



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)

2008 年報

Annual Report



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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, Xinhua Industrial Group Company Limited, Fujian Xinhua Engineering Company Limited, Xiamen Hengxing Group Company Limited, Fujian Xinhua Department Store Company Limited, Fujian Gold Group Company Limited and Fujian Minxi Geologist as its promoters.

In December 2003, the Company was listed on the Stock Exchange of Hong Kong Limited. The Company was the first Mainland gold production enterprise listed overseas. In 2004, 2005, 2006 and 2007, the Company had continuously applied reserves to issue new shares four times 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 2008, 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 1,400,000,000 shares (A-shares) listed on Shanghai Stock Exchange, representing about 9.63% of the total issued shares. The total listed shares in these two stock exchanges represented about 37.18% 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 57.318 tonnes of gold (including 28.479 tonnes of mine-produced gold) in year 2008. All major economic-efficiency indicators show that the Company is the most efficient operator in the industry in the PRC.

At the end of 2008, the Group has recorded the following resources reserve (approved): 701.5 tonnes of gold, representing an increase of 9.9% over the corresponding period last year; 1,700 tonnes of silver, representing an increase of 150.7% over the corresponding period last year; 9.64 million tonnes of copper, representing an increase of 3% over the corresponding period last year; 390,000 tonnes of molybdenum, representing an increase of 25% over the corresponding period last year; 5.28 million tonnes of lead and zinc, representing an increase of 42% over the corresponding period last year; 100,000 tonnes of tungsten(WO_3), representing an increase of 60% over the corresponding period last year; 151 tonnes of platinum and palladium; 100,000 tonnes of tin; 667,500 tonnes of nickel; 135 million tonnes of iron sulfate (standard ore); 168 million tonnes of iron ore; 43.97 million tonnes of bauxite, 300 million tonnes of coal. The increase in reserve in main minerals was larger than the consumption.

In 2008, the Company obtained new resources reserve of (partially not yet approved): 66.59 tonnes of gold, 325,400 tonnes of copper, 969,600 tonnes of lead and zinc, 214,500 tonnes of tungsten(WO_3), 997 tonnes of silver, 6 million tonnes of iron ore, 7.458 million tonnes of pyrite standard ore.

As at 31 December 2008, the Group owns 280 of exploration rights with a total area of 6,732 km^2 , representing an increase of 28.9% over the corresponding period; the Group also owns 37 mining rights with a total areas of 102.99 km^2 , representing an increase of 98.6% over the corresponding period last year.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ke Xiping (Resigned on 20 June 2008)
Peng Jiaqing (Appointed on 20 June 2008)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Yuchuan
Lin Yongjing
Su Congfu
Loong Ping Kwan

SUPERVISORS

Zheng Jingxing
Xu Qiang
Lin Jingtian
Lan Liying
Zhang Yumin

COMPANY SECRETARY

Fan Cheung Man

AUDIT COMMITTEE

Lin Yongjing
Su Congfu
Chen Yuchuan
Loong Ping Kwan
Peng Jiaqing
Liu Xiaochu

AUTHORISED REPRESENTATIVE

Chen Jinghe
Liu Xiaochu

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Sino Plaza,
255-257 Gloucester Road,
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

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Shops 1806-1807, 18th Floor,
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183 Queen's Road East,
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WEBSITE

