| Other assets | 18 | **84,565** | — |
| Other intangible assets | 19 | **366,011** | 3,336 |
| Prepaid land lease payment | 16 | **—** | 22,363 |
| Available-for-sale investments | | **—** | — |
| Cash and cash equivalents | | **9,348** | 70,761 |
| Inventories | | **58** | 16,057 |
| Trade receivables | | **3,208** | 57,227 |
| Deferred tax assets | 35 | **—** | 4,217 |
| Financial assets at fair value through profit or loss | | **—** | 6,610 |
| Prepayments, deposits and other receivables | | **20,357** | 174,030 |
| | | **510,693** | 841,782 |
| Trade payables | | **(3,887)** | (47,226) |
| Accrued liabilities and other payables | | **(61,205)** | (56,647) |
| Interest-bearing bank borrowings | | **—** | (68,163) |
| Long-term other payables | | **—** | (107,135) |
| Deferred tax liabilities | 35 | **(63,053)** | (20,177) |
| Non-controlling interests | | **(169,683)** | (182,202) |
| | | **(297,828)** | (481,550) |
| Total identifiable net assets at fair value | | **212,865** | 360,232 |
| Goodwill on acquisition | 20 | **—** | 125,794 |
| Total consideration | | **212,865** | 486,026 |

## 40. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

### (a) Acquisition of subsidiaries *(continued)*

The fair values and gross contractual amounts of the trade receivables and other receivables as at the dates of acquisition amounted to RMB3,208,000 and RMB 12,281,000, respectively.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

| | 2010 *RMB'000* | 2009 *RMB'000* |
|---|---|---|
| **Consideration:** | | |
| Satisfied by cash | **(212,865)** | (291,926) |
| Transferred from an interest in an associate | — | (79,934) |
| Transferred from interests in jointly-controlled entities | — | (100,000) |
| Transferred from available-for-sale interests | — | (1,000) |
| Share of fair value adjustments of the identifiable assets and liabilities recognised on step acquisition of subsidiaries | — | (13,166) |
| | **(212,865)** | (486,026) |
| Cash consideration | **(212,865)** | (291,926) |
| Prepayment in the prior year | — | 4,100 |
| Cash and bank balance acquired | **9,348** | 70,761 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | **(203,517)** | (217,065) |

Since the acquisition, the aforementioned subsidiaries contributed RMB1,569,000 (2009: RMB247,825,000) to the Group's turnover and loss of RMB1,875,000 (2009: profit of RMB17,976,000) to the consolidated profit for the year ended 31 December 2010.

Had the subsidiaries' acquisitions taken place at the beginning of the year, the revenue and the profit attributable to the equity holders of the parent of the Group for the year would have been RMB27,771,394,000 (2009: RMB20,313,147,000) and RMB4,810,097,000 (2009: RMB3,559,594,000), respectively.

## 40. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

### (b) Disposal of subsidiaries

| Net assets disposed of: | Notes | 2010 *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| Property, plant and equipment | 14 | **89,590** | 78,190 |
| Long-term deferred assets | 17 | **5,771** | 15,229 |
| Other intangible assets | 19 | **6,248** | 12,861 |
| Cash and cash equivalents | | **71,266** | 1,589 |
| Inventories | | **2,075** | 10,192 |
| Trade receivables | | **7,542** | 4,961 |
| Prepayments, deposits and other receivables | | **18,166** | 11,973 |
| Trade payables | | **(22)** | (2,256) |
| Accrued liabilities and other payables | | **(8,679)** | (46,656) |
| Tax recoverable | | **—** | 1 |
| Long-term other payables | | **—** | (624) |
| Deferred tax liabilities | 35 | **(7,100)** | — |
| Interest-bearing bank borrowings | | **—** | (6,000) |
| Non-controlling interests | | **(46,136)** | (14,639) |
| | | **138,721** | 64,821 |
| Goodwill on disposal | 20 | **43,738** | 2,089 |
| Gain on disposal of subsidiaries, net | 5 | **59,128** | 4,820 |
| | | **241,587** | 71,730 |
| Satisfied by: | | | |
| Cash | | **241,587** | 71,730 |
| An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows: | | | |
| Cash consideration | | **241,587** | 71,730 |
| Cash and bank balances disposed of | | **(71,266)** | (1,589) |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | | **170,321** | 70,141 |

## 40. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

### (b) Disposal of subsidiaries *(continued)*

During the year ended 31 December 2010, the Group disposed of the following subsidiaries:

Pursuant to the agreement entered into between the Group and Zhaoheng Hydropower International Co., Limited ("Zhaoheng Hydropower")（「兆恒水電國際有限公司」）dated 16 July 2010, the Group disposed of its 100% equity interests in Sino Trend Hydro Power (Zhenghe) Investment limited and Sino Trend Hydro Power (Zhouning) Investment Limited, at a consideration of RMB183,536,000. The disposal resulted in a gain on disposal of RMB61,325,000 for the year.

