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

*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. 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

Suite 1601, 16/F.,
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

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

WEBSITE

www.zjky.cn

STOCK CODE

2899

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	2007	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	2007	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	2007	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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).

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.

Bayannaoer 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.

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 Bayannaoer, 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 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.

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 cradle for reserved talent to the Group in the future.

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.

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.

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.

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 leap-forward development in the future.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
20 March 2009

The management of the Group sincerely reports the discussion and analysis of 2008 operating results.

OPERATING RESULTS

In 2008, the Group recorded sales income of RMB16,322,275,000 in the year, representing an increase of RMB1,451,007,000, or 9.76% over the previous year.

The table below sets out the sales by products for the two years ended 31 December 2007 and 2008:

Product	2008 Unit price (Excluded tax) *RMB*	2008 Volume	2008 Amount/ *RMB'000*	2007 Unit price (Excluded tax) *RMB*	2007 Volume	2007 Amount/ *RMB'000*
Gold products	196.35/g	54,765.50kg	10,751,671	168.89/g	53,176.47kg	8,981,202
Copper concentrates	41,150.75/t	51,318.00t	2,111,774	46,106.37/t	41,255.45t	1,902,139
Copper cathodes	43,195.00/t	8,882.00t	383,659	51,569.73/t	8,029.71t	414,090
Zinc bullion	13,314.31/t	102,292.00t	1,361,947	23,642.00/t	115,055.92t	2,720,151
Zinc concentrates (before deduction of internal sales)	7,068.31/t	34,388.00t	243,065	16,029.00/t	46,851.00t	750,990
Zinc concentrates (after deduction of internal sales)	6,880.43/t	5,002.45t	34,419	12,388.26/t	7,155.32t	88,642
Iron concentrates	987.04/t	978,850.00t	966,161	490.61/t	917,504.90t	450,136
Others			951,742			490,768
Less: Sales Tax and levies			(239,098)			(175,860)
Total			16,322,275			14,871,268

Note: (1) The other sales include: RMB197,599,000 income from sulfur contained products, RMB189,935,000 income from silver, RMB376,001,000 income from copper belts, and RMB40,158,000 income from tungsten products.

The Group's revenue in 2008 has increased by 9.76% over 2007, which was mainly attributable to (1) increase in sales volume and production volume caused by (i) increase in gold sales by 5.53%; (ii) increase in copper production in Zijinshan Copper Mine and Qinghai Deerni Copper Mine, increase in sales of copper concentrates by 24.39% and increase in sales of copper cathodes by 8.38%, (iii) gradually achieving the normal production in Zijin Copper Belts and Fuyun Jinshan Reduction Iron and increase in sales volume; (2) increase in selling price factors, the average unit price of gold increased 13.45% and the average unit price of iron concentrates increased 101%; (3) both increase in sales volume and price of gold which increased its percentage in total revenue to 64.92% and pushed up the total revenue.

AN ANALYSIS OF GROSS PROFIT AND GROSS PROFIT MARGIN

The Group is mainly engaged in mine development. The Group's cost of sales mainly includes mining, processing, and refining costs, ore transportation cost, raw materials consumption, public management expenses, salaries and depreciation of fixed assets employed for production. The table below sets out details of the gross profit margin for the two years ended 31 December 2007 and 2008.

	Unit cost of sales		Gross Profit Margin (%)	
Year	**2008**	2007	**2008**	2007
	RMB	*RMB*		
Mine-produced gold	**66.09/g**	55.43/g	**65.50**	67.86
Processed gold	**197.25/g**	165.14/g	**0.56**	0.24
Copper concentrates	**10,942.31/t**	10,523.15/t	**73.41**	77.18
Copper cathodes	**14,215.49/t**	16,865.49/t	**67.09**	78.16
Zinc concentrates	**3,432.00/t**	2,741.38/t	**51.45**	82.93
Zinc bullion	**12,555.00/t**	22,239.00/t	**5.72**	7.50
Iron concentrates	**191.90/t**	156.87/t	**80.56**	68.03
Overall (refinery products included)			**36.72**	39.44
Overall (refinery products excluded)			**65.09**	66.77

Note: Deduction of the internal sales of zinc concentrates has not been considered in this table.

The Group's overall gross profit margin was 36.72% and it did not change substantially comparing to last year. The overall gross profit margin (excluding processed and refined products) decreased 1.68% over last year and still reached to 65.09%. The slight decrease in gross profit margin was mainly caused by the substantial price drop of zinc and copper in the fourth quarter this year.

In 2008, the Group's unit selling price of gold was RMB196.35 per gram (2007: RMB168.89/gram), representing an increase of 16.26% over last year. The unit cost of sales of gold increase 20.82% over last year which was mainly attributable to the increase in price of raw materials, labour cost, lower cut-off grade, and non-full scale production in some gold mines as designed. The growth of cost was slightly higher than the growth of the selling price.

In 2008, the Group's average selling price of copper concentrates was RMB41,150 per tonne (2007: RMB46,106/tonne), representing a decrease of 10.75% over last year. The Group's unit cost of sales only increased 3.98% and the gross profit margin decreased 3.77% respectively over last year. It was mainly attributable to the effect of the price increase in raw materials, mining difficulty in different structures of the mines, cost increase in Xinjiang Ashele Copper Mine over last year, and the increase production and the reduction of production cost in Deerni Copper mine.

In 2008, the average selling price of copper cathodes was RMB43,195 per tonne (2007: RMB51,569/tonne) representing a decrease of 16.24% over last year. The execution of joint open pit mining and process in Zijinshan, the production of copper cathodes increased by 24.58% and the unit cost of sales decreased by 15.7%. Under the effect of all the factors, the gross profit margin of copper cathodes reduced by 11.07%.

In 2008, the unit selling price of zinc concentrates was RMB7,068.31 per tonne (2007: RMB16,029/tonne), it decreased by 56% over last year. The gross profit margin of zinc reduced by 31.48% over last year with the effect of the great decrease in price and increase of cost in zinc.

In 2008, the unit cost of sales of iron concentrates increased 22.33% over last year, and the selling price increased 101% over last year. Its gross profit margin substantially increased 12.53% over last year.

In 2008, the increase of production cost was mainly attributable to an increase in the price of main and associated raw materials (including chemicals, diesel, steel ball and electricity), labour cost, and the lowering of cut-off grade of ores.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs have increased by 24.29% over last year to RMB316,948,000 in 2008. The significant increase was mainly attributable to the increase in transportation costs resulting from the increase in the sales of iron concentrates and copper concentrates in 2008 (Qinghai Deerni increased RMB26,320,000, Fuyun Jinshan increased RMB20,640,000 and Shangri-la increased RMB2,030,000). The transportation cost was directly booked into selling cost. Also, the increase in oil price and labour cost caused the transportation costs to increase.

ADMINISTRATION EXPENSES

The Group's administration expenses in 2008 amounted to RMB826,891,000, which represented an increase of 36.15% over last year. The increase is mainly due to (1) faster growth in salary for staff, the increase in staff benefits, labour union cost, and education cost represented 34.4% of total administration expenses increase; (2) the increase of director's remuneration and expenses of boards of directors which represented 5.9% of total administration expenses increase; (3) substantial increase in taxes and levies caused by larger production which represented 9.9% of total administration expenses increase; (4) increase of depreciation due to increase of expenses in fixed assets (vehicles and etc) which represented 9.21% total administration expenses increase; (5) the increase in office expenses, and traveling expenses owing to enlargement of business operation which represented 7.1% of total administration expenses increase.

FINANCE COSTS

In the reporting period, the Group's total finance costs was RMB247,326,000 representing a decrease of 15.5% over last year. It was mainly attributable to the successful listing in the A Shares market and raised net proceed of RMB9,806,960,000 in April 2008, the Company immediately repaid part of the outstanding bank loans.

ASSETS IMPAIRMENT LOSS

In the reporting period, the Group's assets impairment loss was RMB326,389,000 (2007: RMB50,000), in which, loss in bad debts was RMB8,498,000, the substantial fall of metal price in global financial crisis caused RMB114,755,000 loss in inventory, RMB 42,243,000 loss in available-for-sale investments, RMB38,920,000 loss in property, plant and equipment and construction in progress caused by the change of design of some mines, RMB121,972,000 loss in goodwill and intangible assets of mining rights caused by the decrease of the discounted cash flow in light of the decline of metal price and the reversal change of mineral deposit in some mines.

FAIR VALUE GAINS OR LOSSES ON EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In the reporting period, the Group's loss in fair value was RMB36,763,000. The gain in fair value was RMB2,031,000 last year. It was mainly attributable to the poor economic situation and the fall of fair value of held-for-trading financial assets which were held by Gold Mountains (H.K.) International Mining Co., Ltd. and Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele").

DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2008, the Group has benefited from the fluctuation of metal price and actively carried out some metal forward contracts for the purpose of locking up the profit at certain reasonable prices and recorded RMB127,020,000 settlement gain (2007: loss of RMB74,595,000).

As at 31 December 2008, the Group has entered and held 471kg of gold and 500 tonnes of zinc bullion forward contracts. The Group recorded unrealised gain of RMB1,357,000 (2007: RMB4,440,000).

DONATION AND SOCIAL RESPONSIBILITY

As at 31 December 2008, the Group donated RMB270,812,000 representing RMB51,778,000 increase over last year, which included the Company's donation of RMB101,100,000, Xinjiang Ashele's donation of RMB98,430,000, Guizhou Zijin's donation of RMB17,100,000, and JV Zeravshan LLC's ("ZGC") donation of RMB5,360,000. The Board considered that it is their corporate responsibility to increase donations to build schools and improve the infrastructure and environment of the community especially in the time of high metal prices and great support from the local governments and people.

WORKING CAPITAL AND CAPITAL RESOURCES

As at 31 December 2008, the Group's cash and cash equivalents (excluding Non-pledged time deposits with original maturity of three months or more when acquired) amounted to RMB2,719,868,000 representing an increase of RMB561,391,000, or 26% over the previous year.

During the year, net cash inflow generated from the Group's operating activities amounted to RMB3,907,007,000, a decrease of RMB511,943,000 or 11.59% below the previous year. The main reasons for the decrease in the cash-flow generated from the Group's operating activities were (i) the increase in price of services received and raw materials over last year; (ii) the increase in staff salary and benefits; (iii) the increase in resources tax derived from larger production volume and other levies; and (iv) the increase in inventory at the end of the year.

During the year, the net cash outflow from the Group's investing activities amounted to RMB8,533,034,000, an increase of RMB3,905,181,000 or 84.38% over the previous year. The main reasons for the increase in investment activities were (i) the increase of the Group's external investment, acquisition of some minority interests of some subsidiaries, setting up of regional management companies, and increase of paid-up capital of some subsidiaries; (ii) the Company's technology upgrade in gold and copper mines and the increase of input for the subsidiaries infrastructure; and (iii) the increase of exploration rights acquisition.

During the year, net cash inflow from the Group's financing activities amounted to RMB5,207,230,000, an increase of RMB4,779,258,000 over the previous year, which was mainly due to the issue of 1,400,000,000 A shares (face value RMB0.10) at RMB7.13 per share and raised net proceed of RMB9,806,960,000.

As at 31 December 2008, the Group's total borrowings amounted to RMB3,485,663,000 (31 December 2007: RMB6,442,438,000) of which the amount repayable within one year was approximately RMB2,516,295,000, the amount repayable within two to five years was approximately RMB313,000,000, and the amount repayable in over five years was RMB656,368,000. All the bank borrowings bore interest rates between 2.25% to 7.47% (2007: 2.25% to 7.49%).

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

GEARING RATIO

Gearing ratio is defined the ratio of consolidated total liabilities to consolidated total equity. As at 31 December 2008, the Group's consolidated total liabilities was RMB7,038,424,000 (it was RMB9,680,547,000 as at 31 December 2007), and the Group's consolidated total equity was RMB19,179,125,000 (it was RMB7,118,613,000 as at 31 December 2007). As at 31 December 2008, the Group's gearing ratio was 0.37 (it was 1.36 as at 31 December 2007).

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 2008 was approximately RMB3,066,201,000, representing an increase of 20.15% over approximately RMB2,552,007,000 in 2007.

For the year ended 31 December 2008, the Group's basic earnings per share (basic) was RMB0.22, representing an increase of 15.79% 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 RMB3,066,201,000 (2007: RMB2,552,007,000) and the weighted average number of 14,074,642,433 ordinary shares (2007: 13,141,309,100 shares) in issue during the year.

EFFECTS OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND CAS

Effects of significant differences between net profit under CAS and profit attributable to equity holders of the Group under IFRS are analysed as follows:

	For the 12 months ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Profit attributable to equity holders of the parent under CAS	**3,066,201**	2,548,322
Difference in depreciation and disposal from restatement of property, plant and equipment	**—**	3,685
Profit attributable to equity holders of the parent under IFRS	**3,066,201**	2,552,007

Effects of significant differences between equity attributable to the equity holders of the Group under CAS and IFRS are analysed as follows:

	31 December 2008 *RMB'000* (Audited)	31 December 2007 *RMB'000* (Audited)
Equity attributable to equity holders of the parent under CAS	**16,134,388**	5,337,026
Difference in depreciation and disposal from restatement of property, plant and equipment	**—**	—
Equity attributable to equity holders of the parent under IFRS	**16,134,388**	5,337,026

TAX

Income taxes of the Group for the years of 2008 and 2007 were set out in the table below:

		2008 *RMB'000*	2007 *RMB'000*
Group:			
Current	– Hong Kong	**2,561**	5,357
	– Mainland China	**694,894**	868,573
Underprovision/(overprovision) in prior years		**(8,884)**	12,884
Deferred		**(49,540)**	25,634
		639,031	912,448

Provision for Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. Provision for the PRC corporate income tax has been provided at the rate of 25% (2007: 33%) based on the taxable profits, and certain subsidiaries of the Group are entitled to tax exemptions in accordance to the tax policies in which they locate.

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

EXECUTIVE DIRECTORS

Mr. Chen Jinghe, aged 52, chairman, president, and chief engineer of the Company. He is currently a professor grade senior engineer, a specialist who enjoys a special allowance from the State Council, a delegate to the Tenth People's Congress of Fujian province, chairman of chairman group of China Mining Association, and the vice president of the China Gold Association. Mr. Chen graduated from Fuzhou University with a bachelor's degree in geology in 1982 and obtained an EMBA degree from Xiamen University. He was a team head of Minxi Geology Division from 1986 to 1992, major founder and organiser for exploration of Zijinshan Gold and Copper Mine. He was the chairman and general manager of the Company from August 1993 to August 2000. In August 2000, he was appointed as chairman of the Company. Mr. Chen, the major leader in the development process of the Company, specialises in mine exploration, evaluation and exploitation management. He was awarded the "National Scientific Advancement Award", several awards from the province and ministry, and several national invention patents.

Mr. Liu Xiaochu, aged 62, vice-chairman of the Company and a supervisor of Hunan Nonferrous Metals Corporation Limited, which listed on the Hong Kong Stock Exchange in March 2006. He graduated from Fuzhou University with a bachelor's degree in physics in 1982. Mr. Liu was the division head, deputy department head and department head of the Fujian Economic Reform Commission from December 1986 to December 1999, and during this period, he instructed the reform and listing of enterprises in Fujian. He was the director and vice-president of Xinhuadu Industrial Company Limited from December 1999 to March 2002. Mr. Liu was appointed as the vice-chairman of the Company in August 2000. Mr. Liu is familiar with the company law, the listing rules, and the capital market.

Mr. Luo Yingnan, aged 52, vice-chairman of the Company, professor grade senior engineer. He graduated from Fuzhou University with a bachelor's degree in geology in 1982. Mr. Luo was the head of the Geological Unit for the Second Team of the Second Geological Prospecting Bureau under the Ministry of Metallurgy from 1982 to 1992. Prior to joining the Company in July 2000, he was the manager of Longyan Metallurgy Industry Company from 1998 to 2000. He has been the chairman of Fujian Makeng Mining Company Limited since 1999. Mr. Luo was appointed as an executive director and a general manager of the Company from August 2000 to August 2006. Mr. Luo has extensive experiences in geology exploration, mine evaluation and operation of mining enterprises.

Mr. Lan Fusheng, aged 45, senior engineer, executive director, and vice-chairman of the Company. He graduated from Fuzhou University with a bachelor's degree in geology in 1984 and obtained a master's degree in business administration from La Trobe University in 2000. He was the manager of Shanghang County Xinhui Jewellery Company from 1992 to 1994. Mr. Lan joined the Company in 1994 and was appointed as an executive director and a deputy general manager of the Company from August 2000 to August 2006. Mr. Lan has extensive experiences on managing the investment business of enterprises and mining project evaluation.

Mr. Huang Xiaodong, aged 54, director and senior vice president of the Company. He graduated from the Industrial University of Hefei with a specialisation in computing in 1980, and graduated from Xiamen University with an EMBA degree. Mr. Huang has been an engineer of the Computer Science Research Institute in Fujian, and division head of the Science and Technology Committee in Fujian. From 1995 to 2001, he has been the general manager and assistant to the general manager of the corporate department of Huamin (Group) Company Limited, and from 2002 to 2004, he was the deputy general manager of Chinalco (Fujian) Ruimin Company Limited. Mr. Huang has been appointed as the Company's chief economist from February 2005 to August 2006. Mr. Huang has extensive experiences in business management and international operations.