www.zjky.cn

STOCK CODE

2899

Financial Highlights

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

FINANCIAL INFORMATION AS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended 31 December				
	2008 RMB' 000	2007 RMB' 000	2006 RMB' 000	2005 RMB' 000	2004 RMB' 000
Results					
Revenue	16,322,275	14,871,268	10,678,810	3,036,215	1,507,679
Cost of sales	(10,329,182)	(9,295,361)	(6,718,899)	(1,563,439)	(683,333)
Gross profit	5,993,093	5,575,907	3,959,911	1,472,776	824,346
Other income and gains	522,199	238,991	193,226	27,811	20,805
Selling and distribution costs	(316,948)	(255,000)	(143,074)	(66,058)	(10,319)
Administrative expenses	(826,891)	(607,360)	(417,505)	(244,885)	(167,579)
Other operating costs	(630,942)	(318,248)	(673,169)	(68,488)	(39,766)
Finance costs	(247,326)	(292,683)	(114,975)	(18,437)	(5,836)
Share of profits and losses:					
Associates	11,370	72,371	64,923	31,173	15,034
Jointly-controlled entities	28,502	18,225	—	—	—
Profit before tax	4,533,057	4,432,203	2,869,337	1,133,892	636,685
Income tax expenses	(639,031)	(912,448)	(510,821)	(263,829)	(178,816)
Profit for the year	3,894,026	3,519,755	2,358,516	870,063	457,869
Attributable to:					
Equity holders of the parent	3,066,201	2,552,007	1,704,514	703,637	417,619
Minority interests	827,825	967,748	654,002	166,426	40,250
	3,894,026	3,519,755	2,358,516	870,063	457,869

Financial Highlights

	For the year ended 31 December				
	2008 RMB' 000	2007 RMB' 000	2006 RMB' 000	2005 RMB' 000	2004 RMB' 000
Assets and liabilities					
Total assets	26,217,549	16,799,160	11,349,397	5,475,378	3,266,112
Total liabilities	7,038,424	9,680,547	6,295,925	2,296,734	956,698
Minority interests	3,044,737	1,781,587	1,401,444	807,728	382,010
Equity holders of the parent	16,134,388	5,337,026	3,652,028	2,370,916	1,927,404

LIQUIDITY

	2008 RMB' 000	2007 RMB' 000	2006 RMB' 000	2005 RMB' 000	2004 RMB' 000
Cash and cash equivalents	2,719,868	2,158,477	1,939,408	1,029,836	888,747
Current ratio (%)	142	66	105	112.12	217.96
Trade receivables turnover (days)	6.89	5.83	4.45	4.18	1.24

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 2008 as follows:

In 2008, the Group achieved a sales income (turnover) of RMB16,322,275,000, representing an increase of 9.76% over the previous year, and achieved a net profit after tax (net profit attributable to shareholders of the parent) of RMB3,066,201,000, representing an increase of 20.15% over the previous year. Earnings per share (basic) was RMB0.22, representing an increase of 15.79% over the previous year. (Earnings per share is based on the net profit attributable to shareholders of the parent in this year, and was RMB3,066,201,000 (for 2007 was RMB2,552,007,000) and the weighted average number of 14,074,642,433 ordinary shares (2007: 13,141,309,100 ordinary shares) in issue during the year.

MARKET OVERVIEW

In 2008, the sub-prime mortgage crisis has spread all over the world and turned into an international financial crisis and global economic downturn, China's economy has suffered and was affected as well, and the national economic growth was slowed down. The economy has suffered a great pressure and mining market might go to a downward trend. The downturn of the mining market and a sharp decrease in the price of basic metals have caused substantial pressure to the operation of mining enterprises.

The sharp fall of crude oil price and the great fluctuation of exchange rates of US dollar and other currencies widened the fluctuation of gold price. In comparison with other metals, gold became a better risk-resistance investment tool in 2008. Gold price moved within a range between US\$700 to US\$1,000 per ounce in 2008. In March it hit the highest point of US\$1,032 per ounce and maintained in a high price by the end of the year. At the end of the year, the international gold price closed at US\$880 per ounce and Shanghai Gold Exchange's gold price (Au9999) closed at RMB190.65 per gram.

In 2008, the average gold selling price of the Group was RMB196.35/gram (approximately US\$893.57/ounce), representing an increase of 16.26% on the corresponding period last year. (2007: RMB168.89/gram). (as at 31 December 2008, the middle exchange rate: 1 US dollar = RMB6.8346)

In the first three quarters of 2008, the copper price has remained relatively high, on 2 July 2008, the copper price of London Metal Exchange ("LME") made a record high of US\$8,940/tonne. By the end of September, the copper price has dropped rapidly under the financial crisis. By the end of the year, the closing price of copper on the LME was US\$2,996.10/tonne. In 2008, the average copper cathodes selling price of the Group was RMB43,195/tonne, representing a decrease of 16.24% on the corresponding period last year. (2007: RMB51,569.73/tonne).