Pursuant to the agreement entered into between the Group and individual shareholders dated 1 January 2010, the Group disposed of its 40% equity interests in Wuding County Yunyejinyuan Mining Company Limited（「武定雲冶錦源有限公司」）at a consideration of RMB10,300,000. The disposal resulted in a loss on disposal of RMB2,197,000.

On 14 September 2010, Guizhou Wuchuan Zijin Company Limited ("Wuchuan Zijin")（「貴州務川紫金有限公司」）was liquidated. The net assets of Wuchuan Zijin was RMB47,751,000 at the date of liquidation.

## 41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### Major non-cash transactions

During the year, the Group capitalised interest expenses of RMB31,054,000 (2009: RMB43,467,000) in property, plant and equipment (note 6).

During the year, other assets of RMB9,308,000 were transferred to other intangible assets.

During the year 2009, other assets of RMB1,468,298,000 was transferred to prepaid land lease payments and other intangible assets.

## 42. 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 | 2010 *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|---|---|
| Fujian Xinhuadu Engineering Company Limited ("Xinhuadu Engineering") (「福建省新華都工程有限責任公司」) | A company controlled by a shareholder | Construction service fees | (i) | **185,479** | 168,734 |
| Shangdong Guoda Gold Company Limited | A jointly-controlled entity | Sales of gold concentrates | (i) | **322,162** | 281,442 |
| Tibet Yulong | An associate | Provision of construction service works | (i) | **11,660** | 13,390 |
| Xinjiang Non-ferrous (Group) Metal Company Limited ("Xinjiang Non-ferrous Metal") (「新疆有色金屬工業(集團)有限公司」) | A shareholder of Xinjiang Ashele | Transportation service | (i) | **3,531** | 2,809 |
| Xinjiang Non-ferrous Logistics Company Limited ("Xinjiang Non-ferrous Logistics") (「新疆有色物流有限公司」) | A shareholder of Xinjiang Ashele | Transportation service | (i) | **2,890** | — |
| Wancheng Commercial | An associate | Purchase of zinc concentrates | (i) | **508,162** | 154,301 |
| Fujian Haixia Technology Company Limited | An associate | Purchase of raw material | (i) | **48,465** | 19,765 |
| Sichuan Bureau of Geological Exploration and Exploration of Mineral Resources | A shareholder of a subsidiary of the Group | Exploration service | (i) | **580** | 622 |
| Fujian Jinyi Copper Company Limited ("Jinyi Copper") (「福建金藝銅業有限公司」) | A then associate | Sales of copper cathodes | (i) | **—** | 26,709 |
| Shanghang Jinshan Trade Company Limited ("Jinshan trade") (「上杭縣金山貿易有限公司」) | A shareholder | Commission on trading service | (i) | **1,492** | 517 |
| Jinshan Trade | A shareholder | Sales of iron scrap | (i) | **5,406** | — |
| Mr.Lv Tinggang (呂庭剛) | A shareholder of a subsidiary of the Group | Purchase of a 3% equity interests in a subsidiary of the Group | (ii) | **8,400** | — |

## 42. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

| Name of related party | Relationship with the Company | Nature of Transaction | Notes | 2010 *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|---|---|
| Guangxi Wantaicheng Construction Investment Company Limited ("Guangxi Wantaicheng") (「廣西萬泰成建設投資有限公司」) | A shareholder of a subsidiary of the Group | Purchase of a 20% equity interest in a subsidiary of the Group | (iii) | **28,000** | — |
| Yuanyang Yuanhong Mining Company Limited (「元陽縣鴻源礦業開發有限公司」) | A shareholder of Yuanyang Huaxi | Purchase of a 20% equity interest in Yuanyang Huaxi | (iv) | — | 162,000 |
| Mr.Huang Mao (黃毛) | A shareholder of Wulate Zijin | Purchase of a 22% equity interest in Wulate Zijin | (v) | — | 150,000 |
| Mr.Huang Mao (黃毛) | A shareholder of Wulate Zijin | Purchase of a 4.8% equity interest in Bayannaoer Zijin | (v) | — | 43,200 |
| Minxi Xinghang | A shareholder | Purchase of a 50% equity interest in Zijin Copper | (vi) | — | 104,340 |
| Minxi Xinghang | A shareholder | Disposal of a 4.5% equity interest in Jinyi Copper | (vi) | — | 8,550 |
| Shanghang Xinyuan | An associate | Capital injection | (vii) | **89,000** | 25,000 |
| Zijin Tongguan | An associate | Loan from an associate | (viii) | **189,900** | — |
| Shanghang Tingjiang Hydro Power Limited | An associate | Loan to an associate | (ix) | **20,000** | — |

## 42. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) These transactions were made according to the prices and conditions similar to those offered to independent third parties.