Mr. Zou Laichang, aged 41, chief engineer, director and senior vice president of the Company. He graduated from Forest University of Fujian with a bachelor degree in chemistry in 1990 and later obtained an MBA degree later. Mr. Zou was the head of the production division of the Shanghang County Forestry and Chemical Factory from August 1990 to March 1996. He has worked for the Company as the deputy director of gold refinery, the deputy head of the Institute of Mining and Refining Design and Research, the deputy chief engineer, and chief engineer, since March 1996. Mr. Zou specialises in hydrometallurgical concentration, and is one of the major science and technology innovators, and gained several awards from the province and ministries.

NON-EXECUTIVE DIRECTOR

Mr. Peng Jiaqing, aged 64, non-executive director of the Company. Mr. Peng is senior economist, and the vice chairman of the Fujian Technology Economic and Modernization Management Association. Mr. Peng graduated from Fujian Educational University major in Chinese linguistics in 1968, Mr. Peng has been a chief secretary of Liupanshui Guizhou provincial government, deputy branch manager of Xiamen branch, branch manager of Zhangzhou branch and deputy office supervisor of provincial branch of Industrial and Commercial Bank of China. Mr Peng was appointed as a non-executive director of the Company in June 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Yuchuan, aged 75, an independent non-executive director of the Company, researcher, supervisor of doctoral students, and academician of the Chinese Academy of Engineering. Mr. Chen graduated from Donetsk Polytechnic University of the former Soviet Union in 1959, majoring in geology exploration. He was the chief engineer in the former geology and mine ministry, and head of the China Geology Science Institute. Currently, Mr. Chen is appointed as director of the Science Committee for the China Geology Science Institute, head of the Mine and Geology Specialist Committee, vice-chairman of the international committee of the cause of formation of deposit, member of the course evaluation team for the state council degree committee, part-time professor of Beijing University and Nanjing University, and member of the 9th national political consultative conference. Mr. Chen dedicates himself to deposit geology, geochemistry, regional metallogeny rules, estimation of metallogeny, and mine exploration. He is a famous geology specialist in the world.

Mr. Lin Yongjing, aged 66, is an independent non-executive director of the Company. He is also a senior accountant, a registered certified public accountant ("CPA"), and a registered appraiser. He graduated from Xiamen University with an accounting specialisation in July 1967. He was formerly the director and chief accountant of the Fujian Huaxing Certified Public Accountants. He was the head of Fujian Appraisal Centre, the director of the Fujian State-owned Property Bureau, and vice chief-officer of Fujian Provincial Financial Bureau, committee member of the 7th Provincial People's Political Consultative Conference of Fujian. He currently is the expert specially invited by Fujian Provincial State-owned Property Management Committee, specially invited expert of the Chinese State-owned Property Management Expert Committee, senior member of China Appraisal Society, specially invited professor of Fujian Economics & Management College and part time professor of Jiangxi University of Finance & Economics. In June 2005, he was appointed as an independent director of Fujian Sanmu Group Company Limited (A Share Company), and in October 2005, he was appointed as an independent director of Fujian Mindong Power Company Limited (A Share Company). He is an expert in finance, audit and asset management.

Mr. Loong Ping Kwan, aged 45, is a practicing solicitor admitted in Hong Kong. Mr. Loong graduated from the University of Hong Kong with a bachelor's degree in Art and is a founder of Messrs. Loong and Yeung in Hong Kong. Mr. Loong gained more than 19 years working experience in corporate finance, merger and acquisition. Mr. Loong is a associate (life member) of the Hong Kong Institute of Bankers. Mr. Loong was appointed as an independent non-executive director of the Company in August 2003.

Mr. Su Congfu, aged 63, is an independent non-executive director of the Company. He is also a professor grade senior engineer, former deputy director of Anhui Metallurgy Department, former head of the Metallurgy Department of Anhui Economics and Commerce Committee, and assistant inspector of the Bureau of Work Safety in Anhui. Mr. Su graduated from Beijing Steel Institute with a mining specialisation. He was the chief of Anqing Copper Mine, and assistant to the general manager of Tongling Non-ferrous Metal Group Company. He is dedicated to mining and processing, refining, producing and managing in the steel, non-ferrous metal and gold industries and he has substantial management experience in mining enterprises and has a higher standard of running the business.

SUPERVISORY COMMITTEE AND SUPERVISORS

Mr. Zheng Jingxing, aged 46, is a supervisor representing shareholders and chairman of the Supervisory Committee of the Company. He is tertiary educated, an accountant, and a delegate to the first and second People's Congress for Longyan City. He worked with Wuping Finance Bureau in 1983. In 1988 he was appointed as vice director and director of the Shanghang Finance Bureau. In May 2002, he was appointed as vice head of Shanghang County but has already resigned.

Mr. Xu Qiang, aged 58, is a supervisor representing shareholders, and vice-chairman of the Supervisory Committee. He is a senior accountant, registered CPA, registered valuer and a chief accountant of Fujian Huamao Limited Liability Accountants' Firm. He graduated from Fujian Provincial Party College in 1990. He was the deputy director of Fujian Huaxing Accountants' Firm from 1994 to 1999, and the director of Fujian Asset Valuation Centre from 1999 to 2001. Mr. Xu was appointed as a supervisor of the Company in August 2000. He is experienced in finance and audit.

Ms. Lan Liying, aged 44, currently a supervisor representing workers and staff of the Company. She is a registered CPA and the head of the Company's Audit Department. Ms. Lan was the head of the financial division of Shanghang County Jiannan Cotton Spinning Factory from 1985 to 1994 and the deputy manager of the Company's financial department from 1995 to 1999. Ms. Lan was appointed as a supervisor for the Company in August 2000. She specialises in finance and audit.

Mr. Lin Jingtian, aged 64, a supervisor representing shareholders of the Company. He is vice party secretary and disciplinary board secretary of the Communist Party in China of the Company. He graduated from CPLA Logistical College in military commanding in August 1981. He was the division chief for the combat service division of the Army 29th Corps, director and committee member for the logistics of Army 12th Division, party secretary for the logistic division of the party committee. After transferring to the civilian work, he was the committee member of the Shanghang County Communist Party, the director of Shanghang County Armed Forces Department, the party secretary and the director of the Committee of the People's Congress of Shanghang County. He has substantial administration experience and high ability.

Mr. Zhang Yumin, aged 58, a supervisor representing workers and staff of the Company. He is an accountant, the vice head of the Company's Audit Department. He was financial officer and assistant to the factory manager of Fujian Shunchang Yuankeng Cement Plant, manager of the financial department of the Xinhuadu Hotel. He joined the Company as the assistant finance manager and officer of assets department in 2000. He has been vice head of the audit department since February 2004. He has good knowledge of and substantial working experience in finance and audit.

SENIOR MANAGEMENT

Mr. Chen Jiahong, aged 39, engineer and vice president of the Company. He graduated from China Geology University (Wuhan) by distance learning with a bachelor's degree majoring in business administration. Mr. Chen worked with the 801 team of Fujian No. 8 Geology Division from July 1990 to December 1992, and was responsible for the technology of the Fifth Engineer Section of No. 8 Geology Division from January 1993 to July 1994. In July 1994, he joined the Company as deputy chief of Zijinshan Mine, and then held the positions of chief of Zijinshan Mine, and also deputy head of the technology innovation department, and director of employees training centre of Zijinshan Gold Mine, deputy manager of the Company and director and general manager of Xinjiang Zijin Mining Company Limited. Mr. Chen was awarded with the model worker award in 1999 and the special prize for technology advancement award in 2000.

Mr. Xie Chengfu, aged 43, senior engineer and vice president of the Company. He graduated from Changchun Geology College with a bachelor's degree in mine exploration in 1990. Mr. Xie worked with Minxi Geology Division No. 8 Team from July 1990 to November 1992, and Fujian Geology Division Team No.2 from November 1992 to July 1994. In 1994, he joined Zijin as vice manager and manager of Xinhui Jewelry Company, plant manager of gold refinery, manager of Shanghang Copper Mine, and mine chief of Zijinshan Gold Mine, assistant of general manager and vice general manager of the joint - stock company. He was responsible for the establishment of Anhui Zijin Mining Holdings Company and he was its general manager. Mr. Xie is currently appointed as a director and general manager of Hunchun Zijin Mining Co., Ltd.

Mr. Liu Rongchun, aged 45, senior engineer and vice-president of the Company. He graduated from Zhongnan Industrial University with a bachelor's degree in engineering in 1984. From July 1984 to December 1993, Mr. Liu worked as the secretary of the communist youth league, head of the manufacturing plant, and head of the production division of Fujian Liancheng Zinc-lead Mine. Since December 1993, Mr. Liu has been appointed as the vice-chief of the gold mine for Minxi Zijin Mining Group Co., Ltd., chief commander of establishment headquarter for Zijinshan Copper Mine, chief officer, secretary of the discipline council, assistant to general manager, vice general manager and head of Zijinshan Gold Mine. Currently, Mr. Liu is the general manager and director of Xinjiang Zijin Mining Co., Ltd.

Mr. Lin Hongfu, aged 35, engineer and vice-president of the Company. He graduated from Chongqing Steel college, majoring in smelting steel alloy. Mr. Lin completed his degree in management from China Geology University in July 2004. In August 1997, Mr. Lin joined the Company as a maintenance worker for the Gold Refining Plant, and was promoted to associate director in the carbon regeneration plant, assistant to the factory director and director of the electroanalysis plant, associate factory director, factory director and vice president of Zijinshan Gold Mine. Now Mr. Lin is general manager and director of Neimenggu Bayannaoer Zijin Nonferrous Metals Company.

Mr. Zhou Zhengyuan, aged 61, chief financial officer of the Company. He graduated from Fujian Economics and Management College in 2000. Mr. Zhou worked as the workshop director of the Shanghang Craftwork Factory from February 1972 to October 1975. He was the director of the finance department, deputy manager and manager of Shanghang County Second Light Industry Company from October 1975 to December 1984, head of control division and head of the financial division of Shanghang County Second Light Industry Bureau from December 1984 to October 1994. He has worked for the Company as the manager of the finance department, the chief economist, the chief accountant and chief financial officer since October 1994.

Mr. Zheng Yuqiang, aged 55, economist and secretary to the Board of Directors. He graduated from Fujian Television Broadcasting University in enterprise management in 1986. Mr. Zheng was the division head of production for Fuzhou Construction Machinery Factory from December 1975 to February 1989, the director of the Electronics Factory for Shenzhen Dongnan Economic Development Company from March 1989 to May 1990, worked with Fuzhou Gas' engineering director division from May 1990 to February 1993, workshop director of Fuzhou Leilei Stone and Wood Company from March 1993 to October 1994, office head of Yifada (Fujian) Group Holdings Co., Ltd. from October 1994 to May 1996 and the director and secretary to the Board of Directors for Fujian Sannong Group Company Limited from May 1996 to May 2001. Mr. Zheng was appointed as the secretary to the Board of Directors and chief of directors office for the Company in June 2001.

Mr. Fan Cheung Man, aged 48, Company Secretary (HK) of the Company. Mr. Fan graduated from the University of New England, Australia in 1993 and holds a master's degree in business administration. He is an associate member of The Hong Kong Institute of Certified Public Accountants, and a fellow member of The Association of Chartered Certified Accountants, UK. He was a deputy general manager of Hungtai Electronic Factory from 1993 to 1994 and a financial controller of Vigers HK Limited from 1994 to 2002. Mr. Fan was appointed as the Company Secretary (HK) and Qualified Accountant for the Company in December 2004.

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 2008.

PRIMARY BUSINESS

The Company is principally engaged in the exploration, mining, processing, refining and sale of gold and non-ferrous metals and other mineral resources in the PRC, and is a large mining conglomerate primarily engaged in the production of gold and non-ferrous metals. The Company produces mainly gold bullion of 99.99% and 99.95% purity under the "ZIJIN" brand, copper cathodes and zinc bullion. Currently, the sales of gold products represent over 64% of the total sales and related other income. There were no significant changes in the nature of the Group's principal activities during the year.

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

OPERATING RESULTS

The operating results of the Group for the year ended 31 December 2008 are set out in the financial statements on pages 60 to 168.

MAJOR INVESTMENT AND ACQUISITION IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Status of invested company

Name of the invested company	Main operation activities	Percentage of shareholding in the invested company (%)	Notes
Fujian Zijin Real Estate Company Limited	Development and operation of real estate	100	New establishment with registered capital of RMB 200 million
Zijin Mining Group North-East Asia Company Limited	Investment of non-ferrous and precious metals	100	New establishment with registered capital of RMB 500 million
Zijin Mining Group Inner Mongolia Company Limited	Investment of metals, non-metals, energy ores and chemicals	100	New establishment with registered capital of RMB 100 million
Fujian Jinshan Investment Company Limited	Investment of mine and sale of mine products	80	New establishment with registered capital of RMB 10 million
Zijin Mining Group Qinghai Company Limited	Refinery, process and sales of mine products	100	New establishment with registered capital of RMB 100 million

Name of the invested company	Main operation activities	Percentage of shareholding in the invested company (%)	Notes
Huanmin Mining Company Limited	Exploration of solid ore, process and sale of mine product	51	Capital injection with the registered capital of Huanmin Mining Company Limited increased from RMB 61 million to RMB 427 million, in which the Company invested RMB 274,788,000 and holds 51% of shareholding
Malipo Jinhua Mining Company Limited	Sale of precious metals, non-ferrous metals and other metals and non-metals mining products	100	New establishment with registered capital of RMB 30 million
Malipo Zijin Tungsten Products Company Limited	Purchase and sale of mining products, process and sale of ammonium paratungstate, tungsten powder and tungsten product	51	New establishment with registered capital of RMB 50 million
Malipo Jinguo Mining Company Limited	Open pit and underground exploration, process and mining of tungsten and tin	51	New establishment with registered capital of RMB 70 million
Xinjiang Jinmai International Logistics Company Limited	Domestic trade, import and export business	100	New establishment with registered capital of RMB 10 million
Gansu Yate Mining Company Limited ("Gansu Yate")	Mining, process, extract, and refinery of gold mine	60	By equity swap and cash acquisition, the Company holds 60% equity interest in Gansu Yate. The registered capital of Gansu Yate is RMB30 million
Liancheng Zijin Mining Company Limited	Process, refinery and sale of copper and molybdenum	100	New establishment with registered capital of RMB 110 million

Name of the invested company	Main operation activities	Percentage of shareholding in the invested company (%)	Notes
Guizhou Xinhengji Mining Company Limited	Engaged in exploration and devlopment of refractory gold mine	51	Capital injection with the registered capital of Guizhou Xinhengji Mining Company Limited increased from RMB10 million to RMB 40 million, in which the Company's subsidiary Guizhou Zijin Mining Company Limited ("Guizhou Zijin") invested RMB25,955,000 and holds 51% of shareholding
Luoning Huatai Mining Development Company Limited	Underground mining, refinery, process and sale of non-ferrous metal	100	The Company's subsidiary Luoyang Zijin Yinhui Gold Refinery Company Limited invested RMB 185,249,000, purchased 66% of Luoning Huatai Mining Development Company Limited held by natural persons including Song Xiumiao. Zijin Yinhui Gold Refinery Company Limited owns 100% of Luoning Huatai upon completion of this acquisition
Fujian Zijin Investment Company Limited	Investment and information technology services	100	Capital injection with the Company investing RMB 350 million, the registered capital of the Company's wholly-owned subsidiary Fujian Zijin Investment Company Limited increased from RMB200 million to RMB550 million
Fujian Zijin Copper Company Limited	Production and development of copper based alloys strip	100	Joint investment by the Company's wholly-owned subsidiaries Best Ground Group Limited and Fujian Zijin Investment Company Limited amounting RMB88,454,120, purchased 49% equity interest of Fujian Zijin Copper Company Limited owned from New High Profit, Dynamite Reward and Shanghai Baisen. After the acquisition, the Group holds 100% of Fujian Zijin Copper Company Limited
Fujian Jinshan Gold Refinery Company Limited	Refinery of gold and other non-ferrous metals	100	Capital injection with investment of RMB198 million by the Company, the registered capital of the Company's wholly-owned subsidiary Fujian Jinshan Gold Refinery Company Limited increased from RMB 100 million to RMB298 million

Name of the invested company	Main operation activities	Percentage of shareholding in the invested company (%)	Notes
Heilongjiang Zijin Mining Investment Company Limited	Investment in mining and other industries by its own assets	85	Capital injection with the registered capital of Heilongjiang Zijin Mining Investment Company Limited increased from RMB110 million to RMB130 million, in which the Company's wholly-owned subsidiary Hunchun Zijin Mining Company Limited subscribed to all of the capital increase. After the capital injection, Hunchun Zijin holds 85% of Heilongjiang Zijin
Zijin Mining Group South West Company Limited	Sale of precious metals, non-ferrous metals and other metals and non-metals mining products	100	Capital injection with the Company investing RMB 100 million, the registered capital of Zijin Mining Group South West Company Limited increased from RMB200 million to RMB300 million
Xinyi Zijin Mining Company Limited	Refinery, process and sale of tin and gold	100	Capital injection with the Company investing RMB100 million, the registered capital of Xinyi Zijin Mining Company Limited increased from RMB100 million to RMB200 million
Shangri-la Huaxi Mining Company Limited	Exploration and development of mining resources, and underground mining of copper	97	Zijin Mining Group South West Company Limited, the Company's wholly owned subsidiary purchased 7% equity interest of Shangri-la Huaxi Mining Company Limited ("Shangri-la Huaxi") held by Zhang Bihong with a consideration of RMB19.6 million. After the acquisition the Group holds 97% of Shangri-la Huaxi.
Qinghai West Copper Company Limited	Exploration and development of copper mine	100	The Company purchased 40% interest of Qinghai West Copper Company Limited jointly held by Shaanxi Runlong and Zijin Labour Union with a consideration of RMB864 million. After the acquisition, the Company owns 100% of Qinghai West

Name of the invested company	Main operation activities	Percentage of shareholding in the invested company (%)	Notes
Kingbao Mining Limited	Engaged in mining, exploration and sale of ore resources	90	The Company's wholly-owned subsidiary Gold Mountains (H.K.) International Mining Company Limited ("Gold Mountains Hong Kong") purchased 40% equity interest of Kingbao Mining Limited owned by Wanbao Mining Limited with a consideration of USD20 million. After the acquisition, Gold Mountains Hong Kong holds 90% of Kingbao Mining.
Fujian Jinyi Copper Products Company Limited	Engaged in production and sale of copper pipes	49	Capital injection by the Company's wholly-owned subsidiary Fujian Zijin Investment Company Limited invested RMB82 million, the registered capital of Fujian Jinyi Copper Products Company Limited increased from RMB40 million to RMB200 million. After the capital injection, Fujian Zijin Investment Company Limited holds 49% interest of Fujian Jinyi Copper Products Company Limited

The Group did not have any other substantial purchases or disposals of subsidiaries and associated companies during this reporting period.

DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES AND DISPOSAL OF ASSETS

1. Disposal of equity

Unit: RMB

Contracted parties	Assets disposed	Disposal date	Disposal price	Profit/ (loss)	Principle of disposal
Chen Hong	75% shareholding of Guangnan Longxing	18 October 2008	37,500,000	(43,031,415)	Assessed by independent third party
Shandong Humon Smelting Company Limited	70% shareholding of Rushan Zijin Mining Company Limited	10 June 2008	2,550,000	(17,779,718)	

2. Exchange of equity

Unit: RMB

Exchange parties	Equity exchange in	Equity exchange out	Exchange date	Principle of disposal
Su Jingyu	7% shareholding of Guangnan Longxing	17.5% shareholding of Yunnan Zhongtao	18 January 2008	Assessed by independent third party
Liu Zhengong	8% shareholding of Guangnan Longxing	20% shareholding of Yunnan Zhongtao	18 January 2008	Assessed by independent third party
Chen Huanlong	9% shareholding of Guangnan Longxing	22.5% shareholding of Yunnan Zhongtao	18 January 2008	Assessed by independent third party
Gansu Jinhui Wine Group Company Limited	32% shareholding of Gansu Yate Mining Company Limited	15% shareholding of Wancheng Commercial Dongshengmiao Company Limited	2 May 2008	Assessed by independent third party

On 18 January 2008, the Company's wholly-owned subsidiary, Zijin Mining Group South West Company Limited ("South West Company") entered into an "Equity interest exchange agreement" with 3 natural persons Su Jingyu, Liu Zhengong and Chen Huanlong. The 60% equity interest in Yunnan Zhongtao Economy and Trading Company Limited ("Yunnan Zhongtao") owned by South West Company, was exchanged with a 24% equity interest in Guangnan Longxing Mining Company Limited ("Guangnan Longxing") owned by the above 3 natural persons. As at 31 December 2007, the independent third party's assessed fair value of all equity interest in Yunnan Zhongtao was RMB85.771 million, and that of Guangnan Longxing was RMB184.0382 million. Exchange difference of RMB2.275 million was settled by Su Jingyu to South West Company; exchange difference of RMB2.6 million was settled by Liu Zhengong to South West Company; exchange difference of RMB2.925 million was settled by Chen Huanlong to South West Company. After the completion of the above exchanges, South West Company has no equity interest in Yunnan Zhongtao and owns the equity interest in Guangnan Longxing increased from 51% to 75% and obtained RMB7.8 million price difference of the exchanges.

On 2 May 2008, Gansu Jinhui Wine Group Company Limited ("Jinhui Wine") and the Company entered into "Equity swap agreement" and "Equity transfer agreement". Accordingly, a 15% equity interest in Wancheng Commercial Dongshengmiao Company Limited ("Wancheng Commercial") owned by the Company was swapped with the 32% equity interest in Gansu Yate Mining Company Limited ("Gansu Yate") owned by Jinhui Wine. According to the valuation report issued by an independent third party, as at 31 March 2008, the assessed fair value of all equity interest of Wancheng Commercial was RMB910,828,000, and that of Gansu Yate was RMB416,280,100.

3. Merger and absorption

The Company's wholly-owned subsidiary Zijin Mining Group South West Company Limited ("South West Company") owns 100% of Funing Zhenglong Gold Mining Exploration Company Limited ("Funing Zhenglong"), Xiaman Minxing Investment Company Limited ("Xiaman Minxing") owns Funing South West Gold Development Company Limited ("South West Gold"). On 6 December 2008, Funing Zhenglong entered into an merge agreement with South West Gold, Funing Zhenglong, being the absorbing party, and absorbed and merged the asset, liability and equity of South West Gold, after the absorption, the registered capital of Funing Zhenglong remained as RMB 120 million. South West Company holds 51% interest and Xiamen Minxing holds 49% interest in Funing Zhenglong respectively. As as the assessment date of 31 July 2008, the assessed net assets of Funing Zhenglong was RMB 120,219,200 and the assessed net assets of South West Gold was RMB 117,523,600.

FINAL DIVIDEND

As audited by Ernst & Young, the Group's net profit for the year ended 31 December 2008 prepared under International Financial Reporting Standards ("IFRSs") and the generally accepted accounting principles of the PRC (the "PRC GAAP") was RMB3,066,201,000, respectively. The Board of the Company proposed to pay the qualified shareholders of the Company the final dividends for the year ended 31 December 2008 of RMB0.10 per share (tax included) (the "2008 Final Dividend"). The 2008 Final Dividend is subject to the approval at the coming 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 2008 are set out in note 38 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

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

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the statutory surplus reserve. As at 31 December 2008, the Company's reserves available for distribution were approximately RMB2,886,266,000 (2007: RMB1,985,650,000).

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 2008 are set out in note 14 to the financial statements.

SHARE CAPITAL

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

DONATIONS

During the year 2008, donations made by the Group were RMB270.81 million (representing an increase of RMB51.78 million), of which the Company's donation of RMB101,100,000, Xinjiang Ashele's donation of RMB98,430,000, Guizhou Zijin's donation of RMB17,100,000, and ZGC's donation of RMB5,360,000.

BANK LOANS

Details of the Group's bank loans 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

A Shares Listing

Under the approval document "ZhengJianXuKe[2008]417" from China Securities Regulatory Commission and the approval document "ShangZhengShangZi[2008]29" from Shanghai Stock Exchange, the Company issued 1,400,000,000 A shares at RMB7.13 per share (face value RMB0.1) and listed on Shanghai Stock Exchange on 25 April 2008. Tian Jian Hua Zheng Zhong Zhou (Beijing) CPA Limited carried out an audit on 22 April 2008 for the fund raised in the IPO and issued "TianJianHuaZhengZhongZhouYan(2008)GF020005" capital verification report. The details of the issue of new shares have been set out in the note 37 to the financial statements of the 2008 annual report and summary is set out below:

(1) the reasons for making the A Share issue:

The Directors believe that the A Share issue would be able to further enhance the Company's financing channels and improve its capital and debt raising capabilities. In addition, the A Share issue provides the Company with financial resources required to fund its intended expansion of business in relation to the exploration, mining, production, refining and sale of gold and other mineral resources in or outside the PRC, thereby improving its ability to further its business pursuits and developments in the industry. The Board believes that the A Share issue would be able to promote the Company's position in the PRC and that it is in the interest of the Company and the shareholders as a whole.

(2) the class of A Share issued: ordinary domestic shares

(3) the number issued and their aggregate nominal value: 1,400,000,000 with a nominal value RMB 0.1, the aggregate nominal value is RMB140,000,000

(4) the issue price of each security: RMB7.13 per share

(5) the net proceeds from the A Share issue: RMB9,806,960,200

(6) a brief generic description of the allottees:

Members of the PRC public (i.e. PRC individuals and institutional investors (including qualified foreign institutional investors recognised in the PRC) having A Share accounts with the Shanghai Stock Exchange), except those prohibited under PRC laws and regulations

(7) the market price of the securities concerned on a named date, being the date on which the terms of the issue were fixed: Closing price HK$7.92 (24 April 2008)

(8) the use of the proceeds:

The Company's IPO of A shares raised the net proceeds of RMB9,806,960,200 in April 2008. As at 31 December 2008, the accumulated use of the proceeds is RMB7,736,923,400 and the details of the use of net proceeds during the reporting period are set out below:

RMB'000

Total proceeds raised	9,806,960.20	Total use of proceed in 2008	7,736,923.40
		Accumulated use of proceeds	7,736,923.40

Items	Project Name	Project amended	Proposed investment	Total invested amount as at the period end	On schedule
1	Zijinshan Gold and Copper Mine joint open pit mining project	No	1,521,040.80	798,130.10	Yes
2	Hunchun Zijin Shuguang Gold and Copper Mine technological innovation and expansion project	No	461,500.00	230,000.00	No
3	200 tonnes daily refractory gold processing and refining project	No	198,380.00	198,380.00	Yes
4	Mining resources exploration project	No	357,000.00	207,253.30	Yes
5	Acquisition of the exploration right in Zhonglao Copper Mine Wuziqilong Jintonghu sectopm exploration project	No	198,000.00	175,000.00	No
6	Increase capital injection in Zijin Tongguan for the acquisition of equity interest in Monterrico Metals plc project	No	603,000.00	603,000.00	Yes
7	Acquisition and development of the ZGC Gold Mine in Tajikistan	No	1,305,345.00	560,000.00	No
8	Acquisition of 70% interest in Zijin Longxing which owns the mining right in the Tuva Lead Zinc Mine - the Republic of Tuva	No	271,600.00	197,160.00	Yes
9	Supplemental working captial		4,891,094.40	4,768,000.00	
	Grand Total		**9,806,960.20**	**7,736,923.40**	

During 2008, the Company has conducted transactions in the securities of certain subsidiaries, the details of which are set out in note 39 to the financial statements of the 2008 annual report.

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 2008.

SHARE OPTION SCHEME

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

MAJOR SUPPLIERS AND CUSTOMERS

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

The Company's total purchases from the five largest suppliers and the largest supplier amounted to RMB3,100.93 million and RMB1,511.06 million respectively, representing 28.75% and 14.01% 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 2008.

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 17 August 2009.

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

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

TERMS OF DIRECTORS AND SUPERVISORS

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

	TERMS
EXECUTIVE DIRECTORS:	
Chen Jinghe	3 years from his re-appointment on 18 August 2006
Liu Xiaochu	3 years from his re-appointment on 18 August 2006
Luo Yingnan	3 years from his re-appointment on 18 August 2006
Lan Fusheng	3 years from his re-appointment on 18 August 2006
Huang Xiaodong	3 years from his appointment on 18 August 2006
Zou Laichang	3 years from his appointment on 18 August 2006
NON-EXECUTIVE DIRECTOR:	
Ke Xiping	3 years from his re-appointment on 18 August 2006 (resigned on 20 June 2008)
Peng Jiaqing	From 20 June 2008 to 17 August 2009
INDEPENDENT NON-EXECUTIVE DIRECTORS:	
Chen Yuchuan	3 years from his appointment on 18 August 2006
Lin Yongjing	3 years from his appointment on 18 August 2006
Su Congfu	3 years from his appointment on 18 August 2006
Loong Ping Kwan	3 years from his re-appointment on 18 August 2006
SUPERVISORS:	
Zheng Jingxing	3 years from his appointment on 18 August 2006
Xu Qiang	3 years from his re-appointment on 18 August 2006
Lin Jingtian	3 years from his appointment on 18 August 2006
Lan Liying	3 years from her re-appointment on 18 August 2006
Zhang Yumin	3 years from his appointment on 18 August 2006

BRIEF BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biography of directors, supervisors and senior management are set out on pages 23 to 27 in this report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 2008, the interests of the Directors, Supervisors or the chief executive 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 SFO) which (a) were required to be notified to the Company and the Hong Kong 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 Hong Kong Stock Exchange are as follows:

(a) Shareholdings of directors, supervisors or chief executive in the Company as at 31 December 2008

Director	Number of Domestic Shares /amount of Equity interest held	Nature of Interests	Long/short positions	Proximate percentage of shareholding in such class of securities	Proximate percentage of shareholding in the registered capital
Chen Jinghe	114,594,000	Personal	Long	1.09%	0.79%
Liu Xiaochu	4,828,350	Personal	Long	0.05%	0.03%

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

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

SHAREHOLDING STRUCTURE

1. Change of issued shares

The Company issued 1,400,000,000 A shares and listed on Shanghai Stock Exchange at RMB7.13 per share (face value RMB0.1) on 25 April 2008. The registration of the IPO A shares in China Securities Depository and Clearing Corporation Limited (Shanghai branch) was completed on 21 April 2008.

As at 31 December 2008, the Company has issued 14,541,309,100 ordinary shares of RMB0.1 each.

Unit: share

	31 December 2008	31 December 2007
Domestic Shares/A Shares	**10,535,869,100**	9,135,869,100
H Shares	**4,005,440,000**	4,005,440,000
Total Shares	**14,541,309,100**	13,141,309,100

2. The Status of Major Shareholders

As at 31 December 2008, the Company has a total of 382,031 shareholders, of which 1,018 are holders of H Shares and 381,013 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:

	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 1)	H Shares	3,983,657,966	27.40%
3.	Xinhuadu Industrial Group Co., Ltd.	Domestic Shares	1,729,000,000	11.89%
4.	Xiamen Hengxing Group Co., Ltd.	Domestic Shares	475,000,000	3.27%
5.	Chen Fashu	Domestic Shares	448,601,999	3.09%
6.	Shanghang County Jinshan Trading Co., Ltd.	Domestic Shares	333,640,000	2.29%
7.	Ke Xiping	Domestic Shares	325,850,000	2.24%
8.	Li Rongsheng	Domestic Shares	220,305,000	1.52%
9.	Hu Yuesheng	Domestic Shares	206,630,000	1.42%
10.	Deng Ganbin	Domestic Shares	165,500,000	1.14%

Notes:

(1) HKSCC Nominees Limited is holding 3,983,657,966 H Shares in the Company as a nominee, representing 27.40% of the Company's Shares in issue. HKSCC Nominees Limited is a member of the Central Clearing and Settlement System, whichh carries out securities registration and trust business for customers.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2008, 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/ short positions
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	1,729,000,000 (Note 1)	11.89%	16.41%	—	Long
Chen Fashu	Domestic Shares	2,177,601,999 (Note 2)	14.98%	20.67%	—	Long
Xiamen Hengxing Group Company Limited	Domestic Shares	475,000,000 (Note 3)	3.27%	4.51%	—	Long
Ke Xiping	Domestic Shares	800,850,000 (Note 4)	5.51%	7.60%	—	Long
Merrill Lynch & Co., Inc.	H Shares	401,330,167 (Note 5)	2.76%	—	10.02%	Long
Merrill Lynch & Co., Inc.	H Shares	122,000 (Note 6)	0.01%	—	0.01%	Short
JPMorgan Chase & Co	H Shares	209,115,157 (Note 7)	1.44%	—	5.22%	Long
JPMorgan Chase & Co	H Shares	9,415,840 (Note 8)	0.06%	—	0.24%	Short
JPMorgan Chase & Co	H Shares	195,175,293	1.34%	—	4.87%	Lending pool

Notes:

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

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

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

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

(5) Merrill Lynch & Co., Inc. is interested in 401,330,167 H Shares (Long position) of the Company (representing approximately 10.02% of the total issued H Shares). 388,995,345 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch Group, Inc., Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P., Fund Asset Management, L.P. and Blackrock, Inc. (on behalf of discretionary clients). 10,884,822 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe PLC., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings, and Merrill Lynch International. 1,450,000 H Shares of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch, Pierce, Fenner & Smith Incorporated.

(6) Merrill Lynch & Co., Inc. is interested in 122,000 H Shares (Short position) of the Company (representing approximately 0.01% of the total issued H Shares) of which were held through Merrill Lynch & Co., Inc.'s controlled corporations including Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe PLC., Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited, ML UK Capital Holdings, and Merrill Lynch International.