Except for the slight rebound at the beginning of 2008, the zinc price on the LME maintained a downward trend by stages throughout the year. In October, it further dropped sharply after the break out of the financial crisis. By the end of the year, the closing price of zinc on the LME was US\$1,177.6/tonne. In 2008, the average zinc bullion selling price of the Group was RMB13,314.31/tonne, representing a decrease of 43.68% on the corresponding period last year. (2007: RMB23,642/tonne).

Chairman's Statement

In 2008, the price of iron concentrates was in a decreasing trend. Due to the joint raise of iron price by three major suppliers in the price negotiation process, the price has climbed up to RMB1,700/tonne. In the second half of 2008, the price has declined sharply under the impact of economic recession and soft demand in iron and steel industry.

In 2008, the average iron concentrates selling price of the Group was RMB987.04/tonne, representing an increase of 101% on the corresponding period last year. (2007: RMB490.61/tonne).

INDUSTRIAL POSITION

According to the statistics of the China Gold Association, the 2008 national gold production in the PRC amounted to 233.42 tonnes of mine-produced gold. In 2008, the Group produced 57.32 tonnes of gold, of which, 28.48 tonnes was mine-produced gold, representing approximately 12.2% of mine-produced gold in the PRC. Gold enterprises in the PRC recorded a total profit of RMB12.4 billion and the Group recorded RMB2.6428 billion (net product profits of gold) profit, representing 21.31% of the total profit generated by gold enterprises in the PRC.

BUSINESS OVERVIEW

In 2008, the Group achieved a sales income of approximately RMB16.322 billion, representing a growth of 9.76% over last year; and achieved net profit attributable to equity holders of the parent of approximately RMB3.066 billion, representing a growth of 20.15% over last year. As at the end of 2008, the total assets of the Group amounted to approximately RMB26.217 billion, representing a growth of 56.06% over last year; and the equity attributable to equity holders of the parent amounted to RMB16.134 billion, representing a growth of 202% over last year.

I. Production and Operation

1. GOLD MINE BUSINESS

The Group produced a total of 28,478.84kg (915,647 ounces) of mine-produced gold in the reporting period, representing a growth of 14.71% over last year; including: 17,428.43kg (560,337 ounces) was produced from Zijinshan Gold Mine; 2,431kg (78,158 ounces) was produced from Guizhou Shuiyindong Gold Mine; 1,785.54kg (57,406 ounces) gold in concentrate form was produced from Hunchun Shuguang Gold and Copper Mine; 908.4kg (29,206 ounces) was produced from Shanxi Yixingzhai Gold Mine; 1,003kg (32,247 ounces) was produced from Hebei Chongli Zijin. The above gold production represented about 82.72% of total mine-produced gold output of the Group, other group's entities have produced 4,921.14kg (158,223 ounces) mine-produced gold represent about 17.28% of the Group's total mine-produced gold output.

During the reporting period, the Group produced 28,839.21kg (927,201 ounces) of refined gold, representing a growth of 5% over last year, of which, Henan Luoyang Zijin Yinhui Gold Refinery Company Limited. ("Luoyang Yinhui") produced 26,121 kg of refined gold, the Company's gold refinery plants produced 1,489.28kg, and Xiamen Zijin Mining and Metallurgy Limited produced 780.41kg of refined gold.

Sales income from the gold business of the Group represented about 64.92% of the total annual sales and related other income, and the net profit of the gold business represented about 62.66% of the total net profit attributable to equity holders of the parent.