(ii) Pursuant to an agreement entered into between the Group and an individual shareholder of Shangri-La Huaxi Mining Company Limited dated 4 April 2010, the Group purchased a 3% equity interest at a consideration of RMB8,400,000 which was mutually agreed between the parties.

(iii) Pursuant to an agreement entered into between the Group and Guangxi Wantaicheng dated 25 August 2010, the Group acquired a 20% equity interest in Wuqia County Jinwang Mining Development Co., Ltd. at a consideration of RMB28,000,000 which was mutually agreed between the parties.

(iv) Pursuant to an agreement entered into between the Group and Yuanyang Yuanhong Mining Company Limited dated 7 December 2009, the Group purchased a 20% equity interest in Yuanyang Huaxi at a consideration of RMB162,000,000 which was mutually agreed between the parties.

(v) Pursuant to an agreement entered into between the Group and an individual shareholder Mr. Huang Mao dated 16 December 2009, the Group purchased a 22% equity interest of Wulate Zijin at a consideration of RMB150,000,000 which was mutually agreed between the parties.

Pursuant to an agreement entered into between the Group and an individual shareholder Mr. Huang Mao dated 16 December 2009, the Group purchased a 4.8% equity interest of Bayannaoer Zijin at a consideration of RMB43,200,000 which was mutually agreed between the parties.

(vi) The considerations were mutually agreed between the parties.

(vii) Pursuant to the agreement entered into between the Group and Minxi Xinghang dated 22 June 2009, the two parties jointly injected capital to Shanghang Xinyuan. The Group hold 38% equity interests of Shanghang Xinyuan at a consideration of RMB25,000,000. During the year, Shanghang Xinyuan increased its capital to RMB300,000,000 and the Group further injected cash of RMB75,000,000 and fixed assets with amount of RMB14,000,000 and hold 38% equity interests in Shanghang Xinyuan after its capital increment.

(viii) The loan is unsecured and repayable in 2011 and bears interest rate of 4% per annum.

(ix) The loan is unsecured and bears interest rate of 5.6% per annum.

## 42. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other related party transactions with a shareholder of the Company:

Yongding Zijin Longhu Ecological Industry Development Company Limited ("Yongding Zijin")(「永定紫金龍湖生態產業發展有限公司」) was set up by the Group and Yongding County State-owned Assets Investment Management Company Limited ("Yongding SAIMC")(「永定縣國有資產經營有限公司」) in 2010. The Group injected RMB220,000,000 and hold 91.67% equity interest in Yongding Zijin. Pursuant to the agreement entered into between the Group, Yongding SAIMC, Fujian Xinhuadu Industry Group Company Limited ("Xinhuadu Industry")(「福建新華都實業集團有限公司」), a shareholder of the Company, and other two parties dated 24 December 2010, Yongding Zijin increased its registered capital to RMB500,000,000. The Group and Xinhuadu Industry further injected RMB130,000,000 and RMB30,000,000 and held 70% and 6% equity interests, respectively, in Yongding Zijin after the capital increment.

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

(d) Guarantees in respect to bank loans granted by the Company to associates and a jointly- controlled entity are disclosed in note 43(a).

(e) Outstanding balances with related parties:

(i) Details of the Group's prepayment and other receivable balances from associates, a jointly-controlled entity, non-controlling shareholders and a shareholder of the Company as at the end of the reporting period are disclosed in note 26 to the financial statements.

(ii) Details of the Group's trade receivable balances with an associate and a shareholder of the Company as at the end of the reporting period are disclosed in note 27 to the financial statements.

(iii) Details of the Group's other payable balances to non-controlling shareholders of subsidiaries, a shareholder and a jointly-controlled entity as at the end of the reporting period are disclosed in note 31 to the financial statements.

(iv) Details of the Group's trade payable balances to a company controlled by a shareholder and an associate as at the end of the reporting period are disclosed in note 32 to the financial statements.

(v) Details of the loan to the then non-controlling shareholder of a subsidiary as at the end of the reporting period are disclosed in note 18 to the financial statements.