(7) JPMorgan Chase & Co. is interested in 209,115,157 H Shares (Long position) of the Company (representing approximately 5.22% of the total issued H Shares) through a member of the controlled corporations. Among which, 195,175,293 H Shares were held through JPMorgan Chase Bank, N.A. 11,025,364 H Shares were held through J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc, and JPMorgan Chase Bank, N.A. 2,002,000 H Shares were held through JF Asset Management Limited and JPMorgan Asset Management (Asia) Inc. 500,000 H Shares were held through J.P. Morgan Investment Management Inc. 378,000 H Shares were held through JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management Holdings (UK) Limited and JPMorgan Asset Management International Limited. 34,500 H Shares were held through Bear, Sterns International Limited, Bear Sterns Holdings Limited, Bear Sterns UK Holdings Limited and The Bear Stearns Companies LLC.

(8) JPMorgan Chase & Co. is interested in 9,415,840 H Shares (Short position) of the Company (representing approximately 0.24 % 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. 189,840 H Shares (short position) were held through J.P. Morgan Whitefriars Inc and J.P. Morgan Overseas Capital Corporation. 9,226,000 H Shares (short position) were held through J.P. Morgan Structured Products B.V.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2008, 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.

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

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2008 are set out in note 41 to the financial statements. Certain of these transactions constitute connected transactions/ongoing connected transactions under the Listing Rules at the time when such transactions were entered into and which are required to be disclosed under rule 14A.45 of the Listing Rules. Such transactions/ongoing connected transactions are summarised as follows:

Contracted parties	Relationship with the Company	Nature of transaction	2008 *RMB'000*	2007 *RMB'000*	Notes
Fujian Xinhuadu Engineering Company Limited	A shareholder's subsidiary	Exploitation & transportation service	198,544	178,663	(A)/A1
Fujian Jinyi Copper Company Limited	An associate	Sales of copper cathodes	10,630	—	(A)/A2
Mr. Liu Daonan	A substantial shareholder of Wulatehouqi Zijin	Purchase of a 13% equity interest in Wulatehouqi Zijin	140,000	—	(B)/B1
Shaanxi Runlong Mining Company Limited	A shareholder of Qinghai West	Purchase of a 33.5% equity interest in Qinghai West	723,600	—	(B)/B2
Zijin Mining Group Co., Ltd. Labour Union ("Zijin Labour Union")	A shareholder of Qinghai West	Purchase of a 6.5% equity interest in Qinghai West	140,400	—	(B)/B2
Minxi Xinghang State-owned Assets Investment Co., Ltd.	A substantial shareholder of the Company	Capital injection of Jinyi Copper and increase the shareholding in Jinyi Copper to 49%	82,000	—	(B)/B3
New High Profit Group Limited	A shareholder of Zijin Copper	Purchase of a 31.22% of Zijin Copper	56,350	—	(B)/B4
Dynamite Reward Holdings Limited	A shareholder of Zijin Copper	Purchase of a 16.97% of Zijin Copper	30,638	—	(B)/B4

Notes:

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

A1 For the financial year ending 31 December 2008, the annual cap being the total value of transaction shall not exceed RMB300 million. The annual cap has been determined by reference to the Group's historical figures based on the relevant agreements, and on the possible increase in the Group's production scope in future.

A2 For the financial year ending 31 December 2008, the annual cap being the total value of transaction shall not exceed RMB60 million. The annual cap has been determined by reference to the Group's forecast sales volume, and on the possible increase in the Group's production scope in future.

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

B1 According to the equity interest acquisition agreement entered into between the Company's wholly-owned subsidiary, Zijin International and Mr. Liu Daonan, Zijin International agreed to acquire 13% equity interest of Wulatehouqi Zijin from Mr. Liu Daonan at a consideration of RMB140 million. This transaction was disclosed on 4 June 2008.

B2 According to the equity interest acquisition agreements entered into between the Company, Shaanxi Runlong and Zijin Labour Union. The Company agreed to acquire 33.5% equity interest of Qinghai West from Shaanxi Runlong at a consideration of RMB723.6 million, and 6.5% equity interest of Qinghai West from Zijin Labour Union at a consideration of RMB140.4 million. This transaction was disclosed on 12 August 2008.

B3 According to the capital increase agreement entered into between the Company's wholly-owned subsidiary, Zijin Investment and Minxi Xinghang and Master Achieve, Zijin Investment agreed to increase its interest in Jinyi Copper from 40% to 49% with a capital injection of RMB 82 million. This transaction was disclosed on 17 October 2008.

B4 According to the equity interest acquisition agreements entered into between the Company's wholly-owned subsidiaries, Best Ground, New High Profit and Dynamite Reward, the Company agreed to acquire 31.22% equity interest of Zijin Copper from New High Profit at a consideration of RMB56.35 million, and 16.97% equity interest of Zijin Copper from Dynamite Reward at a consideration of RMB30.64 million. This transaction was disclosed on 6 Novemeber 2008.

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

Accordingly, it is confirmed by the Directors that:

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

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

(c) Independent directors of the Group have confirmed that all the connected transactions of the Company or its subsidiaries involved in the year 2008 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 41 to the financial statements), and confirmed to the Board that:

1. the transactions have been approved by the Board;

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

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

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

Please refer to the note 41 of financial statements for the details of commodity purchase, labour offering and other continuing connected transactions.

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 2008.

MAJOR LITIGATION, ARBITRATION

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

ACQUISITIONS, DISPOSALS AND MERGERS

Save as disclosed from page 28 to 34 of this report, the Company has no other significant acquisitions, sale 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 annual general meeting.

AUDITORS

In the coming Annual General Meeting, the Company will submit a resolution for the reappointment of Ernst & Young Hua Ming and Ernst & Young as the domestic and international auditors of the Company for the year 2009 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 date are set out in note 47 to the financial statements.

By order of the Board
Chen Jinghe
Chairman

Shanghang, Fujian, the PRC
20 March 2009

1. WORKING REPORT OF THE SUPERVISORY COMMITTEE

Meetings of the Supervisory Committee	Resolutions in the Supervisory Committee
The Forth Meeting of the Third Supervisory Committee was held on 6 March 2008 in Xiamen	The 2007 supervisory report and the 2008 work schedule were reviewed and passed; the 2007 consolidated financial statements and 2007 annual results announcement of the Group were reviewed, it is considered that the report and announcement reflected the financial status, the operation results and the cash flow status of the Company in 2007 fairly and objectively, and complied with the annual report's compilation and disclosure requirements of the Stock Exchange of Hong Kong.
The Fifth Meeting of the Third Supervisory Committee was held on 28 July 2008 in Xiamen	The 2008 interim consolidated financial statements and 2008 interim results announcement of the Group were reviewed, it is considered the report and the announcement reflected the financial status, the operation results and the cash flow status of the Company as at 30 June 2008 fairly and objectively, the process of compilation and audit complied with relevant laws, articles of association and the applicable rules of the Company's internal management system; the self inspection report of the Company's project management was reviewed and passed.
The Sixth Meeting of the Third Supervisory Committee was held on 24 October 2008 in Xiamen	The 2008 third quarterly consolidated financial statements and 2008 third quarterly results announcement were reviewed, it is considered the report and the announcement truly reflected the operation status for the reporting period, objectively and fairly reflected the financial status, the 2008 third quarterly operation results and cash flow status, process of compilation and audit complied with relevant laws, articles of association and the applicable rules of the Company's internal management system.

2. COMPLIANCE OF THE COMPANY'S OPERATIONS

In 2008, the Board implemented all the resolutions passed in 2007 Annual General Meeting: it has completed the profit distribution in 2007; the distribution of remunerations of Directors and Supervisors of 2007; the resolution of re-appointment of Ernst & Young, etc.

The operation management implemented all the resolutions of the Board, strive for growth and protect the interests of shareholders by high level of corporate management level in accordance with the "Company Law", "Guideline of Internal Control System of Listed Company", the relevant rules and regulations of the Shanghai Stock Exchange, The Hong Kong Stock Exchange and the relevant regulatory bodies. Based on this goal and combined with its characteristics, the Company built a reasonable internal control system comprehensively and carried out the system smoothly and thoroughly. It is found that the internal control system is reasonable and effective.

No violation of the laws, regulations, the articles of association of the Company or damages to the interests of the Company has been found during the discharging of duties by the directors and senior management of the Company.

3. INSPECTION OF THE FINANCIAL STATUS

No violations or damages of interest of the Company was found during the inspection of the 2007 annual report, 2008 interim report, 2008 third quarterly report, use of proceed of A shares, connected transactions, external guarantees and donation, etc. A special audit has been carried out on the remuneration of the Company's senior management, a special inspection has been carried out on the total payroll management, operation expenses, parent company's fund used by subsidiaries and the interest calculation and payment. The operation and profit and loss situation of the forward contracts of gold and copper, and the profit estimation for 2008 have been audited and commented.

The Group's financial statements for the year 2008 were audited by Ernst & Young, which issued an audited report with an unqualified opinion. During the year, the Group achieved a sales revenue of RMB16.322 billion and net profits of RMB3.066 billion, representing an increase of 20.15% over last year, and satisfactorily completed the working plan of the year.

4. THE INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE REGARDING THE RECENT ACTUAL INVESTMENT BY USE OF PROCEED RECENTLY

The Company's IPO in A shares raised the net proceeds of RMB9,806,960,200, as at 31 December 2008, the accumulated use of the proceeds is RMB7,736,923,400, representing 78.89% of the total proceeds. The use of proceeds complied with the purposes stated in the prospectus.

5. ACQUISITIONS AND DISPOSAL OF ASSETS

During the reporting period, the acquisitions and disposal of assets based on the principles of the market and the decision making complied with laws and regulations, no insider dealing and damages to the shareholders' interest was found.

6. CONNECTED TRANSACTIONS

During the reporting period, when executing the approval and disclosure of the connected transactions, the Company strictly complied with the "Articles of Association", "Management Method of the Connected Transaction", the listing rules of Shanghai Stock Exchange and Hong Kong Stock Exchange, the connected transactions were dealt in fair and reasonable principle, no harmful transactions against the interest of the Company and non-connected shareholders was found.

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

Shanghang, Fujian, the PRC
20 March 2009

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules as the model code for the trading of securities by directors of the Group. The effective date was 23 December 2003. Following enquiries with all directors of the Company, the Group confirms that all directors have complied with the provisions of the Model Code for the year ended 31 December 2008.

BOARD COMPOSITION AND PRACTICE

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

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

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

For the year ended 31 December 2008, except Mr. Peng Jiaqing whose appointment started from 20 June 2008 until 17 August 2009, all the non-executive directors of the Company were appointed for 3 years from 18 August 2006 to 17 August 2009. Details are set out in the Report of the Directors.

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

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

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

As the president of the Company, Mr. Chen fully delegates the daily operation management to relevant managers. Executive directors and senior vice 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 12 plenary board meetings for the year ended 31 December 2008. The attendance of directors at the meetings was as follows:

	Attendance
Chairman of the Board *(chairman, president)*	
Chen Jinghe	12/12
Executive directors	
Liu Xiaochu *(vice-chairman)*	12/12
Luo Yingnan *(vice-chairman)*	12/12
Lan Fusheng *(vice-chairman)*	12/12
Huang Xiaodong	12/12
Zou Laichang	12/12
Non-executive director	
Ke Xiping (Resigned on 20 June 2008)	2/12
Pang Jiaqing (Appointed on 20 June 2008)	10/12
Independent non-executive directors	
Loong Ping Kwan	11/12
Chen Yuchuan	12/12
Lin Yongjing	12/12
Su Congfu	12/12

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 at 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. Loong Ping Kwan, 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 by directors and senior management;
- To ensure that no director or his associate can determine his own remuneration.

PROCEDURE AND BASIS FOR DETERMINATION OF REMUNERATION

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

During 2008, 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 have evaluated and gave proposal on the remuneration plan and the award plan. The proposal was made by reference to the performance of the directors, the overall performance of the Group, the average salary of the local employees, etc.

ANNUAL REMUNERATION

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2008, the audit fees charged by the auditors of the Company was approximately RMB4.28 million, and the auditors did not charge any fees other than the audit fees.

AUDIT COMMITTEE

The audit committee comprises of independent non-executive directors, Mr. Lin Yongjing, Mr. Su Congfu, Mr. Chen Yuchuan, Mr. Loong Ping Kwan, non-executive director, Mr. Peng Jiaqing, and executive director Mr. Liu Xiaochu. The chairman of the audit committee is Mr. Lin Yongjing. During 2008, three 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 three meetings during the reporting period with 100% attendance.

At the meeting held in March 2008, the committee reviewed the working report by the compliance and audit office and reviewed the audited report and connected transactions of the Group for 2007, and also submitted its concluding opinions on relevant connected transactions and the audit to the Board.

At the meeting held in August 2008, the committee reviewed the interim report and connected transactions of the Group for 2008, and reviewed the effectiveness of the Group's internal control system and also submitted its concluding opinions on the audit to the Board.

At the meeting held in October 2008, the committee reviewed the third quarterly report of the Group for 2008 and submitted its concluding opinions on the audit to the Board.

The annual report for the year ended 31 December 2008 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 59 to 60.

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

The shareholding interests of senior management of the Group are detailed in "Interests and Short Positions of Directors, Supervisors and Chief Executive in the issued shares of the Company" on page 40.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

Voting at a general meeting is by poll.

The Group communicates with shareholders through the issuance of annual reports, interim reports, quarterly reports and 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 key to building investors' confidence and attracting new investors.

The Group holds press conferences and briefings to investment analysts immediately following the announcement of its annual and interim results. Senior management such as the chairman of the Board and the financial controller of the Group will be presented to analyse the performance of the Group during the period, expound the business development of the Group and answer questions raised by investors. After the issue of A-shares, the Group also issued results announcement dated 25 Otcobter 2008 for the third quarter of 2008.

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

The Group's extraordinary general meeting, class meetings for holders of Domestic Shares and H Shares were held on 26 March 2008 at its headquarters in Shanghang County, Fujian Province and considered the following matter: to approve that the effective period of the Shareholders' Approval for the Proposed A Share Issue be extended until the expiration of a period of 12 months from the date of passing of this resolution. The above matter has been approved by voting at the class meetings and general meeting.

The Group's 2007 annual general meeting was held on 20 June 2008 at its headquarters in Shanghang County, Fujian Province and considered the following matters: 1. the directors' report for 2007; 2. the supervisors' report for 2007; 3. the audited consolidated financial and international auditors' report as at 31 December 2007; 4. the profit distribution plan for 2007; 5. to approve the proposed annual remuneration plan of directors, supervisors, and senior management of the Company as at 31 December 2007; 6. to approve the appointment of Ernst & Young Hua Ming and of Ernst & Young as the domestic and international auditors of the Group for the year ended 31 December 2008; and to authorise the Board to determine the relevant remuneration; 7. the resignation of Mr. Ke Xiping as a Non-executive Director of the Company; 8. Mr. Peng Jiaqing was approved and elected as a Non-executive Director of the Company; 9. to approve the grant of a mandate to the Board of issuing not more than 20% of the total nominal value of domestic shares or H shares in issue. All the above matters have been approved by voting at the general meeting.

As at 31 December 2008, the total market capitalisation of the Group was approximately RMB67 billion. The market capitalisation of H shares was approximately RMB16.5 billion. As at 20 March 2009, the Company totally issued 14,541,309,100 shares ordinary share (face value: RMB0.10 per share), in 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.

INTERNAL CONTROL

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

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

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

The Group has established a dedicated internal audit institution and appropriate internal control procedures to ensure that accounting and management information are recorded in a comprehensive, accurate and timely manner. Besides, regular reviews are conducted to ensure that the preparation of financial statements is in compliance with the accounting standards, accounting policy and applicable laws and regulations, which is 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.