2. COPPER MINE BUSINESS

During the reporting period, the Group produced 61,408.58 tonnes of copper, representing a growth of 29.98% over last year. Xinjiang Ashele Copper Mine produced 27,102.51 tonnes of copper in concentrate form and it maintained the same production level as last year. Qinghai Deerni Copper Mine produced 15,047 tonnes copper in concentrate form, representing an increase of 10,047 tonnes copper in production and was the mine with the highest growth mine within the Group. Zijinshan Copper Mine produced 10,006.35 tonnes of copper cathodes which represented a growth of 1,974 tonnes. Hunchun Shuguang Gold and Copper Mine produced 5,169.8 tonnes of copper in concentrate form which represented a growth of 1,142 tonnes over last year.

The copper business has grown rapidly but the price has dropped sharply in the fourth quarter. Sales income from the copper mine business represented 14.69% of the annual total sales and related other income, while it represented about 29.63% of the total net profit attributable to equity holders of the parent.

3. ZINC MINE BUSINESS

During the reporting period, zinc price has decreased substantially and the overall performance of zinc mine business was lower in the fourth quarter to break-even point. The Group has reduced the zinc production volume. The Group produced 33,680 tonnes of zinc in concentrate form, representing a decrease of 25.1% over last year, of which 21,259.32 tonnes of zinc was produced in concentrate form by Wulatehouqi Zijin, 3,039.73 tonnes of zinc was produced in concentrate form by Yunnan Huaxi Yunye Jinyuan, 5,983.49 tonnes of zinc from other associated metals was produced in Ashele Copper Mine, 2,585.59 tonnes of zinc from other associated metals was produced in Tongling Zijin, and 812.11 tonnes of zinc from other associated metals was produced in other entities.

Bayannaer Zijin Zinc Refinery Plant produced a total of 101,437 tonnes of zinc bullion in the year, representing a decrease of 11.18% over last year.

Sales income from the zinc mine business represented about 8.22% of total annual sales and related other income, while net profit from zinc mine business represented about 1.89% of the total net profit attributable to equity holders of the parent.

4. IRON MINE BUSINESS

During the reporting period, the Group produced 1.1824 million tonnes of iron concentrates (Xinjiang Jinbao Mengku Iron Mine produced 904,800 tonnes, Fuyun Jinshan produced 215,200 tonnes and Hunan Hengyang Shangqing Company produced 62,400 tonnes), representing a growth of 35.14% over last year.

Sales income from iron concentrates represented about 5.69% of total annual sales and related other income, which represented about 2.19% of the total net profit attributable to equity holders of the parent.

Chairman's Statement

5. SILVER AND OTHER BUSINESS

During the reporting period, the Group produced silver of 70,001.51kg (of which, 13,502.53kg of silver from other associated metals was produced by Ashele Copper Mine, 18,789.3kg of silver from other associated metals was produced by Shanxi Yixingzhai Gold Mine, and 21,005.69kg of silver was produced by Wuping Zijin).

Sales income from silver and other mineral products represented about 8.09% of total annual sales and related other income, which represented about 3.63% of the total net profit attributable to equity holders of the parent

II. External Investment

In 2008, due to the market deterioration from the global financial crisis and the mining industry entering into a recession period, the Group has adopted a prudent and careful investment strategy in mineral resource acquisition and has successfully avoided investing under risks in the high acquisition cost period.

In the reporting period, the Company has completed the acquisition of all the remaining minority interests in Qinghai West Copper Company Limited (Deerni Copper Mine), Luoning Huatai Mining Company Limited (Luyuangou Gold Mine) and Zijin Copper Company Limited. The Company has increased its shareholding in Shangri-la Huaxi Mining Company Limited and Kingbao Mining Limited (Myanmar nickel mine). The Company has also acquired the controlling stake of Gansu Yate Mining Company Limited (Li County Dujiagou Gold Mine) and Fujian Huanmin Company Limited (Lianchenggutian Copper and Molybdenum Mine) through shares exchange.