(vi) Details of the loan from an associate as at the end of the reporting period are disclosed in note 33 to the financial statements.

## 43. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Corporate guarantees in respect of bank loans granted to: | | | | |
| Subsidiaries | **—** | — | **7,724,570** | 1,044,000 |
| Associates | **293,000** | 315,500 | **300,000** | 265,500 |
| A jointly-controlled entity | **—** | 80,000 | **—** | 80,000 |
| | **293,000** | 395,500 | **8,024,570** | 1,389,500 |

As at 31 December 2010, 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 RMB2,865,970,000 (2009: RMB727,000,000), RMB243,000,000 (2009: RMB265,500,000) and nil (2009: RMB80,000,000), respectively.

As at 31 December 2010, the banking facilities granted to the associates and a jointly-controlled entity subject to guarantees given to the banks by the Group were utilised to the extent of RMB293,000,000 (2009: RMB315,500,000) and nil (2009: RMB80,000,000) respectively.

(b) On 21 September 2010, the collapse of the tailing dam of Xinyi Zijin Mining Company Limited ("Xinyi Zijin"), a subsidiary of the Company, which was caused by the severe typhoon "Fanapi", has resulted in property losses and casualties in Xinyi City.

On 16 October 2010, Xinyi Zijin and Xinyi Baoyuan Mining Company Limited ("Xinyi Baoyuan"), a subsidiary of the Company, were collectively sued by the People's Government of Xinyi City to compensate for the economic losses of RMB19,500,000.

In the late December 2010, the Company, Xinyi Zijin and Xinyi Baoyuan were collectively sued by the villagers of Datong Village and Shuanghe Village of Qianpai Town, Xinyi City, to compensate for their casualties of RMB11,678,000.

Due to the Lawsuits mentioned above, a group of assets, including property, plant and equipment with carrying amount of RMB303,797,000, mining right with carrying amount of RMB10,316,000, inventory of RMB14,536,000 and bank balance of RMB1,849,000, were frozen by the court.

In the mid February 2011, the Company, Xinyi Zijin, Xinyi Baoyuan and the other four third-party defendants were collectively sued by the 852 villagers of Datong Village and Shuanghe Village of Qianpai Town, Xinyi City, to compensate for their property losses of RMB170,521,000.

In the mid March 2011, the Company, Xinyi Zijin, Xinyi Baoyuan and the other four third-party defendants were collectively sued by the 850 villagers of Datong Village and Shuanghe Village of Qianpai Town, Xinyi City, to compensate for their property losses of RMB75,053,000.

Currently, the related litigations are in progress. The Group is still in the process of estimating the compensation amount due to the complexity of the legal cases.

## 44. 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 one to nine years.

At 31 December 2010, the Group and the Company had total future minimum lease rental income under non-cancellable operating leases with its tenants falling due as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Within one year | **5,416** | 5,485 | **183** | 252 |
| In the second to fifth years, inclusive | **25,516** | 20,389 | **—** | 106 |
| Over five years | **—** | 10,466 | **—** | — |
| | **30,932** | 36,340 | **183** | 358 |

### (b) As lessee

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

At 31 December 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Within one year | **1,650** | 1,740 | **1,200** | 1,200 |
| In the second to fifth years, inclusive | **4,800** | 5,250 | **4,800** | 4,800 |
| Over five years | **—** | 1,200 | **—** | 1,200 |
| | **6,450** | 8,190 | **6,000** | 7,200 |

## 45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44(b) above, the Group and the Company had the following commitments at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Contracted, but not provided: | | | | |
| Acquisition of plant, machinery and mining assets | **2,678,323** | 1,612,503 | **351,898** | 227,723 |
| Acquisition of exploration and mining rights | **—** | 3,000 | **—** | 3,000 |
| | **2,678,323** | 1,615,503 | **351,898** | 230,723 |
| Authorised, but not contracted for: | | | | |
| Acquisition of plant, machinery and mining assets | **1,144,261** | 1,206,708 | **—** | — |
| Acquisition of a jointly-controlled entity | **—** | 4,200 | **—** | — |
| Acquisition of convertible bonds | **—** | 1,365,640 | **—** | 1,365,640 |
| Acquisition of subsidiaries | **—** | 3,377,529 | **—** | 3,377,529 |
| | **1,144,261** | 5,954,077 | **—** | 4,743,169 |
| | **3,822,584** | 7,569,580 | **351,898** | 4,973,892 |