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

We have audited the financial statements of Zijin Mining Group Co., Ltd. set out on pages 60 to 168, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 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
20 March 2009

	Notes	2008 *RMB'000*	2007 *RMB'000*
REVENUE	5	**16,322,275**	14,871,268
Cost of sales		**(10,329,182)**	(9,295,361)
Gross profit		**5,993,093**	5,575,907
Other income and gains	5	**522,199**	238,991
Selling and distribution costs		**(316,948)**	(255,000)
Administrative expenses		**(826,891)**	(607,360)
Other operating costs		**(630,942)**	(318,248)
Finance costs	6	**(247,326)**	(292,683)
Share of profits of:			
Associates		**11,370**	72,371
Jointly-controlled entities		**28,502**	18,225
PROFIT BEFORE TAX	7	**4,533,057**	4,432,203
Tax	10	**(639,031)**	(912,448)
PROFIT FOR THE YEAR		**3,894,026**	3,519,755
Attributable to:			
Equity holders of the parent		**3,066,201**	2,552,007
Minority interests		**827,825**	967,748
		3,894,026	3,519,755
DIVIDENDS			
Proposed final	12	**1,454,131**	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**RMB0.22**	RMB0.19

Consolidated Balance Sheet

31 December 2008

	Notes	2008 *RMB'000*	2007 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,259,305**	6,003,718
Investment properties	15	**57,211**	58,329
Prepaid land lease payments	16	**525,302**	156,740
Long-term deferred assets	17	**584,570**	483,796
Other assets	18	**2,963,102**	1,604,573
Other intangible assets	19	**3,586,823**	1,615,470
Goodwill	20	**327,982**	339,132
Interests in associates	22	**1,091,590**	1,364,378
Interests in jointly-controlled entities	23	**276,195**	255,809
Available-for-sale investments	24	**422,238**	462,178
Deferred tax assets	35	**71,195**	29,917
Total non-current assets		**18,165,513**	12,374,040
CURRENT ASSETS			
Inventories	25	**1,593,508**	1,044,245
Prepayments, deposits and other receivables	26	**801,029**	691,182
Trade receivables	27	**322,131**	293,870
Bills receivable	27	**266,534**	52,346
Equity investments at fair value through profit or loss	28	**23,677**	102,439
Derivative financial instruments	29	**5,665**	4,440
Pledged deposits	30	**74,833**	52,088
Cash and cash equivalents	30	**4,964,659**	2,184,510
Total current assets		**8,052,036**	4,425,120
CURRENT LIABILITIES			
Accrued liabilities and other payables	31	**1,997,203**	1,844,215
Trade and bills payables	32	**727,713**	590,262
Interest-bearing bank and other loans	33	**2,516,295**	3,682,778
Tax payable		**418,004**	521,191
Total current liabilities		**5,659,215**	6,638,446
NET CURRENT ASSETS/(LIABILITIES)		**2,392,821**	(2,213,326)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,558,334**	10,160,714

	Notes	2008 *RMB'000*	2007 *RMB'000* (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,558,334**	10,160,714
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	33	**969,368**	2,759,660
Provision for land restoration and environmental costs	34	**59,589**	50,856
Deferred tax liabilities	35	**131,328**	28,128
Government grants		**13,990**	17,744
Long-term other payables	36	**204,934**	185,713
Total non-current liabilities		**1,379,209**	3,042,101
Net assets		**19,179,125**	7,118,613
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	37	**1,454,130**	1,314,130
Reserves	38	**14,680,258**	4,022,896
		16,134,388	5,337,026
Minority interests		**3,044,737**	1,781,587
Total equity		**19,179,125**	7,118,613

Chen Jinghe
Director

Liu Xiaochu
Director

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

		Attributable to equity holders of the parent										
	Notes	Issued capital RMB'000	Share premium account RMB'000	Statutory surplus reserve RMB'000 note 38(a)	Capital 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	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008		1,314,130	31,661	754,831	5,332	115,586	3,155,622	–	(40,136)	5,337,026	1,781,587	7,118,613
Changes in fair value of available-for-sale investments		–	–	–	–	(208,698)	–	–	–	(208,698)	–	(208,698)
Exchange realignment		–	–	–	–	–	–	–	(62,910)	(62,910)	(12,561)	(75,471)
Total income and expense recognised directly in equity		–	–	–	–	(208,698)	–	–	(62,910)	(271,608)	(12,561)	(284,169)
Impairment of available-for sales Investment	24	–	–	–	–	42,243	–	–	–	42,243	–	42,243
Profit for the year		–	–	–	–	–	3,066,201	–	–	3,066,201	827,825	3,894,026
Total income and expense for the year		–	–	–	–	(166,455)	3,066,201	–	(62,910)	2,836,836	815,264	3,652,100
Dividends paid		–	–	–	–	–	(1,308,718)	–	–	(1,308,718)	–	(1,308,718)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(649,032)	(649,032)
Share of capital reserve of an associate		–	–	–	(29,012)	–	–	–	–	(29,012)	–	(29,012)
Transfer to reserves		–	–	244,969	–	–	(244,969)	–	–	–	–	–
Provision for specific reserve (note 38(c))		–	–	60,853	–	–	(60,853)	–	–	–	–	–
Acquisition of subsidiaries	39(a)	–	–	–	188,401**	–	–	–	–	188,401	618,822	807,223
Investments in subsidiaries		–	–	–	–	–	–	–	–	–	683,809	683,809
Disposal of subsidiaries	39(b)	–	–	–	–	–	–	–	–	–	(55,927)	(55,927)
Disposal of equity interests in subsidiaries		–	–	–	–	–	–	–	–	–	70,400	70,400
Share of capital reserve arising from share premium of a subsidiary		–	–	–	72,700	–	–	–	–	72,700	–	72,700
Acquisition of equity interests in subsidiaries from minority shareholders		–	–	–	(769,805)	–	–	–	–	(769,805)	(220,246)	(990,051)
Issue of shares	37	140,000	–	–	–	–	–	–	–	140,000	–	140,000
Share premium on issue of shares		–	9,666,960	–	–	–	–	–	–	9,666,960	–	9,666,960
Proposed final dividend	12	–	–	–	–	–	(1,454,131)	1,454,131	–	–	–	–
At 31 December 2008		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

* These reserve accounts comprise the consolidated reserves of RMB14,680,258,000 (2007: RMB 4,022,896,000) in the consolidated balance sheet.

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

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,533,057	4,432,203
Adjustments for:			
Finance costs	6	247,326	292,683
Share of profits of associates and jointly-controlled entities		(39,872)	(90,596)
Interest income	5	(141,837)	(27,176)
Losses/ (gains) on disposal of equity investments at fair value through profit or loss	5, 7	13,566	(40,692)
Fair value losses/ (gains) on equity investments at fair value through profit or loss	5, 7	36,763	(2,031)
Excess over the cost upon the acquisition of minority interests	5	—	(4,791)
Losses on disposal of subsidiaries	7	54,168	—
Unrealised gains on derivative financial instruments		(1,357)	(4,440)
Depreciation	7	537,665	409,228
Amortisation of prepaid land lease payments	7	13,069	7,049
Amortisation of long-term deferred assets	7	91,305	55,595
Amortisation of other intangible assets	7	59,180	58,022
Write down of inventories to net realisable value	7	114,755	—
Reversal of provision for inventory obsolescence	7	—	(321)
Provision/(reversal of provision) for impairment of trade and other receivables	7	8,498	(22)
Impairment provision for property, plant and equipment	7	38,920	393
Impairment provision for other intangible assets	7	113,315	—
Impairment provision for available-for-sale investments	7	42,243	—
Impairment provision for goodwill	7	8,658	—
Dividend income	5	(44,934)	(45,010)
Government grants	5	(36,354)	(14,188)
Loss on disposal of property, plant and equipment	7	8,945	4,916
		5,657,079	5,030,822
Increase in inventories		(692,818)	(1,440)
Decrease/(increase) in prepayments, deposits and other receivables		(13,803)	840
Increase in trade receivables		(28,630)	(93,487)
Increase in bills receivable		(213,693)	(39,242)
Decrease in accrued liabilities and other payables		(184,189)	(78,117)
Increase in trade and bills payables		119,860	256,271
Increase in long-term other payables		54,978	57,180
Cash generated from operations		4,698,784	5,132,827
Income tax paid		(791,777)	(713,877)
Net cash inflow from operating activities		3,907,007	4,418,950

	Notes	2008 *RMB'000*	2007 *RMB'000* (Restated)
Net cash inflow from operating activities		**3,907,007**	4,418,950
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**141,837**	27,176
Dividends received from available-for-sale investments		**44,934**	45,010
Dividends received from associates and jointly-controlled entities		**39,874**	87,697
Purchase of available-for-sale investments		**(49,775)**	(21,600)
Purchase of equity investments at fair value through profit or loss		**(292,918)**	(103,166)
Proceeds from disposal of equity investments at fair value through profit or loss		**301,695**	123,001
Purchase of property, plant and equipment		**(2,553,476)**	(1,816,380)
Proceeds from disposal of property, plant and equipment		**34,369**	41,816
Additions to prepaid land lease payments		**(384,763)**	(51,285)
Additions to long-term deferred assets		**(153,901)**	(276,628)
Additions to other intangible assets		**(457,077)**	(42,515)
Additions to other assets, other than exploration and evaluation costs		**(1,360,606)**	(1,132,161)
Additions to exploration and evaluation costs		**(306,798)**	(145,619)
Proceeds from disposal of other assets		**82,303**	3,091
Acquisition of associates		**—**	(843,947)
Proceeds from disposal of equity interests in an associate		**738**	106,250
Acquisition of subsidiaries	39(a)	**(513,362)**	(322,044)
Proceeds from disposal of equity interests in subsidiaries	39(b)	**18,788**	(6,820)
Capital injection in an associate		**(83,900)**	(34,300)
Acquisition of equity interest in subsidiaries from minority shareholders		**(799,493)**	(237,395)
Decrease in non-pledged time deposits with original maturity of over three months when acquired		**(2,218,758)**	(25,532)
Increase in pledged deposits		**(22,745)**	(2,502)
Net cash outflow from investing activities		**(8,533,034)**	(4,627,853)

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
Net cash outflow from investing activities		**(8,533,034)**	(4,627,853)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**4,537,318**	4,356,358
Repayment of bank loans		**(7,507,867)**	(2,017,302)
Repayment of long-term other payables		**—**	(14,839)
Interest paid		**(281,308)**	(326,327)
Dividends paid		**(1,308,718)**	(946,174)
Dividends paid to minority shareholders		**(586,913)**	(809,377)
Cash received from government grants		**34,000**	24,284
Cash received from A shares issued		**9,806,960**	—
Cash received from minority shareholders upon investments in subsidiaries		**513,758**	161,349
Net cash inflow from financing activities		**5,207,230**	427,972
NET INCREASE IN CASH AND CASH EQUIVALENTS		**581,203**	219,069
Cash and cash equivalents at beginning of year		**2,158,477**	1,939,408
Effect of foreign exchange rate changes, net		**(19,812)**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,719,868**	2,158,477
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**2,719,868**	2,158,477

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,124,423**	829,851
Prepaid land lease payments	16	**56,007**	52,075
Long-term deferred assets	17	**107,252**	116,478
Other assets	18	**1,131,216**	990,414
Other intangible assets	19	**149,991**	147,233
Interests in subsidiaries	21	**8,177,208**	3,777,507
Interests in associates	22	**918,502**	1,071,866
Available-for-sale investments	24	**76,350**	51,350
Deferred tax assets	35	**5,961**	8,655
Total non-current assets		**11,746,910**	7,045,429
CURRENT ASSETS			
Inventories	25	**291,220**	203,480
Prepayments, deposits and other receivables	26	**1,028,631**	572,176
Trade receivables	27	**72,047**	59,661
Bills receivables	27	**80,932**	—
Derivative financial instruments	29	**1,288**	130
Pledged deposits	30	**64,566**	50,328
Cash and cash equivalents	30	**3,339,948**	488,809
Total current assets		**4,878,632**	1,374,584
CURRENT LIABILITIES			
Accrued liabilities and other payables	31	**1,025,270**	668,213
Trade and bills payables	32	**150,741**	181,873
Interest-bearing bank and other loans	33	**—**	1,926,778
Tax payable		**97,029**	191,531
Total current liabilities		**1,273,040**	2,968,395
NET CURRENT ASSETS/(LIABILITIES)		**3,605,592**	(1,593,811)
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,352,502**	5,451,618

	Notes	2008 *RMB'000*	2007 *RMB'000* (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	33	**341,730**	1,415,030
Provision for land restoration and environmental costs	34	**59,589**	50,856
Government grants		**470**	470
Long-term other payables	36	**130,693**	127,578
Total non-current liabilities		**532,482**	1,593,934
Net assets		**14,820,020**	3,857,684
EQUITY			
Issued capital	37	**1,454,130**	1,314,130
Reserves	38	**13,365,890**	2,543,554
Total equity		**14,820,020**	3,857,684

Chen Jinghe
Director

Liu Xiaochu
Director

1. CORPORATE INFORMATION

Zijin Mining Group Co., Ltd. (the "Company") was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 6 September 2000. The Company and its subsidiaries (the "Group") are mainly engaged in the gold, copper and zinc mining business and geological studies.

The registered office and principal place of business of the Company is located at 1 Zijin Road, Shanghang County, Fujian Province, the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("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 certain equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All income, expense and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the hybrid entity concept/parent entity method whereby the difference between the cost of additional interests in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interest is reflected partly as goodwill and partly as a reduction in equity.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IAS 39 and IFRS 7 Amendments	Amendments to *IAS 39 Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures - Reclassification of Financial Assets*
IFRIC-Int 11	*IFRS 2 - Group and Treasury Share Transactions*
IFRIC-Int 12	*Service Concession Arrangements*
IFRIC-Int 14	*IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

(a) Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures - Reclassification of Financial Assets*

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

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

(b) IFRIC-Int 11 *IFRS 2 - Group and Treasury Share Transactions*

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

(c) IFRIC-Int 12 *Service Concession Arrangements*

IFRIC-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) IFRIC-Int 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC-Int 14 addresses how to assess the limit under IAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 IMPACT OF 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 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards* [2]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment-Vesting Conditions and Cancellations* [1]
IFRS 3 (Revised)	*Business Combinations* [2]
IFRS 7 Amendments	Amendments to IFRS 7: *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments* [1]
IFRS 8	*Operating Segments* [1]
IAS 1 (Revised)	*Presentation of Financial Statements* [1]
IAS 23 (Revised)	*Borrowing Costs* [1]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements - Puttable Financial instruments and Obligations Arising on Liquidation* [1]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* [2]
IFRIC-Int 9 and IAS 39 Amendments	*Embedded Derivatives* [5]
IFRIC-Int 13	*Customer Loyalty Programmes* [3]
IFRIC-Int 15	*Agreements for the Construction of Real Estate* [1]
IFRIC-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
IFRIC-Int 17	*Distribution of Non-cash Assets to Owners* [2]
IFRIC-Int 18	*Transfers of Assets from Customers* [2]

Apart from the above, the IASB has also issued *Improvements to IFRSs** which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to IFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009

* Improvements to IFRSs contains amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that, while the adoption of IFRS 8 and IAS 1(Revised) may result in new or amended disclosures and the adoption of IFRS 3 (Revised), and IAS 27 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of each item of property, plant and equipment are as follows:

Buildings	8 - 35 years
Electricity generation plant	8 - 45 years
Leasehold improvements	5 years
Plant, machinery and equipment	5 -15 years
Furniture and fixtures	4 -10 years
Motor vehicles	6 years

Also included in property, plant and equipment are mining assets which comprise the open-pit platform, leaching piles, mine shafts and buildings located at the mining sites. Depreciation is provided to write off the cost of the open-pit platform, leaching piles and mine shafts using the units of production method based on the estimated proven and probable mineral reserves. The buildings located at the mining sites are depreciated on the straight-line basis between 7 and 10 years.

Residual values, useful lives and the depreciation method are reviewed, and adjusted on a prospective basis if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, mining structures, various plant and equipment and other fixed assets under construction and pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated 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.

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 10 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid land lease payments

Prepaid land lease payments are stated at cost less accumulated amortisation and any impairment losses. The prepaid land lease payments are amortised on the straight-line basis over the unexpired period of the rights.

Research and development costs

All research costs are charged to the income statement as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because, (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for an available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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 where:

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

(b) the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(c) the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "financial costs" in the income statement.

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

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 on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	—	purchase cost on the first-in, first-out basis;
Finished goods and work in progress	—	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly 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.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Retirement benefits

The Group was mainly composed of companies established in the PRC and these companies participate in a defined retirement contribution plan managed by the local municipal government in the PRC in which they operate. The relevant authorities of the local municipal government in the PRC undertake the retirement obligations of the Group's employees. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contribution payable is charged as an expense to the income statement as and when incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Foreign currencies

These financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than Renminbi. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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 and hence has classified the leases as operating leases.

Classification between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately or leased out separately under a finance lease, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. The carrying amount of investment properties at 31 December 2008 was RMB57,211,000 (2007: RMB58,329,000)

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.

Impairment of assets

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

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

Judgements *(continued)*

Income tax

The Group is subject to income taxes in various regions within the 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 2008 was RMB639,031,000 (2007: RMB912,448,000).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 2008,no impairment losses have been recognised for exploration and evaluation costs (2007: Nil). The aggregate carrying value of exploration and evaluation costs was RMB472,632,000 (2007: RMB196,551,000).

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.

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

Estimation uncertainty *(continued)*

Useful lives and impairment of property, plant and equipment (continued)

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash-generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. The recoverable amounts are determined based on fair value less costs to sell which are based on the best information available to reflect the amount obtainable at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2008, impairment losses of RMB38,920,000 (2007: RMB393,000) have been recognised for property, plant and equipment. The carrying amount of property, plant and equipment at 31 December 2008 was RMB8,259,305,000 (2007: RMB6,003,718,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2008, impairment losses of RMB8,658,000 (2007: Nil) have been recognised for goodwill. The carrying amount of goodwill at 31 December 2008 was RMB327,982,000 (2007: RMB339,132,000). More details are given in note 20.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, impairment losses of RMB42,243,000 (2007: Nil) have been recognised for available-for-sale assets. The carrying amount of available-for-sale assets at 31 December 2008 was RMB422,238,000 (2007: RMB462,178,000).

Impairment of receivables

The provision for impairment of receivables of the Group is based on the evaluation of collectibility and the aging analysis of trade receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation on each balance sheet date. The carrying amount of trade receivables at 31 December 2008 was RMB322,131,000 (2007: RMB293,870,000).