III. Construction Projects

In 2008, the Group has enhanced the management of subsidiaries' construction projects. 49 projects have been carried out in the year, in part, 31 projects are major projects and total investment of RMB1.8 billion was made. Zijinshan Gold and Copper Mine's joint open pit mining and process project has gradually got its results with an increase in 1,500kg gold production and 1,900 tonnes in copper production. The extension part of Hunchun Shuguang Gold and Copper Mine's technological innovation has been completed. Its operation increased 184kg gold production and 5,000 tonnes copper concentrates production. The construction of Fuyun Mengku Iron Mine Eastern section 2,500t/d mining and process project has been completed and is in operation. These projects have made a great contribution for the growth of the Company in 2008. Jinshan Gold Refinery Plant and Fuyun Jinshan Mining Company Limited's Reduction Iron Project have been completed and in production, but these projects could not reach the production capacity as planned. The following construction projects have made good progress: Phase III technological innovation in Shuiyindong Gold Mine, two process plants in Yuanyang Gold Mine, mining and process project in Shangri-la Langdu Copper Mine, tailing pool project and APT project in Malipo Tungsten Mine, 100,000t/a zinc refinery project in Bayannaer, 1,500t/d project in Ashele Copper Mine, technological innovation in Zijinshan Copper Mine, Wulatehouqi Sanguikou Lead and Zinc Mine, Wuping Yueyang Silver and Multi-metals Mine and Xinyi Yinyan Lead Mine.

IV. Geological Exploration Projects

In 2008, the Company has increased its effort in geological exploration, total investment for geological exploration was RMB318 million.

In 2008, the Company has obtained new resources reserve of (partially not yet approved): 66.59 tonnes of gold, 325,400 tonnes of copper, 969,600 tonnes of lead and zinc, 214,500 tonnes of tungsten(WO_3), 997 tonnes of silver, 6 million tonnes of iron ore, 7.458 million tonnes of pyrite standard ore.

As at the end of 2008, the Group has recorded the following resources reserve (approved): 701.5 tonnes of gold, representing an increase of 9.9% over the corresponding period last year; 1,700 tonnes of silver, representing an increase of 150.7% over the corresponding period last year; 9.64 million tonnes of copper, representing an increase of 3% over the corresponding period last year; 390,000 tonnes of molybdenum, representing an increase of 25% over the corresponding period last year; 5.28 million tonnes of lead and zinc, representing an increase of 42% over the corresponding period last year; 100,000 tonnes of tungsten(WO_3), representing an increase of 60% over the corresponding period last year; 151 tonnes of platinum and palladium; 100,000 tonnes of tin; 667,500 tonnes of nickel; 135 million tonnes of iron sulfate (standard ore); 168 million tonnes of iron ore; 43.97 million tonnes of bauxite, 300 million tonnes of coal. The increase in reserves of main minerals was larger than the consumption. The Group owns 280 of exploration rights with a total area of 6,732 km², representing an increase of 28.9% over the corresponding period; the Group also owns 37 mining rights with a total areas of 102.99 km², representing an increase of 98.6% over the corresponding period last year.

V. Management

The management system of the Company is further optimized

The Company should recognise any wrong decision without hesitation and search for any suitable management methods for development of the enterprise. The Company has initially established a regional control system, in 2008, regional companies namely Southwest, Northwest, Northeast, Beijing (including Inner Mongolia) and Hong Kong have been formed, regional companies have been gradually authorized by the Group to manage the subsidiaries in their regions and to act as a management centre, investment centre, service centre, human resources centre and supervisory centre.

The Company has carried out audits in the execution of key internal control systems including the procurement system. The audits have been carried under the principle of the corporate basic internal control requirements and its materialism. Suggestions have been raised and revision of the systems have been implemented. Assessment and identification of risks have become a normal and routine operation in the internal control system.