## 46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Group

2010

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 | — | 102,922 | — | 102,922 |
| Available-for-sale investments | — | — | 2,341,068 | 2,341,068 |
| Financial assets included in prepayments, deposits and other receivables | — | 874,890 | — | 874,890 |
| Trade receivables | — | 669,094 | — | 669,094 |
| Bills receivables | — | 326,626 | — | 326,626 |
| Financial assets at fair value through profit or loss | 115,529 | — | — | 115,529 |
| Derivative financial instruments | 272,855 | — | — | 272,855 |
| Pledged deposits | — | 151,372 | — | 151,372 |
| Cash and cash equivalents | — | 4,382,915 | — | 4,382,915 |
| | 388,384 | 6,507,819 | 2,341,068 | 9,237,271 |

Financial liabilities

| | Financial liabilities at amortised cost RMB'000 |
|---|---|
| Financial liabilities included in accrued liabilities and other payables | 1,307,263 |
| Trade and bills payables | 1,024,790 |
| Derivative financial instruments | 2,322 |
| Interest-bearing bank and other borrowings | 7,583,084 |
| Long-term other payables | 76,101 |
| | 9,993,560 |

## 46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

### Group

**2009**

**Financial assets**

| | Financial assets at fair value through profit or loss -held for trading<br>*RMB'000* | Loans and receivables<br>*RMB'000* | Available-for-sale financial assets<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| Financial assets included in other assets | — | 120,920 | — | 120,920 |
| Available-for-sale investments | — | — | 571,777 | 571,777 |
| Financial assets included in prepayments, deposits and other receivables | — | 452,682 | — | 452,682 |
| Trade receivables | — | 418,147 | — | 418,147 |
| Bills receivables | — | 111,641 | — | 111,641 |
| Financial assets at fair value through profit or loss | 141,799 | — | — | 141,799 |
| Derivative financial instruments | 2,402 | — | — | 2,402 |
| Pledged deposits | — | 418,752 | — | 418,752 |
| Cash and cash equivalents | — | 3,594,292 | — | 3,594,292 |
| | 144,201 | 5,116,434 | 571,777 | 5,832,412 |

**Financial liabilities**

| | Financial liabilities at amortised cost<br>*RMB'000* |
|---|---|
| Financial liabilities included in accrued liabilities and other payables | 1,222,047 |
| Trade and bills payables | 957,287 |
| Interest-bearing bank and other borrowings | 3,865,065 |
| Long-term other payables | 193,383 |
| | 6,237,782 |

## 46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

### Company

2010

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 | — | 13,900 | — | 13,900 |
| Interests in subsidiaries | — | 2,029,737 | — | 2,029,737 |
| Available-for-sale investments | — | — | 416,421 | 416,421 |
| Financial assets included in prepayments, deposits and other receivables | — | 3,269,737 | — | 3,269,737 |
| Trade receivables | — | 92,816 | — | 92,816 |
| Bills receivable | — | 80,325 | — | 80,325 |
| Financial assets at fair value through profit or loss | 7,610 | — | — | 7,610 |
| Pledged deposits | — | 16,348 | — | 16,348 |
| Cash and cash equivalents | — | 2,136,013 | — | 2,136,013 |
| | 7,610 | 7,638,876 | 416,421 | 8,062,907 |

Financial liabilities

| | Financial liabilities at amortised cost *RMB'000* |
|---|---|
| Financial liabilities included in accrued liabilities and other payables | 484,467 |
| Trade and bills payables | 220,603 |
| Derivative financial instruments | 2,322 |
| Interest-bearing bank and other borrowings | 1,898,525 |
| Long-term other payables | 57,724 |
| | 2,663,641 |

## 46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

### Company

**2009**

**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 | — | 38,900 | — | 38,900 |
| Interests in subsidiaries | — | 493,000 | — | 493,000 |
| Available-for-sale investments | — | — | 76,350 | 76,350 |
| Financial assets included in prepayments, deposits and other receivables | — | 3,203,484 | — | 3,203,484 |
| Trade receivables | — | 107,390 | — | 107,390 |
| Bills receivable | — | 41,827 | — | 41,827 |
| Financial assets at fair value through profit or loss | 5,961 | — | — | 5,961 |
| Derivative financial instruments | 2,402 | — | — | 2,402 |
| Pledged deposits | — | 387,246 | — | 387,246 |
| Cash and cash equivalents | — | 2,204,043 | — | 2,204,043 |
| | 8,363 | 6,475,890 | 76,350 | 6,560,603 |

**Financial liabilities**

| | Financial liabilities at amortised cost *RMB'000* |
|---|---|
| Financial liabilities included in accrued liabilities and other payables | 568,187 |
| Trade and bills payables | 210,201 |
| Interest-bearing bank and other borrowings | 1,440,264 |
| Long-term other payables | 164,274 |
| | 2,382,926 |