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

Estimation uncertainty *(continued)*

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 2008, impairment losses of RMB113,315,000 (2007: Nil) have been recognised for mining rights. The aggregate carrying value of mining rights was RMB3,580,045,000 (2007: RMB1,611,034,000).

Provision for land restoration and environmental costs

The provision for land restoration and environmental costs are based on estimates of future payments made by management. Estimates used are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The aggregate carrying value of provision was RMB59,589,000 (2007: RMB50,856,000)

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses. The capitalised cost of mining rights and land compensation costs are depreciated over the estimated useful lives. The useful lives are reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mines.

Provision for obsolete inventories

Management reviews the condition of the inventories of the Group and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at each balance sheet date and makes provision for obsolete items. Management reassesses the estimation on each balance sheet date.

4. SEGMENT INFORMATION

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

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

(a) the mine-produced gold segment is the production of gold bullion through the Group's integrated processes, i.e., mining, processing and refining.

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

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

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

(e) the ore concentrates segment comprises, principally, the production of gold concentrates, copper concentrates, zinc concentrates and iron concentrates; and

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

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

4. SEGMENT INFORMATION *(continued)*

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008	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	4,423,901	5,717,371	357,743	1,357,836	3,631,056	834,368	—	16,322,275
Intersegment sales	129,705	3,130	78,315	4,320	283,193	319,218	(817,881)	—
Other income	—	—	—	—	—	136,588	—	136,588
Total	4,553,606	5,720,501	436,058	1,362,156	3,914,249	1,290,174	(817,881)	16,458,863
Segment results	2,633,249	9,864	270,923	101,279	1,984,982	160,224	—	5,160,521
Interest and dividend income								186,771
Unallocated expenses								(606,781)
Finance costs								(247,326)
Share of:								
Associates	—	—	(5,826)	—	23,986	(6,790)	—	11,370
Jointly-controlled entities	29,012	—	—	—	(510)	—	—	28,502
Profit before tax								4,533,057
Tax								(639,031)
Profit for the year								3,894,026
Assets and liabilities								
Segment assets	4,137,911	513,867	1,526,864	1,810,336	7,931,559	1,767,092	—	17,687,629
Interests in associates	—	—	113,858	—	646,645	331,087	—	1,091,590
Interests in jointly-controlled entities	172,172	—	—	—	104,023	—	—	276,195
Unallocated assets								7,162,135
Total assets								26,217,549

4. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2008	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 liabilities	499,167	369,322	65,393	112,564	1,246,362	59,120	—	2,351,928
Unallocated liabilities								4,686,496
Total liabilities								7,038,424
Other segment information:								
Depreciation and amortisation	253,126	14,642	24,256	67,195	250,960	88,467	—	698,646
Unallocated amounts								2,573
								701,219
Capital expenditure	987,527	248,736	250,460	419,370	3,201,552	752,137	—	5,859,782
Unallocated amounts								207,847
								6,067,629
Non-cash gains	65,905	—	50,110	12,362	—	—	—	128,377
Unallocated amounts								(51,556)
								76,821
Impairment losses recognised in the income statement	107,233	9,427	657	12,300	62,401	134,371	—	326,389

4. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2007 (Restated)	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	3,895,524	4,541,611	396,545	2,713,895	2,894,954	428,739	—	14,871,268
Intersegment sales	11,317	—	16,340	—	785,802	174,887	(988,346)	—
Other income	—	—	—	—	—	73,412	—	73,412
Total	3,906,841	4,541,611	412,885	2,713,895	3,680,756	677,038	(988,346)	14,944,680
Segment results	2,369,333	2,961	331,767	634,829	1,646,864	92,331	—	5,078,085
Interest and dividend income								72,186
Unallocated expenses								(515,981)
Finance costs								(292,683)
Share of profits and losses of:								
Associates	—	—	(17,815)	—	84,262	5,924	—	72,371
Jointly-controlled entities	—	18,613	—	—	(388)	—	—	18,225
Profit before tax								4,432,203
Tax								(912,448)
Profit for the year								3,519,755
Assets and liabilities								
Segment assets	2,352,972	236,894	962,448	1,259,598	4,993,896	2,378,785	—	12,184,593
Interests in associates	—	—	119,685	—	1,097,974	146,719	—	1,364,378
Interests in jointly-controlled entities	2,000	172,697	—	—	81,112	—	—	255,809
Unallocated assets								2,994,380
Total assets								16,799,160

4. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2007 (Restated)	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 liabilities	238,421	49,395	64,102	113,853	1,441,736	781,283	—	2,688,790
Unallocated liabilities								6,991,757
Total liabilities								9,680,547
Other segment information:								
Depreciation and amortisation	233,482	3,102	32,632	40,909	179,007	35,084	—	524,216
Unallocated amounts								5,678
								529,894
Capital expenditure	919,104	62,199	156,868	201,147	1,467,269	530,075	—	3,336,662
Unallocated amounts								117,823
								3,454,485
Non-cash gains/ (expenses)	(117,224)	—	32,277	14,792	—	—	—	(70,155)
Unallocated amounts	—	—	—	—	—	—	—	42,723
								(27,432)
Impairment losses recognised in the income statement	50	—	—	—	—	—	—	50

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:

	2008 *RMB'000*	2007 *RMB'000*
Revenue		
Sale of gold bullion	**10,250,853**	8,522,689
Sale of gold concentrates	**500,818**	458,513
Sale of copper concentrates	**2,111,774**	1,902,139
Sale of copper cathodes	**383,659**	414,090
Sale of zinc bullion	**1,361,947**	2,720,151
Sale of zinc concentrates	**34,419**	88,642
Sale of iron concentrates	**966,161**	450,136
Others	**951,742**	490,768
Less: Sales taxes and levies (note (a))	**(239,098)**	(175,860)
	16,322,275	14,871,268
Other income		
Bank interest income	**141,837**	27,176
Rental income	**5,063**	4,335
Processing income	**1,174**	2,861
Dividend income	**44,934**	45,010
Profit from a jointly-controlled operation (note (b))	**—**	22,363
Excess over the cost upon the acquisition of minority interests	**—**	4,791
Hotel operating income	**22,873**	19,780
Gain on sales of scrap materials	**65,408**	9,915
Government grants	**36,354**	14,188
Others	**68,822**	28,987
	386,465	179,406
Gains		
Exchange gains	**7,357**	16,862
Gains on disposal of equity investments at fair value through profit or loss	**—**	40,692
Gains on derivative financial instruments (note 29)	**127,020**	—
Fair value gains on derivative financial instruments (note 29)	**1,357**	—
Fair value gains on equity investments at fair value through profit or loss	**—**	2,031
	135,734	59,585
	522,199	238,991

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

Notes:

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

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

6. FINANCE COSTS

	Group	
	2008 *RMB'000*	2007 *RMB'000*
Interest on bank loans and other loans	**287,428**	326,327
Less: Interest capitalised as construction in progress (note 40)	**(40,102)**	(33,644)
	247,326	292,683

The interest capitalised represents the cost of capital from raising the related borrowings and the interest capitalisation rate ranges from 4.52% to 7.47% (2007: 5.18% to 7.20%) per annum.

7. PROFIT BEFORE TAX

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

	Notes	2008 *RMB'000*	2007 *RMB'000*
Cost of inventories sold		10,038,128	9,165,962
Amortisation of prepaid land lease payments	16	13,069	7,049
Amortisation of long-term deferred assets	17	91,305	55,595
Amortisation of other intangible assets	19	59,180	58,022
Provision for land restoration and rehabilitation costs	34	12,745	8,733
Write down of inventories to net realisable value		114,755	—
		10,329,182	9,295,361
Depreciation of property, plant and equipment (note (a))	14	535,671	409,228
Depreciation of investment properties	15	1,994	—
Research and development expenditures		44,488	43,118
Minimum lease payments under operating leases on land and buildings		3,902	4,335
Auditors' remuneration		4,280	3,720
Staff costs (including directors' remuneration (note 8)):			
Salaries and other staff costs (note (b))		826,261	496,274
Retirement benefits - defined contribution fund (note (c))		45,741	11,665
		872,002	507,939
Reversal of provision for inventory obsolescence*		—	(321)
Provision/(reversal of provision) for impairment of trade and other receivables*	26,27	8,498	(22)
Impairment provision for property, plant and equipment*	14	38,920	393
Impairment provision for other intangible assets*	19	113,315	—
Impairment provision for available-for-sale investments*	24	42,243	—
Impairment provision for goodwill*	20	8,658	—
Loss on disposal of property, plant and equipment*		8,945	4,916
Donations*		270,812	219,034
Losses on derivative financial instruments*	29	—	70,155
Losses on disposal of equity investments at fair value through profit or loss*		13,566	—
Fair value losses on equity investments at fair value through profit or loss*		36,763	—
Losses on disposal of subsidiaries*	39(b)	54,168	—

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

7. PROFIT BEFORE TAX *(continued)*

Notes:

(a) Depreciation of approximately RMB352,907,000 was included in the cost of sales for the year ended 31 December 2008 (2007: RMB305,461,000).

(b) Staff costs of approximately RMB463,405,509 were included in the cost of sales for the year ended 31 December 2008 (2007: RMB217,260,000).

(c) According to the relevant rules and regulations of the PRC, the Company and its subsidiaries incorporated in the PRC participate in defined contribution retirement plans. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area. The Company and its subsidiaries are required to make contributions to the local social security bureau at rates ranging from 11% to 25% of the prior year's average basic salaries within the geographical area where the employees are under employment with the Company and its subsidiaries. The Company and its subsidiaries have no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

8. DIRECTORS' REMUNERATION

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

	Group	
	2008	2007
	RMB'000	*RMB'000*
Fees	**600**	624
Other emoluments:		
Salaries, allowances and benefits in kind	**16,141**	12,741
Discretionary bonuses	**14,804**	8,816
Pension scheme contributions	**56**	23
	31,601	22,204

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: 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 (2007: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2008 *RMB'000*	2007 *RMB'000*
Mr. Chen Yuchuan	150	150
Mr. Lin Yongjing	150	150
Mr. Su Congfu	150	150
Mr. Loong Ping Kwan	150	174
	600	624

(b) Executive directors and a non-executive director

2008	Fees *RMB'000*	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		4,440	4,596	6	9,042
Mr. Liu Xiaochu	—	2,310	1,593	6	3,909
Mr. Lan Fusheng	—	2,310	2,147	17	4,474
Mr. Zou Laichang	—	2,310	3,100	15	5,425
Mr. Luo Yingnan	—	2,310	1,765	6	4,081
Mr. Huang Xiaodong	—	2,310	1,603	6	3,919
Non-executive director:					
Mr. Ke Xiping *	—	38	—	—	38
Mr. Peng Jiaqing **	—	113	—	—	113
	—	16,141	14,804	56	31,001
2007					
Executive directors:					
Mr. Chen Jinghe	—	3,565	4,560	—	8,125
Mr. Liu Xiaochu	—	1,873	1,020	—	2,893
Mr. Lan Fusheng	—	1,873	689	11	2,573
Mr. Zou Laichang	—	1,508	539	10	2,057
Mr. Luo Yingnan	—	1,873	1,779	—	3,652
Mr. Huang Xiaodong	—	1,873	229	2	2,104
Non-executive director:					
Mr. Ke Xiping	—	176	—	—	176
	—	12,741	8,816	23	21,580

* Non-executive director resigned on 20 June 2008.

** Non-executive director was appointed on 20 June 2008.

Directors' remuneration of RMB14,328,000 (2007:RMB15,701,000) accrued in 2007 was paid during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year are five (2007: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one non-director, highest paid employee for 2007 is as below:

	Group RMB'000
Salaries, allowances and benefits in kind	1,508
Discretionary bonuses	1,369
Pension scheme contributions	10
	2,887

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

There was no emolument paid by the Group to the non-director, highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office during the year .

10. TAX

	2008 *RMB'000*	2007 *RMB'000*
Group:		
Current - Hong Kong	**2,561**	5,357
- Mainland China	**694,894**	868,573
Underprovision/(overprovision) in prior years	**(8,884)**	12,884
Deferred (note 35)	**(49,540)**	25,634
	639,031	912,448

Provision for Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Provision for the PRC corporate income tax has been provided at the rate of 25% (2007:33%) based on the taxable profits except for those related to the following operations in the Group:

10. TAX *(continued)*

Notes:

Pursuant to "Min Gao Ke [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 of Fujian dated 25 November 2008, the Company was granted the status of the 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 State Administration of Taxation dated 1 December 2008.

Pursuant to Guo Shui Fa [1996] No.23, Guo Ban Fa [2001] No.73, Yun Guo Shui Han [2005] No.191 issued by State Tax Bureau, the Central People's Government, Yunnan State Tax Bureau and Kunmin State Tax Bureau, Yunan Huaxi was exempted from corporate income tax from 2004 to 2006 and granted a preferential tax rate of 16.5% from 1 January 2007 to 31 December 2008.

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

Pursuant to Cai Shui [2001] No.202 and Yun Di Shui Er Zi [2002] No.65 issued by State Tax Bureau and Yunnan tax bureau, Yuanyang Huaxi was granted a preferential tax rate of 15% since 1 January 2003

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 since 1 January 2009 pursuant to "Xin Zheng Fa [2008] No.29".

Pursuant to "Guo Fa [2007] No.39" issued by State Council, Xiamen Zijin Sciences and Technology Company Limited and Xiamen Zijin Mining Technology Company Limited are granted a preferential tax rate of 18% for the year ended 31 December 2008.

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 State Council, Qinghai West Copper Company Limited was granted a tax concession at a preferential rate of 15% from 1 January 2007 to 31 December 2010.

Pursuant to "Ba Guo shui [2008] No.50" issued by the Bayannaoer state tax bureau, Bayannaoer Zijin Non-ferrous Metal Company Limited ("Bayannaoer Zijin") was granted a tax concession at a preferential rate of 15% from 1 January 2007 to 31 December 2008.

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

10. TAX *(continued)*

Notes: *(continued)*

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

	2008		2007	
	RMB'000	%	*RMB'000*	%
Profit before tax	4,533,057		4,432,203	
At the PRC statutory tax rate	1,133,264	25.00	1,462,630	33.00
Expenses not deductible for tax	72,467	1.60	34,128	0.77
Income not subject to tax	(44,751)	(0.99)	(15,013)	(0.34)
Profits and losses attributable to associates and jointly-controlled entities	(9,968)	(0.22)	(29,897)	(0.67)
Differential tax rate on the profit of the Company and certain subsidiaries	(503,097)	(11.10)	(552,151)	(12.46)
Reduction of income tax in respect of the tax benefit on locally purchased machinery	—	—	(133)	—
Underprovision/(overprovision) in prior years	(8,884)	(0.20)	12,884	0.29
Tax charge at the Group's effective rate	639,031	14.09	912,448	20.59

The share of tax attributable to associates and jointly-controlled entities amounting to RMB22,844,000 (2007: RMB54,942,000) is included in ''Share of profits and losses of associates and jointly-controlled entities'' on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2008 includes a profit of RMB2,464,094,000 (2007: RMB1,985,744,000) which has been dealt with in the financial statements of the Company (note 38).

12. PROPOSED FINAL DIVIDEND

	2008 *RMB'000*	2007 *RMB'000*
Proposed final dividend - RMB0.10 (2007: Nil) per ordinary share	**1,454,131**	—

The proposed final dividend of RMB1,454,131,000 for the year ended 31 December 2008 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

At the shareholders' meeting on 20 June 2008, the directors declared a final dividend of RMB1,308,718,000 in respect of the year ended 31 December 2007.

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 PRC accounting standards and regulations and that under IFRSs.

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

The calculation of the earnings per share amount is based on the profit for the year attributable to equity holders of the parent of RMB3,066,201,000 (2007: 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.