Greater improvement in human resources management

The Group has applied "People Oriented" as its management principle and recruited more talents by training and recruitment. It has initially formed a collective mechanism in recruitment and training by the Group, regional offices and subsidiaries altogether. The Company will further enhance the total salary management and optimize the performance appraisal system. It was an innovation in staff training and recruitment that the Group can specify the contents of the training for the "pre-employee", these tailor-made "pre-employee" can meet the needs of the Group in the future. The assigned training classes in Zijin

Mining Institute, Fuzhou University and Jiangxi Polytechnic University could be a

Chairman's Statement

The growth rate of the cost is under control

Since October 2008, the Group has introduced a campaign of "Learn from Jinshan, lower cost", all subsidiaries have followed the directive of the Group and suggested positive measures to control the cost and lower management cost, and expenses and costs have been controlled effectively.

Technology advancement brings new benefits

In 2008, the Group has been granted 9 patents (in which 2 were inventions); the Group has received one 1st prize, two 2nd prizes and one 3rd prize for technology advancement by the China Gold Association. The Group has received a 2nd prize for national excellence engineering consultation result, a 2nd prize of technology advancement in Fujian Province, a 1st prize for technology advancement in Longyan City. The Company has convened the fourth technology meeting to summarise and appraise the actual results from the conversion of scientific research achievements. In 2008, the Company has successfully gained the recognition as a new and high technology enterprise and the profit tax rate of the Company for the following 3 years from 2008 will be levied at 15% under a concessionary policy.

Advancement to a new platform in information management

The Group has implemented a new electronic working system in its headquarters and 14 subsidiaries, it has improved the level of information management in the subsidiaries. The remote office internet platform contains functions of video conference, telephone conference and internet which will raise the working efficiency and lower the cost of conferences.

VI. Safety And Environmental Protection

The Company will strengthen its social responsibility and the management of safety and environmental protection towards standardization to a higher standard. The Company has revised and perfected a system to have a clear responsibility in safety, environment protection, security and fire accidents in 2008 and established measures to assess the safety of the contractors and the project owner. The Group has not had a major safety and environmental protection accident this year. Following the safety and environmental audit for A shares listing, the Group has substantially raised its safety and environmental protection standard in the work flow of reporting of large project, co-ordination and supervisory, training, and accident prevention and management. It has also strengthened the safety and environmental protection concept and scope of management in the related departments and subsidiaries. The Company has put a high priority in using clean production technology and achieved a high standard of pollution prevention at the source, recycle use of waste water, and restoration of ecology of the mines.

There was a remarkable improvement in management in 2008, however, the Company will still strive to achieve a systematic and highly efficient management. The Company should advance along with time and change the traditional mindset. The management of enterprises should follow the concepts of market economy to promote efficiency and achieve advancement. The scientific spirit should be adopted in construction and management of projects. The Company will put more effort in the areas of budget control and expenses control. The Group's human resources work could not meet the needs in raising the management standard and overseas development. Moreover, the Company will manage the relationship at different levels of management and uplift the quality of management in the operation.

PROSPECTS

Business Environment

It is expected that the global economic crisis will further deteriorate and persistently hit the lowest point in 2009. The international currency system has been adjusting in a risky situation. In the light of the unstable geographical politics and the change and the uncertainty of US dollar position will affect the price of crude oil and staple commodities. However, it is expected that the risk-resistance function and the intrinsic value of gold will allow its price to stay at a high level in 2009.

From September 2008, the price of copper has dropped significantly which caused a decrease in production of the refinery plants while the production of mines remained unchanged. The supply of the copper will maintain a steady growth. The copper market may have a substantial surplus in year 2009. The surplus may suppress the copper price staying in the lower level.

In 2009, the demand of zinc will deteriorate substantially. In 2009, zinc's demand and supply will hardly reach a balance point. The rebound of zinc price will be suppressed by its excess supply and the price will stay at a lower level.

In year 2009, the price of iron will be expected to be gradually influenced by the buyers under the conditions of supply and demand relationship (over-supplied), oligopoly of three substantial iron ore suppliers, sea freight and the foreign exchanges. The suppliers will try to influence the price and the market by production reduction and delay of the price negotiation. The iron ore price will be expected to fluctuate at the bottom.