## 47. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Financial assets** | | | | |
| Financial assets included in other assets | **102,922** | 120,920 | **102,922** | 120,920 |
| Available-for-sale investments | **2,341,068** | 571,777 | **2,341,068** | 571,777 |
| Financial assets included in prepayments, deposits and other receivables | **874,890** | 452,682 | **874,890** | 452,682 |
| Trade receivables | **669,094** | 418,147 | **669,094** | 418,147 |
| Bills receivable | **326,626** | 111,641 | **326,626** | 111,641 |
| Financial assets at fair value through profit or loss | **115,529** | 141,799 | **115,529** | 141,799 |
| Derivative financial instruments | **272,855** | 2,402 | **272,855** | 2,402 |
| Pledged deposits | **151,372** | 418,752 | **151,372** | 418,752 |
| Cash and cash equivalents | **4,382,915** | 3,594,292 | **4,382,915** | 3,594,292 |
| | **9,237,271** | 5,832,412 | **9,237,271** | 5,832,412 |
| **Financial liabilities** | | | | |
| Financial liabilities included in accrued liabilities and other payables | **1,307,263** | 1,222,047 | **1,868,803** | 1,222,047 |
| Trade and bills payables | **1,024,790** | 957,287 | **1,024,790** | 957,287 |
| Derivative financial instruments | **2,322** | — | **2,322** | — |
| Interest-bearing bank and other borrowings | **7,583,084** | 3,865,065 | **8,020,997** | 3,950,658 |
| Long-term other payables | **76,101** | 193,383 | **118,586** | 263,564 |
| | **9,993,560** | 6,237,782 | **11,035,498** | 6,393,556 |

## 47. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: *(continued)*

Company

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Financial assets** | | | | |
| Financial assets included in other assets | **13,900** | 38,900 | **13,900** | 38,900 |
| Interests in subsidiaries | **2,029,737** | 493,000 | **2,029,737** | 493,000 |
| Available-for-sale investments | **416,421** | 76,350 | **416,421** | 76,350 |
| Financial assets included in prepayments, deposits and other receivables | **3,269,737** | 3,203,484 | **3,269,737** | 3,203,484 |
| Trade receivables | **92,816** | 107,390 | **92,816** | 107,390 |
| Bills receivables | **80,325** | 41,827 | **80,325** | 41,827 |
| Financial assets at fair value through profit or loss | **7,610** | 5,961 | **7,610** | 5,961 |
| Derivative financial instruments | **—** | 2,402 | **—** | 2,402 |
| Pledged deposits | **16,348** | 387,246 | **16,348** | 387,246 |
| Cash and cash equivalents | **2,136,013** | 2,204,043 | **2,136,013** | 2,204,043 |
| | **8,062,907** | 6,560,603 | **8,062,907** | 6,560,603 |
| **Financial liabilities** | | | | |
| Financial liabilities included in accrued liabilities and other payables | **484,467** | 568,187 | **484,467** | 568,187 |
| Trade and bills payables | **220,603** | 210,201 | **220,603** | 210,201 |
| Derivative financial instruments | **2,322** | — | **2,322** | — |
| Interest-bearing bank and other borrowings | **1,898,525** | 1,440,264 | **1,962,144** | 1,476,785 |
| Long-term other payables | **57,724** | 164,274 | **104,535** | 234,455 |
| | **2,663,641** | 2,382,926 | **2,774,071** | 2,489,628 |

## 47. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in accrued liabilities and other payables, trade and bills payables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings and long-term other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of listed financial assets are based on quoted market prices. The Group enters into derivative financial instruments, which are measured based on quoted market price

### Fair value hierarchy

As at 31 December 2010, fair values of all the financial instruments of the Group and the Company were measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

## 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise interest-bearing bank and other borrowings, and cash and time deposits, available-for-sale investments and financial assets at fair value through profit or loss. 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 and bills receivables and trade and bills 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, equity price 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, financial assets at fair value through profit or loss, other receivables and derivative financial 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 43 to the financial statements.