Business Objectives

In year 2009, the Group plans to produce gold of approximately 31.2 tonnes from mines, representing 12.7% increase over last year; copper metal of approximately 83,500 tonnes, representing 40% increase over last year; silver of approximately 96.8 tonnes; processed gold of approximately 28.6 tonnes; refined zinc of approximately 80,000 tonnes; zinc in concentrate form of approximately 35,000 tonnes; iron concentrates of approximately 1,640,000 tonnes; tungsten in concentrate form of approximately 4,556 tonnes (standard). Please note that the said plan was made on the basis of the current market situation and the existing conditions of the Company. The Board may, pursuant to changes in circumstances, vary the production plan.

Business Strategies

The Group aims to lower the operation cost in order to sustain and survive in the economic downturn. The Group will seize the opportunities during the low season of the mining industry, as well as plan its future development. The Group will strengthen the fundamental management, tighten the controllable expenses; supervise the non-value-added investment closely, expand the effective production capacity, standardise the project construction management, build a modern logistics system, break the bottle-neck of talent recruitment and seize the chance of recruitment in the low personnel market, strive for a breakthrough in making substantial acquisitions to significantly increase its resources significantly, capture the market opportunities and strive for continuing growth.

Chairman's Statement

1. Production and operation

Zijinshan Gold and Copper Mine will continue to act as the Group's production and profit centre and ensure the implementation of the whole year production plan. Other gold production enterprises should catch the high price opportunity to increase their production capacity. Copper production entities should control their cost and increase their production. Other mining entities should watch the change of the economy and enlarge their production under the condition of having positive net cash in-flow. For those enterprises that cannot generate profits or operating cash inflow, they can make the decision as to commence production, limit the production volume, or suspend production according to the market condition and their situation. Each entity should closely watch the market and the change of price. The entities should enter into some metal forward contracts and reduce the loss in inventory to promote the profitability under the direction of the Group.

2. Project construction and initial works

The Group will regulate the construction of projects and uplift the standard of project management. The Group will optimize the project construction management system to form a three-level management including the Group, regional companies and its subsidiaries. The Group will have an overall review of constructing projects and proposed to construct projects to identify the speed and priority of construction and impose effective supervision.

The Group will speed up the use of proceed to invest the qualified projects, of which, the Group will strive to accelerate the progress in the following projects: joint open pit mining and process project in Zijinshan Gold and Copper Mine, the development in the deep part of the mine and other associated construction, Hunchun Copper Gold Mine technological innovation and expansion project, mining and process technological innovation project in Talao Gold Mine in Tajikistan, the phase one construction of integrated use of tailing in Qinghai Deerni Copper Mine, Guizhou Zijin's integrated project, the independent mining and process systems in Ashele Copper Mine, steady construction of Malipo Nanwenhe Tungsten Mine, Chongli Zijin's 2,500t/d technological innovation project and its associated constructions, and the construction of Shanghang 200,000t/y copper refinery plant. The Group will also speed up the reporting process and design perfection for Duobaoshan Copper Mine, Tangjiaping Molybdenum Mine, Bojitian Gold Mine, and Taipingdong Gold Mine and target to start construction in this year.

3. *Geological Exploration*

Geological exploration is still an important method to increase the Group's resources. The Group will reinforce the exploration and strategically put gold and copper as its priority. The exploration will be mainly conducted in the surrounding area of the large scale mines. The Group will mainly conduct exploration research for gold, copper and molybdenum in Zijinshan Gold Mine and its surrounding area as well as the surrounding area of Guizhou Shuiyindong Gold Mine, Yunnan Malipo Tungsten Mine, Gansu Li County Gold Mine, Henan Luoning Luyuangou Gold Mine, Yunnan Yuanyang Gold Mine, Shangri-la Langdu, Lannitang Copper Mine, Shanxi Yixingzhai Gold Mine and Hebei Dongping Gold Mine.

The Company has initially built an exploration system that Xiamen Exploration Centre acts as a conduit, Zijinshan Gold and Copper Mine General Project Department, the exploration branches in South-west, North-west, and North-east Asia will lead the projects. An internal market mechanism will be carried out during the Group's geological explorations. An exploration fee will be fixed and exploration risk will be controlled. An effective reward system should be executed for the projects with good results. The Group will control the projects involving heavy engineering works. The Group will carry out a system to track the quality management and push standardization and structured work in exploration. The Group will unify the management of mining rights in category. The Group will study and review each mining and exploration right to locate any prospective area for substantial investment in exploration and discontinue those areas with no potential. The Group will speed up the development and application of "Digital Mine" software to improve the standard of information in the geological resource management.

4. *External Investment*

The Group will continue to put more effort in control of resources and look for an opportunity to achieve a significant breakthrough in the control of resources. The Group will capture the chance during this risky period with low prices of mineral products. The Group will mainly study the domestic or overseas projects with large gold or copper resource which are in the stage of production, under construction or completion of pre-phase work. The Group will try to acquire one or two big companies or projects to increase the controlled resource and production capacity significantly that will build a foundation for a new phase development of the Company.

Chairman's Statement

5. Production Safety and Environmental Protection

Responsibility in production safety and environmental protection should be fully implemented and the “rejection policy in safety production” (failure in safety and environmental protection means failure even achieved the production target) should be firmly executed. The supervisory of contracted units' work safety will be reinforced. The Group will perfect the systems of job safety and occupational health and actively apply scientific measures to solve problems in safety and environmental protection, especially the construction and management of tailings depot. “Carrying out 3 types of work in the same time”(execution of project design, construction, and certify completed construction in the same time) in construction and environmental evaluation will be carried out. Realisation of “Save energy and reduce emission” will be carried out by using clean and advanced technology, techniques and equipment. The Group will carry out clean production to achieve zero emission in waste water and enhance the management of “wastes, wasted water and polluted air”. The Group will develop a recycle economy. The Group will mainly focus on the integrated utilization of low grade copper ore and tailings. The Group seriously takes its social and environmental responsibility to build an environment for sustainable development by restoration of ecology and rebuild of environment.

6. Human Resources

Zijinshan Gold Copper Mine, Hunchun Gold Copper Mine, Ashele Copper Mine and other entities have been established as talent training centres for the Group. The Group will put full efforts in the building of Zijin Mining College, Fuzhou University and the co-operations of training in process mining, electric and etc., and specific topics with other universities. The Group has a firm decision in the design and execution of a multi-level talent training plan.

In order to solve the need of high caliber personnel for the future development, the Group has developed good measures in discovery, training, and use of talents which allow the formation of a reasonable talent team. The Group will attract high caliber personnel in mining and management specializations to join in the low season of mining industry. The Group will also put a great effort to train and recruit talents for international business. These talents should be able to adopt Zijin's culture and have a sound ability in both of foreign languages and professional knowledge.

The Group will establish a scientific personnel appraisal system to enable a sharing of personnel information.

Chairman's Statement

7. Management

The Group will review the existing internal control systems and reform it into clear-cut, standardized, efficient and orderly internal control systems. With integration with the district control systems, the Group will focus on the perfection of the internal control systems such as equity ownership representative system, financial control, business control, and basic management systems. The Group will enhance the strengths in supervision and audit and standardize the project construction management. The Group will substantially enhance the supervisory and development of logistic system, execute comprehensive budgetary management in finance and build a complete financial control system.

2008 was a critical year in the development history of the Group. It has a significant meaning to the future development of the Group especially in the realization of A shares listing. The Group has entered into a new phase of development. Given that the global economic recession and the sharp fall of prices of non-ferrous metals, 2009 will be full of challenges and opportunities. The Group will follow the "Three-Step-Walk" strategic arrangement and grasp a chance to reduce costs, maintain a growth, reinforce management, and realize a major breakthrough in resources control in 2009. The Group has to seize the important development opportunities and achieve substantial growth in the risky environment and build a foundation for a leapforward development in the future.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
20 March 2009



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