Other than the aforesaid, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

### (b) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed annual credit facilities from banks to meet its commitments over the next year in accordance with its strategic plan. In the opinion of the directors of the Company, most of the borrowings that mature within one year can be renewed and the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

## 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (b) Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

| | On demand *RMB'000* | Less than 6 months *RMB'000* | 2010 6 to less than 12 months *RMB'000* | 1 to 5 years *RMB'000* | Over 5 years *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| Financial liabilities included in accrued liabilities and other payables | 948,819 | 77,071 | 842,913 | — | — | 1,868,803 |
| Trade and bills payables | 240,126 | 401,456 | 383,208 | — | — | 1,024,790 |
| Derivative financial instruments | 2,322 | — | — | — | — | 2,322 |
| Interest-bearing bank and other borrowings | 205,559 | 1,797,279 | 3,032,215 | 2,363,129 | 622,815 | 8,020,997 |
| Long-term other payables | — | — | 4,372 | 67,351 | 46,863 | 118,586 |
| Total | 1,396,826 | 2,275,806 | 4,262,708 | 2,430,480 | 669,678 | 11,035,498 |

| | On demand *RMB'000* | Less than 6 months *RMB'000* | 2009 6 to less than 12 months *RMB'000* | 1 to 5 years *RMB'000* | Over 5 years *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| Financial liabilities included in accrued liabilities and other payables | 918,915 | 90,563 | 212,569 | — | — | 1,222,047 |
| Trade and bills payables | 822,024 | 106,945 | 28,318 | — | — | 957,287 |
| Interest-bearing bank and other borrowings | 558,324 | 1,977,249 | 993,087 | 421,998 | — | 3,950,658 |
| Long-term other payables | — | — | 11,456 | 205,245 | 46,863 | 263,564 |
| Total | 2,299,263 | 2,174,757 | 1,245,430 | 627,243 | 46,863 | 6,393,556 |

## 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (b) Liquidity risk *(continued)*

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Company

| | 2010 | | | | | |
|---|---|---|---|---|---|---|
| | On demand | Less than 6 months | 6 to less than 12 months | 1 to 5 years | Over 5 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities included in accrued liabilities and other payables | 354,604 | 53,436 | 76,427 | — | — | 484,467 |
| Trade and bills payables | 55,789 | 104,189 | 60,625 | — | — | 220,603 |
| Interest-bearing bank and other borrowings | 6,160 | 128,979 | 1,827,005 | — | — | 1,962,144 |
| Derivative financial instruments | 2,322 | — | — | — | — | 2,322 |
| Long-term other payables | — | — | 1,822 | 66,728 | 35,985 | 104,535 |
| | 418,875 | 286,604 | 1,965,879 | 66,728 | 35,985 | 2,774,071 |

| | 2009 | | | | | |
|---|---|---|---|---|---|---|
| | On demand | Less than 6 months | 6 to less than 12 months | 1 to 5 years | Over 5 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities included in accrued liabilities and other payables | 315,897 | 14,621 | 237,669 | — | — | 568,187 |
| Trade and bills payables | 11,074 | 51,974 | 147,153 | — | — | 210,201 |
| Interest-bearing bank and other borrowings | 51,437 | 1,064,043 | 7,604 | 353,701 | — | 1,476,785 |
| Long-term other payables | — | — | 11,456 | 172,416 | 50,583 | 234,455 |
| | 378,408 | 1,130,638 | 403,882 | 526,117 | 50,583 | 2,489,628 |

## 48. 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 borrowings. 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) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity interests classified as trading equity interests (note 28) and available-for-sale investments (note 24) as at 31 December 2010. The Group's listed interests are listed on the Hong Kong, Shanghai and overseas stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

| | 31 December 2010 | High/low 2010 | 31 December 2009 | High/low 2009 |
|---|---|---|---|---|
| Shanghai – A Share Index | 2,940 | 3,443/2,478 | 3,277 | 3,478/1,821 |
| Hong Kong – Hang Seng Index | 23,035 | 24,964/18,986 | 21,873 | 22,944/11,345 |
| London | 2,288 | 2,289/1,348 | 1,521 | 1,521/797 |
| Toronto TSX | 5,900 | 6,022/4,790 | 5,413 | 5,438/3,512 |
| Australia S&P/ASX 200 | 4,745 | 4,875/4,301 | 4,871 | 4,871/3,345 |

## 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (d) Equity price risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change of 10% in the levels of equity indices and the value of individual securities with all other variables held constant, of the Group's profit before tax and the Group's equity.

| | Carrying amount of equity investments *RMB'000* | Increase/ decrease in profit before tax *RMB'000* | Increase/ decrease in equity* *RMB'000* |
|---|---|---|---|
| 2010 | | | |
| Investments listed in: | | | |
| Shanghai - Held-for-trading | **27,789** | **2,779** | **—** |
| Hong Kong - Available-for-sale | **30,000** | **—** | **3,000** |
| - Held-for-trading | **39,306** | **3,931** | **—** |
| London - Available-for-sale | **36,269** | **—** | **3,627** |
| Toronto - Available-for-sale | **693,264** | **—** | **69,326** |
| - Held-for-trading | **16,577** | **1,658** | **—** |
| Australia - Held-for-trading | **31,857** | **3,186** | **—** |
| 2009 | | | |
| Investments listed in: | | | |
| Shanghai - Held-for-trading | 16,588 | 1,659 | — |
| Hong Kong - Held-for-trading | 38,839 | 3,884 | — |
| London - Available-for-sale | 89,874 | — | 8,987 |
| - Held-for-trading | 9,738 | 974 | — |
| Toronto - Available-for-sale | 293,981 | — | 29,398 |
| - Held-for-trading | 53,122 | 5,312 | — |

* Excluding retained profit

## 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (e) Foreign exchange risk

The Group's financial assets and liabilities are not subject to foreign currency risk, except for cash and cash equivalents denominated in US dollars and HK dollars, certain prepayment for mining rights denominated in US dollars, other payables denominated in HK dollars, the forward contracts for the sale of gold which are denominated in US dollars, investments denominated in Great Britain Pounds, Canadian dollars and HK dollars, and interest-bearing bank loans denominated in US dollars. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks.

The following table demonstrates the sensitivity to a reasonably possible change in RMB exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

| | Increase/ (decrease) in rate % | Increase/ (decrease) in profit before tax *RMB'000* | Increase/ (decrease) in equity* *RMB'000* |
|---|---|---|---|
| 2010 | | | |
| If RMB weakens against United States dollar | 10% | 129,666 | — |
| If RMB strengthens against United States dollar | 10% | (129,666) | — |
| If RMB weakens against Great Britain Pound | 10% | (40) | 3,627 |
| If RMB strengthens against Great Britain pound | 10% | 40 | (3,627) |
| If RMB weakens against Hong Kong dollar | 10% | 17,284 | — |
| If RMB strengthens against Hong Kong dollar | 10% | (17,284) | — |
| If RMB weakens against Canadian dollar | 10% | (9,001) | 69,326 |
| If RMB strengthens against Canadian dollar | 10% | 9,001 | (69,326) |
| If RMB weakens against Russian Ruble | 10% | (579) | — |
| If RMB strengthens against Russian Ruble | 10% | 579 | — |

## 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (e) Foreign exchange risk *(continued)*

| | Increase/ (decrease) in rate % | Increase/ (decrease) in profit before tax *RMB'000* | Increase/ (decrease) in equity* *RMB'000* |
|---|---|---|---|
| 2009 | | | |
| If RMB weakens against United States dollar | 10% | (74,748) | — |
| If RMB strengthens against United States dollar | 10% | 74,748 | — |
| If RMB weakens against Great Britain Pound | 10% | — | 8,936 |
| If RMB strengthens against Great Britain pound | 10% | — | (8,936) |
| If RMB weakens against Hong Kong dollar | 10% | (17,109) | — |
| If RMB strengthens against Hong Kong dollar | 10% | 17,109 | — |
| If RMB weakens against Canadian dollar | 10% | — | 24,343 |
| If RMB strengthens against Canadian dollar | 10% | — | (24,343) |
| If RMB weakens against Russia Ruble | 10% | (7,544) | — |
| If RMB strengthens against Russia Ruble | 10% | 7,544 | — |

* Excluding retained profit

### (f) Commodity price risk

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

The Group entered into forward contracts for the sale of gold, copper, and silver as set out in note 29. All forward commodity contracts can only be carried out under the approval of the Company's futures 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, zinc and silver underlying the open forward contracts should not respectively exceed 25% of annual gold, copper, zinc and silver planned production volumns of the Group, respectively. In addition, the price range of the forward commodity contracts is closely monitored by the futures exchange team.

At 31 December 2010, 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.

## 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (g) 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's 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 2010 and 31 December 2009.

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 statement of financial position) less cash and cash equivalents. Capital comprises all components of equity. The Group aims to maintain the debt-to-capital ratio at a reasonable level. The debt-to-capital ratios at 31 December 2009 and 2010 were as follows:

| | At 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Interest-bearing bank and other borrowings (note 33) | **7,583,084** | 3,865,065 |
| Less: Cash and cash equivalents | **(4,382,915)** | (3,594,292) |
| Net debt | **3,200,169** | 270,773 |
| Equity | **26,028,670** | 21,613,466 |
| Debt-to-capital ratio | **12%** | 1.3% |

## 49. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2011, the board of directors proposed a final dividend of RMB0.1 per ordinary share, totaling approximately RMB1,454,131,000. The proposed final divided is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

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