Diluted earnings per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed as there were no potential dilutive ordinary shares outstanding during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000 (note (a))	Electricity generation plant RMB'000	Mining assets RMB'000 (note (b))	Leasehold improvements RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2008	1,005,037	229,245	2,384,861	17,169	1,463,391	77,089	266,545	1,900,712	7,344,049
Additions	109,068	23,285	11,560	1,061	233,048	19,756	135,081	2,274,508	2,807,367
Additions through acquisition of subsidiaries (note 39(a))	16,412	2,756	38,044	173	14,579	4,252	5,558	28,986	110,760
Transfer from/(to)	325,330	75,000	384,367	800	726,548	1,909	2,685	(1,516,639)	—
Disposals	(7,734)	(3,637)	(20,240)	(778)	(21,310)	(3,518)	(11,137)	(4,353)	(72,707)
Disposal of subsidiaries (note 39(b))	—	(4,403)	(28,990)	—	(8,257)	(785)	(5,825)	(5,506)	(53,766)
At 31 December 2008	1,448,113	322,246	2,769,602	18,425	2,407,999	98,703	392,907	2,677,708	10,135,703
Accumulated depreciation and impairment:									
At 1 January 2008	83,616	34,274	644,348	7,818	394,873	33,681	141,721	—	1,340,331
Depreciation charge for the year	56,109	20,563	220,329	931	188,019	16,065	33,655	—	535,671
Impairment provided for the year	—	—	9,372	—	—	—	—	29,548	38,920
Additions through acquisition of subsidiaries (note 39(a))	26	2	26	159	382	458	605	—	1,658
Disposal of subsidiaries (note 39(b))	—	(281)	(10,276)	—	(2,499)	(228)	(1,086)	—	(14,370)
Disposals	(1,661)	(858)	(6,123)	(113)	(8,112)	(2,856)	(6,089)	—	(25,812)
At 31 December 2008	138,090	53,700	857,676	8,795	572,663	47,120	168,806	29,548	1,876,398
Net book value:									
At 31 December 2008	1,310,023	268,546	1,911,926	9,630	1,835,336	51,583	224,101	2,648,160	8,259,305

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

Group *(continued)*

	Buildings RMB'000 (note (a))	Electricity generation plant RMB'000	Mining assets RMB'000 (note (b))	Leasehold improvements RMB'000	Plant, machinery and equipment RMB'000	Furniture and fixtures RMB'000	Motor Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2007	650,598	129,621	1,655,331	9,581	954,867	45,637	91,494	1,553,507	5,090,636
Additions	51,511	27,468	46,706	560	274,521	23,183	46,865	1,377,551	1,848,365
Additions through acquisition of subsidiaries (note 39(a))	18,813	—	115,674	—	142,419	8,992	141,011	114,605	541,514
Transfer from/(to)	319,127	74,221	577,724	7,167	128,553	2,247	3,334	(1,112,373)	—
Transferred to investment properties (note 15)	(25,751)	—	—	—	—	—	—	(32,578)	(58,329)
Disposals	(9,261)	(2,065)	(10,574)	(139)	(36,969)	(2,970)	(16,159)	—	(78,137)
At 31 December 2007	1,005,037	229,245	2,384,861	17,169	1,463,391	77,089	266,545	1,900,712	7,344,049
Accumulated depreciation and Impairment:									
At 1 January 2007	32,198	20,265	456,171	6,616	182,612	14,905	21,549	—	734,316
Depreciation charge for the year	46,797	14,118	176,611	1,282	128,557	12,481	29,382	—	409,228
Impairment provided for the year	—	—	—	—	393	—	—	—	393
Additions through acquisition of subsidiaries (note 39(a))	7,928	—	15,853	—	100,933	8,105	96,473	—	229,292
Disposals	(3,307)	(109)	(4,287)	(80)	(17,622)	(1,810)	(5,683)	—	(32,898)
At 31 December 2007	83,616	34,274	644,348	7,818	394,873	33,681	141,721	—	1,340,331
Net book value:									
At 31 December 2007	921,421	194,971	1,740,513	9,351	1,068,518	43,408	124,824	1,900,712	6,003,718

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

Company

	Buildings *RMB'000*	Electricity generation plant *RMB'000*	Mining assets *RMB'000* (note (b))	Leasehold improvements *RMB'000*	Plant, machinery and equipment *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:									
At 1 January 2008	83,353	26,718	779,029	8,443	324,402	19,387	27,951	167,075	1,436,358
Additions	737	2,587	1,965	627	77,333	4,532	66,161	314,201	468,143
Transfer from/(to)	5,002	669	67,032	611	25,711	—	—	(99,025)	—
Disposals	(62)	—	(3,999)	(778)	(9,950)	(921)	(3,982)	—	(19,692)
At 31 December 2008	89,030	29,974	844,027	8,903	417,496	22,998	90,130	382,251	1,884,809
Accumulated depreciation and impairment:									
At 1 January 2008	15,379	10,135	437,922	7,393	115,377	9,418	10,883	—	606,507
Depreciation charged for the year	6,256	1,766	101,108	211	44,208	3,866	7,192	—	164,607
Disposals	(23)	—	(2,111)	(112)	(4,735)	(790)	(2,957)	—	(10,728)
At 31 December 2008	21,612	11,901	536,919	7,492	154,850	12,494	15,118	—	760,386
Net book value:									
At 31 December 2008	67,418	18,073	307,108	1,411	262,646	10,504	75,012	382,251	1,124,423

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

Company *(continued)*

	Buildings	Electricity generation plant	Mining assets	Leasehold improvements	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2007	76,643	24,526	713,904	8,429	305,854	15,540	24,319	75,103	1,244,318
Additions	662	2,499	41,126	14	31,880	5,164	6,805	154,729	242,879
Transfer from/(to)	11,477	—	30,365	—	3,724	—	—	(45,566)	—
Disposals	(5,429)	(307)	(6,366)	—	(17,056)	(1,317)	(3,173)	(17,191)	(50,839)
At 31 December 2007	83,353	26,718	779,029	8,443	324,402	19,387	27,951	167,075	1,436,358
Accumulated depreciation and impairment									
At 1 January 2007	13,125	9,598	344,155	6,435	90,513	7,202	8,630	—	479,658
Depreciation charge for the year	4,018	616	97,799	958	39,282	3,324	4,195	—	150,192
Impairment provided for the year	—	—	—	—	216	—	—	—	216
Disposals	(1,764)	(79)	(4,032)	—	(14,634)	(1,108)	(1,942)	—	(23,559)
At 31 December 2007	15,379	10,135	437,922	7,393	115,377	9,418	10,883	—	606,507
Net book value:									
At 31 December 2007	67,974	16,583	341,107	1,050	209,025	9,969	17,068	167,075	829,851

As at 31 December 2007, equipment with a net book value of RMB36,876,000 of the Group was pledged to a bank for a bank loan (note 33).

Notes:

(a) Included in the balance of the Group are building structures with a net book value of RMB385,055,000 (2007: RMB465,530,000) in respect of which the Group were in the process of applying for the relevant real estate certificates as at 31 December 2008.

(b) Included in the balance of the Group is building structures located in the mines with a net book value of RMB49,017,000 (2007: RMB101,649,000) in respect of which the Group was in the process of applying for the relevant land use rights certificates as at 31 December 2008.

15. INVESTMENT PROPERTIES

	Group	
	2008	2007
	RMB'000	*RMB'000*
Cost:		
At 1 January	**61,751**	—
Additions	**876**	—
Transfer from property, plant and equipment	**—**	61,751
At 31 December	**62,627**	61,751
Accumulated depreciation:		
At 1 January	**3,422**	—
Transfer from property, plant and equipment	**—**	3,422
Depreciation charge for the year	**1,994**	—
At 31 December 2008	**5,416**	3,422
Net book value		
At 31 December 2008	**57,211**	58,329

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

16. PREPAID LAND LEASE PAYMENTS

	Group *RMB'000*	Company *RMB'000*
Cost:		
At 1 January 2008	173,167	57,039
Additions	384,763	5,223
Disposal of subsidiaries (note 39(b))	(3,751)	—
At 31 December 2008	554,179	62,262
Accumulated amortisation:		
At 1 January 2008	16,427	4,964
Provided during the year	13,069	1,291
Disposal of subsidiaries (note39(b))	(619)	—
At 31 December 2008	28,877	6,255
Net book value:		
At 31 December 2008	525,302	56,007

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

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 2008	244,373	63,385	144,669	132,347	584,774
Additions	46,061	36,829	15,452	54,467	152,809
Additions through acquisition of subsidiaries (note 39(a))	21,463	—	—	39,004	60,467
Disposal of subsidiaries (note 39(b))	(14,834)	—	—	—	(14,834)
Disposals	(1,536)	—	—	(11,205)	(12,741)
At 31 December 2008	**295,527**	**100,214**	**160,121**	**214,613**	**770,475**
Accumulated amortisation:					
At 1 January 2008	44,135	14,860	15,464	26,519	100,978
Provided during the year	15,674	26,913	16,118	32,600	91,305
Disposal of subsidiaries (note 39(b))	(4,756)	—	—	—	(4,756)
Disposals	(50)	—	—	(1,572)	(1,622)
At 31 December 2008	**55,003**	**41,773**	**31,582**	**57,547**	**185,905**
Net book value:					
At 31 December 2008	**240,524**	**58,441**	**128,539**	**157,066**	**584,570**
Cost :					
At 1 January 2007	190,458	—	30,165	74,542	295,165
Additions	53,915	63,385	114,504	57,805	289,609
At 31 December 2007	244,373	63,385	144,669	132,347	584,774
Accumulated amortisation:					
At 1 January 2007	24,334	—	1,716	19,333	45,383
Provided during the year	19,801	14,860	13,748	7,186	55,595
At 31 December 2007	44,135	14,860	15,464	26,519	100,978
Net book value:					
At 31 December 2007	200,238	48,525	129,205	105,828	483,796

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

Company

	Land compensation costs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2008	153,760	5,364	159,124
Additions	5,669	1,275	6,944
At 31 December 2008	**159,429**	**6,639**	**166,068**
Accumulated amortisation:			
At 1 January 2008	40,507	2,139	42,646
Provided during the year	14,924	1,246	16,170
At 31 December 2008	**55,431**	**3,385**	**58,816**
Net book value:			
At 31 December 2008	**103,998**	**3,254**	**107,252**
Cost:			
At 1 January 2007	140,728	3,881	144,609
Additions	13,032	1,483	14,515
At 31 December 2007	153,760	5,364	159,124
Accumulated amortisation:			
At 1 January 2007	25,994	1,239	27,233
Provided during the year	14,513	900	15,413
At 31 December 2007	40,507	2,139	42,646
Net book value:			
At 31 December 2007	113,253	3,225	116,478

18. OTHER ASSETS

Group

	2008 *RMB'000*	2007 *RMB'000*
Prepayment for construction works	646,753	247,006
Prepayment for mining and exploration rights	1,395,240	746,480
Prepayment for land use rights	116,184	23,379
Exploration and evaluation costs	472,632	196,551
Loan to ex-minority shareholders (note)	78,900	80,000
Prepaid investment costs	171,497	256,942
Others	81,896	54,215
Total	2,963,102	1,604,573

Company

	2008 *RMB'000*	2007 *RMB'000*
Prepayment for construction works	63,495	98,415
Prepayment for mining and exploration rights	183,240	8,240
Prepayment for land use rights	41,190	16,379
Loan to ex-minority shareholders (note)	78,900	80,000
Prepaid investment costs	740,028	771,646
Exploration and evaluation costs	24,363	15,734
Total	1,131,216	990,414

Note : The loan to ex-minority shareholders is interest-free, repayable by 4 instalments by 2011 and is secured by property, plant and equipment and prepaid land lease payments (2007: a 25% equity interest in a subsidiary).

18. OTHER ASSETS *(continued)*

The movements in exploration and evaluation costs during the years ended 31 December 2008 and 2007 are as follows:

	2008 *RMB'000*	2007 *RMB'000*
Group		
Cost:		
At 1 January	**196,551**	50,932
Additions	**373,026**	145,619
Transferred to other intangible assets (note 19)	**(91,192)**	—
Disposal of subsidiaries (note 39(b))	**(5,753)**	—
At 31 December	**472,632**	196,551

	2008 *RMB'000*	2007 *RMB'000*
Company		
At 1 January	**15,734**	—
Additions	**8,629**	15,734
At 31 December	**24,363**	15,734

19. OTHER INTANGIBLE ASSETS

Group

	Mining rights	Trading rights in Shanghai Gold Exchange	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2008	1,739,837	2,500	3,513	1,745,850
Additions	619,613	52	3,313	622,978
Transferred from other assets (note 18)	91,192	—	—	91,192
Additions through acquisition of subsidiaries (note 39(a))	1,467,929	—	—	1,467,929
Disposal of subsidiaries (note 39(b))	(40,336)	—	(250)	(40,586)
At 31 December 2008	**3,878,235**	**2,552**	**6,576**	**3,887,363**
Accumulated amortisation and impairment:				
At 1 January 2008	128,803	683	894	130,380
Provided for the year	58,383	255	542	59,180
Additions through acquisition of subsidiaries (note 39(a))	971	—	—	971
Disposal of subsidiaries (note 39(b))	(3,282)	—	(24)	(3,306)
Impairment provided for the year	113,315	—	—	113,315
At 31 December 2008	**298,190**	**938**	**1,412**	**300,540**
Net book value:				
31 December 2008	**3,580,045**	**1,614**	**5,164**	**3,586,823**
Cost:				
At 1 January 2007	949,860	2,500	5,514	957,874
Additions	119,258	—	919	120,177
Additions through acquisition of subsidiaries (note 39(a))	670,781	—	—	670,781
Disposals	(62)	—	(2,920)	(2,982)
At 31 December 2007	1,739,837	2,500	3,513	1,745,850
Accumulated amortisation:				
At 1 January 2007	71,353	428	577	72,358
Provided for the year	57,450	255	317	58,022
Disposals	—	—	—	—
At 31 December 2007	128,803	683	894	130,380
Net book value:				
31 December 2007	1,611,034	1,817	2,619	1,615,470

19. OTHER INTANGIBLE ASSETS *(continued)*

Company

	Mining rights	Trading rights in Shanghai Gold Exchange	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2008	185,717	500	765	186,982
Additions	12,268	52	232	12,552
At 31 December 2008	**197,985**	**552**	**997**	**199,534**
Accumulated amortisation:				
At 1 January 2008	39,493	250	6	39,749
Provided for the year	9,739	55	—	9,794
At 31 December 2008	**49,232**	**305**	**6**	**49,543**
Net book value:				
31 December 2008	**148,753**	**247**	**991**	**149,991**
Cost:				
At 1 January 2007	178,988	500	680	180,168
Additions	6,729	—	85	6,814
At 31 December 2007	185,717	500	765	186,982
Accumulated amortisation:				
At 1 January 2007	33,115	200	—	33,315
Provided for the year	6,378	50	6	6,434
At 31 December 2007	39,493	250	6	39,749
Net book value:				
31 December 2007	146,224	250	759	147,233

20. GOODWILL

Group

	2008 RMB'000	2007 RMB'000
Cost at 1 January	339,132	134,141
Acquisition of further equity interests in subsidiaries from minority shareholders	—	204,991
Disposal of an equity interest in a subsidiary	(2,492)	—
Impairment provided for the year	(8,658)	—
Cost and carrying amount at 31 December	327,982	339,132

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

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

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 rate applied to cash flow projections are 12% to 14% and cash flows beyond the three-year period are extrapolated using a growth rate of 3% which is the estimated inflation rate in the PRC.

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

	2008 RMB'000	2007 RMB'000
Mine-produced gold cash-generating unit	38,870	41,362
Processed gold cash-generating unit	1,241	1,241
Zinc bullion cash-generating unit	14,532	14,532
Ore concentrates cash-generating unit	281,997	281,997
	336,640	339,132

Key assumptions used in the value in use calculation of the subsidiaries for 31 December 2008 and 31 December 2007 are as follows:

Gross margins

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

20. GOODWILL

Impairment testing of goodwill *(continued)*

Raw materials price inflation

The basis used to determine the value assigned to raw material price inflation is the forecast price indices during 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 are before tax and reflect specific risks relating to the relevant units.

21. INTERESTS IN SUBSIDIARIES

Company

	2008 *RMB'000*	2007 *RMB'000*
Unlisted shares, at cost	**6,774,459**	3,170,508
Due from subsidiaries	**223,799**	223,799
Loans to subsidiaries	**1,243,270**	404,500
	8,241,528	3,798,807
Impairment provision	**(64,320)**	(21,300)
	8,177,208	3,777,507

An impairment provision was recognised for certain unlisted investments with a carrying amount of RMB64,320,000 (2007: RMB21,300,000) (before deducting the impairment loss) because the actual ore reserve of the subsidiaries turned out to be much lower than the Company's expectation. An impairment loss of RMB43,020,000 was recognised for the current year (2007: Nil).

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB766,529,000 (2007: RMB307,633,000) and RMB412,087,000 (2007: RMB101,763,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

The loans to subsidiaries are unsecured, bear interest at rates ranging from nil to 7.47% (2007: Nil to 7.23%) per annum and have no fixed terms of repayment.

21. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital *RMB'000*	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Guizhou Zijin Mining Company Limited ("Guizhou Zijin")	PRC	100,000	51%	5%	Gold mining and geological studies
Xiamen Zijin Sciences and Technology Company Limited ("Xiamen Zijin")	PRC	80,000	100%	—	Geological studies and provision of mining technical consultancy services
Hunchun Zijin Mining Company Limited ("Hunchun Zijin")	PRC	200,000	96.63%	3.37%	Gold mining and geological studies
Fujian Zijin Copper Company Limited ("Zijin Copper")	PRC	190,000	—	100%	Manufacture and sale of copper alloys
Xinjiang Jinbao Mining Company Limited ("Xinjiang Jinbao")	PRC	50,000	—	56%	Iron mining and geological studies
Fujian Zijin Investment Company Limited ("Zijin Investment")	PRC	550,000	99.09%	0.91%	Investment holding
Bayannaoer Zijin Non- ferrous Metal Company Limited ("Bayannaoer Zijin")	PRC	375,000	62.4%	—	Refinery of zinc concentrates
Wulate Houqi Zijin Mining Company Limited ("Wulate Zijin")	PRC	50,000	—	73%	Zinc mining
Zijin International Mining Company Limited ("Zijin International")	PRC	100,000	95%	5%	Geological studies
Luoyang Yinhui Gold Refinery Company Limited ("Luoyang Yinhui")	PRC	150,000	70%	—	Gold and silver processing and geological studies
Xinjiang Ashele Copper Company Limited ("Xinjiang Ashele")	PRC	250,000	51%	—	Copper mining and geological studies
Yunnan Huaxi Mining Company Limited ("Yunnan Huaxi")	PRC	100,000	53%	—	Geological studies

21. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital *RMB'000*	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
JV Zeravshan LLC ("ZGC")	Tajikistan	US$24,249	—	75%	Gold mining
Yuanyangxian Huaxi Gold Company Limited ("Yuanyang Huaxi")	PRC	90,000	—	70%	Mining of gold, silver, copper, etc. and geological studies
Qinghai West Copper Company Limited ("Qinghai West")	PRC	120,000	100%	—	Copper mining
Huanmin Mining Company Limited ("Huanmin Mining")	PRC	156,410	51%	—	Mining of copper, molybdenum and geological studies
Luoning Huatai Mining Development Company Limited ("Luoning Huatai")	PRC	20,000	—	100%	Gold mining and geological studies

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

22. INTERESTS IN ASSOCIATES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted shares, at cost	**—**	—	**918,502**	1,071,866
Share of net assets	**1,091,590**	1,364,378	**—**	—
	1,091,590	1,364,378	**918,502**	1,071,866

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
Longyan Makeng Mining Joint Stock 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%	Dynamite production
Xiamen Zijin Tongguan Investment Development Company Limited ("Zijin Tongguan")	PRC	1,350,000	45%	Investment holding of mining companies

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

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

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

22. INTERESTS IN ASSOCIATES *(continued)*

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

	Group	
	2008 *RMB'000*	2007 *RMB'000*
Share of net assets of associates:		
Current assets	**312,130**	760,422
Non-current assets	**1,683,959**	1,585,036
Current liabilities	**(308,758)**	(327,813)
Non-current liabilities	**(595,741)**	(653,267)
Net assets	**1,091,590**	1,364,378
Share of the associates' revenue and profit:		
Revenue	**317,868**	303,739
Profit	**11,370**	72,371

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

23. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2008 *RMB'000*	2007 *RMB'000*
Share of net assets	**276,195**	255,809

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
Russia Lankatasikaya Closed Mining Company Limited ("Lankatasikaya")	Russia	50%	50%	50%	Metal mining, exploitation and processing
Shandong Guoda Gold Company Limited ("Shandong Guoda")	PRC	50.05%	60%	50.05%	Gold and copper cathode mining, exploitation and processing

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

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

	Group 2008 *RMB'000*	Group 2007 *RMB'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**112,524**	155,237
Non-current assets	**303,101**	329,888
Current liabilities	**(133,802)**	(210,103)
Non-current liabilities	**(5,628)**	(19,213)
Net assets	**276,195**	255,809
Share of the jointly-controlled entities' revenue and profit:		
Revenue	**763,128**	550,513
Profit	**28,502**	18,225

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

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investments, at fair value	**93,491**	331,526	**30,000**	30,000
Unlisted equity investments, at cost	**328,747**	130,652	**46,350**	21,350
	422,238	462,178	**76,350**	51,350

During the year, the loss of the group's available-for-sale investments recognised directly in equity after taking into account the deferred tax impact amounted to RMB208,698,000 (2007: gain of RMB115,586,000), of which RMB42,243,000 (2007: Nil) was removed from equity and recognised in the income statement for the year.

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

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

There has been a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB42,243,000 (2007: Nil) has been removed from the available-for-sale investment revaluation reserve and recognised in the income statement for the year.

25. INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials and consumable supplies	**789,578**	354,367	**27,740**	35,283
Work in progress	**494,281**	461,753	**197,223**	156,907
Finished goods	**309,649**	228,125	**66,257**	11,290
	1,593,508	1,044,245	**291,220**	203,480

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Prepayments	**323,706**	340,390	**52,468**	36,793
Deposits and receivables	**494,321**	359,269	**981,811**	541,383
	818,027	699,659	**1,034,279**	578,176
Impairment	**(16,998)**	(8,477)	**(5,648)**	(6,000)
	801,029	691,182	**1,028,631**	572,176

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**8,477**	8,494	**6,000**	5,944
Impairment losses recognised/ (reversal of impairment provision) (note 7)	**8,521**	(17)	**(352)**	56
At 31 December	**16,998**	8,477	**5,648**	6,000

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables that relate to counterparties that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

All the Group's financial assets included in the deposits and other receivables above were neither past due nor impaired, except for RMB28,629,000 (2007: RMB13,508,000) and RMB23,925,000 (2007: RMB13,583,000) that were past due for less than 6 months and more than 6 months, respectively, 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 RMB16,128,000 (2007: RMB11,511,000) and RMB13,319,000 (2007: RMB8,006,000) that were past due for less than 6 months and more than 6 months, respectively, 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 the prepayments of the Group as at 31 December 2007 are prepayments from related parties and an associate of RMB15,244,000 and RMB8,121,000, respectively, which are unsecured, interest-free and are reclassified to inventories after the receipt of the goods.

Included in the other receivables of the Group as at 31 December 2008 are receivables from a jointly-controlled entity and a related party of RMB26,921,000 (2007: RMB 36,362,000) and nil (2007: RMB3,885,000), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

Included in the other receivables of the Group as at 31 December 2007 are receivables from an associate of RMB10,000,000, which is unsecured, interest-free and has no fixed terms of repayment.

27. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**322,276**	294,038	**72,139**	59,746
Impairment	**(145)**	(168)	**(92)**	(85)
	322,131	293,870	**72,047**	59,661

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 non-interest-bearing.

27. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 4 months	**277,590**	255,186	**71,563**	46,884
Over 4 months but within 12 months	**44,233**	38,014	**525**	12,535
Over 1 year but within 2 years	**319**	627	**43**	165
Over 2 years	**134**	211	**8**	162
	322,276	294,038	**72,139**	59,746

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**168**	173	**85**	78
Impairment losses recognised/ (reversal of impairment provision) (note 7)	**(23)**	(5)	**7**	7
	145	168	**92**	85

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**273,787**	255,061	**71,563**	46,859
Less than 1 month past due	**23,248**	18,960	**—**	12,535
1 to 6 months past due	**20,910**	19,054	**433**	—
More than 6 months past due	**4,186**	795	**51**	267
	322,131	293,870	**72,047**	59,661

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.

27. TRADE AND BILLS RECEIVABLES *(continued)*

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.

Trade receivables of the Group include trading balances due from associates and a related company of RMB26,168,000 (2007: RMB4,774,000) and nil (2007: RMB4,849,000), respectively, as at 31 December 2008. The balances due from the related parties and an associate are unsecured, interest-free and repayable in accordance with normal credit terms to those offered to the major customers of the Group.

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills receivable	**266,534**	52,346	**80,932**	—

Bills receivables are non-interest bearing.

The age of bills receivables are within 4 months and they are neither past due nor impaired.

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2008	2007
	RMB'000	*RMB'000*
Listed equity investments	**23,677**	102,439

The listed equity investments are carried at quoted market prices at 31 December 2008 and 2007.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

The Group and the Company entered into forward contracts for the sale of copper, gold and zinc. The Group recorded realised gains of RMB127,020,000 (2007: realised losses of RMB74,595,000) and unrealised gains of RMB1,357,000 (2007: RMB4,440,000), respectively, for the year.

The following is a summary of open forward contracts as at 31 December 2008 and 2007:

	2008	2007
Gold		
- gram	471,000	—
- average price (RMB/g)	192	—
- maturity	June 2009 - September 2009	—
Copper cathodes		
- tonne	—	415
- average price (RMB/tonne)	—	57,557
- maturity	—	March 2008 - September 2008
Zinc		
- tonne	500	300
- average price (RMB/tonne)	10,091	19,378
- maturity	March 2009 - April 2009	March 2008

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**2,069,971**	2,040,043	**1,144,421**	488,910
Time deposits	**2,969,521**	196,555	**2,260,093**	50,227
	5,039,492	2,236,598	**3,404,514**	539,137
Less: Quality guarantee deposit pledged to a bank for gold bullion sold	**(23,805)**	(1,860)	**(13,538)**	(100)
Time deposit restricted for land restoration and environmental costs upon the closure of mines (note)	**(51,028)**	(50,228)	**(51,028)**	(50,228)
Cash and cash equivalents in the consolidated balance sheet	**4,964,659**	2,184,510	**3,339,948**	488,809
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(2,244,791)**	(26,033)	**(1,986,462)**	—
Cash and cash equivalents in the consolidated cash flow statement	**2,719,868**	2,158,477	**1,353,486**	488,809

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB4,932,453,000 (2007: RMB1,891,172,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

Note:

As required by the Shanghang Municipal Government, the Company is required to pledge certain deposit to a bank which is reserved for land restoration and environmental costs upon the closure of mines. As at 31 December 2008, the Company has pledged bank deposits of RMB51,028,000 (2007: RMB50,228,000) (note 34). The use of these bank deposits are subject to approval by the Shanghang Municipal Government.

31. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables	**1,815,251**	1,669,683	**967,411**	617,587
Accrued liabilities	**181,952**	174,532	**57,859**	50,626
	1,997,203	1,844,215	**1,025,270**	668,213

Included in the balance of the other payables of the Group and the Company is an amount payable to the Social Security Fund of RMB130,860,000 (2007: RMB107,946,000).

Included in the balance of the other payables of the Group are an advance from a jointly-controlled entity of RMB4,815,000 (2007: RMB1,290,000).

Other payables are non-interest-bearing.

32. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**706,361**	582,560	**143,794**	165,432
Over 1 year but within 2 years	**16,212**	4,254	**2,903**	13,657
Over 2 years but within 3 years	**2,492**	1,824	**1,807**	1,302
Over 3 years	**2,648**	1,624	**2,237**	1,482
	727,713	590,262	**150,741**	181,873

Trade payables of the Group and the Company include trading balances due to related parties of RMB31,550,000 (2007: RMB24,925,000) and RMB27,662,000 (2007: RMB23,974,000), respectively, as at 31 December 2008. The balances due to the related parties are unsecured, interest-free and are repayable in accordance with normal commercial terms.

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

33. INTEREST-BEARING BANK AND OTHER LOANS

	Effective interest rate (%)	Maturity	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
Bank loans:						
Unsecured	2.25-7.47	2009-2020	**3,470,663**	5,905,110	**341,730**	2,841,830
Secured	4.86	2009	**15,000**	37,350	**—**	—
			3,485,663	5,942,460	341,730	2,841,830
Other loans:						
Secured			**—**	499,978	**—**	499,978
Total bank loans and other loans			**3,485,663**	6,442,438	**341,730**	3,341,808
Total bank loans and other loans:			**3,485,663**	6,442,438	**341,730**	3,341,808
Less: Amounts due within one year included under current liabilities	3.42-7.47	2009	**(2,516,295)**	(3,682,778)	**—**	(1,926,778)
Amounts due after one year			**969,368**	2,759,660	**341,730**	1,415,030
Bank loans repayable:						
Within one year	3.42-7.47	2009	**2,516,295**	3,182,800	**—**	1,426,800
In the second year	6.75-7.47	2010	**15,608**	1,903,500	**—**	1,014,800
In the third to fifth years, inclusive	3.60-7.47	2011-2013	**297,392**	817,730	**341,730**	400,230
Beyond five years	2.25-6.97	2014-2020	**656,368**	38,430	**—**	—
			3,485,663	5,942,460	**341,730**	2,841,830
Other loans repayable: within one year			**—**	499,978	**—**	499,978

As at 31 December 2008, a bank loan of RMB15,000,000 (2007:Nil) was secured by a gurantee provided by an ex-shareholder of a subsidiary.

As at 31 December 2007, certain bank loans are secured by guarantees from a minority shareholder of a subsidiary (note 41(c)(i)) and a pledge of equipment with a net book value of RMB36,876,000 (note 14). Bank loans of certain subsidiaries are also secured by guarantees from the Company (note 42).

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

34. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COSTS

	Group	
	2008	2007
	RMB'000	*RMB'000*
At beginning of year	**50,856**	50,856
Additional provision during the year (note 7)	**12,745**	8,733
Paid during the year	**(4,012)**	(8,733)
At the end of year	**59,589**	50,856

	Company	
	2008	2007
	RMB'000	*RMB'000*
At beginning of year	**50,856**	50,856
Additional provision during the year	**8,733**	8,733
Paid during the year	**—**	(8,733)
At the end of year	**59,589**	50,856

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/tonne of ore excavated provided that the grading of the gold content of the ore is above 0.5 gram/tonne. 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 Department of Land and Resources of Fujian Province, Finance Bureau of Fujian Province and Fujian Environmental Protection Bureau with effect from 1 January 2007, the provision for land restoration and environmental costs are provided based on the area of the mines and a coefficient set by relevant authority.

35. DEFERRED TAX

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

Deferred tax assets

Group

	Elimination of unrealised profit	Fair value losses on derivative financial instruments	Impairment provision	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	—	51,942	—	—	51,942
Deferred tax credited/ (charged) to the income statement during the year (note 10)	15,720	(51,942)	8,655	5,542	(22,025)
At 31 December 2007 and 1 January 2008	15,720	—	8,655	5,542	29,917
Deferred tax credited /(charged) to the income statement during the year (note 10)	(6,584)	—	25,290	22,572	41,278
Gross deferred tax assets at 31 December 2008	9,136	—	33,945	28,114	71,195

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 2007	—	—	—	—
Deferred tax charged to the income statement during the year (note 10)	—	—	3,609	3,609
Deferred tax debited to equity during the year	24,519	—	—	24,519
1 January 2008	24,519	—	3,609	28,128
Additions through business combinations (note 39(a))	—	135,981	—	135,981
Deferred tax credited to the income statement during the year (note 10)	—	(5,547)	(2,715)	(8,262)
Deferred tax credited to equity during the year	(24,519)	—	—	(24,519)
Gross deferred tax liabilities at 31 December 2008	—	130,434	894	131,328

35. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

Company

	Fair value losses/(gains) on derivative financial instruments *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2007	51,942	—	51,942
Deferred tax credited/(charged) to the income statement during the year	(51,942)	8,655	(43,287)
At 31 December 2007 and 1 January 2008	—	8,655	8,655
Deferred tax credited /(charged) to the income statement during the year	—	(2,694)	(2,694)
Gross deferred tax assets at 31 December 2008	—	5,961	5,961

At 31 December 2008, there was no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates 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	**2008** *RMB'000*	2007 *RMB'000*	**2008** *RMB'000*	2007 *RMB'000*
Xinjiang Geological, Mining and Prospecting Development Bureau （新疆地質礦產勘察開發局）	(a)	**6,484**	12,968	**—**	—
Xinjiang Non-ferrous Metal Industry (Group) Company Limited （新疆有色金屬工業（集團）有限公司）	(a)	**1,944**	3,888	**—**	—
Shanghang Finance Bureau （上杭縣財政局）	(b)	**28,098**	33,698	**28,098**	33,698
Fujian Minxi Geologist Team （福建省閩西地質大隊）	(c)	**—**	1,033	**—**	1,033
Bonuses of directors and senior executives	(d)	**27,054**	20,549	**27,054**	20,549
Others		**141,354**	113,577	**75,541**	72,298
		204,934	185,713	**130,693**	127,578

Notes:

(a) The balances represent amounts payable to the promoters of Xinjiang Ashele upon the injection of assets for the establishment of Xinjiang Ashele on 13 August 1999, which is unsecured, interest-free and is repayable within five years with equal yearly instalments from 2006 onwards. The current portion of RMB8,428,000 (2007: RMB8,427,000) has been included in accrued liabilities and other payables as at 31 December 2008.

(b) The balance represents an amount payable to the Shanghang Finance Bureau for the purchase of mining rights of the copper mine located in the northwest area of Zijinshan, which is unsecured, interest-free and is repayable within 10 years from July 2004 onwards. The current portion of RMB5,600,000 (2007: RMB5,600,000) has been included in accrued liabilities and other payables as at 31 December 2008.

(c) The balance represents an amount payable to the Fujian Minxi Geologist Team for the purchase of mining rights of the gold mine located in the southeast area of Zijinshan, which is unsecured, interest-free and is repayable within five years with equal yearly instalments from 2004 onwards. The current portion has been included in accrued liabilities and other payables as at 31 December 2008.

(d) The balance represents the bonus payable to directors and senior executives, which is interest-free and payable after the completion of tenure.

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

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

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within two to five years	**116,346**	94,767	**42,105**	36,632
Over five years	**88,588**	90,946	**88,588**	90,946
	204,934	185,713	**130,693**	127,578

37. SHARE CAPITAL

	2008 Number of shares	**2008 Nominal value**	2007 Number of shares	2007 Nominal value
	'000	***RMB'000***	*'000*	*RMB'000*
Registered	**14,541,309**	**1,454,130**	13,141,309	1,314,130
Issued and fully paid:				
Domestic shares of RMB0.10 each (2007: RMB0.10 each)	**9,135,869**	**913,586**	9,135,869	913,586
A shares of RMB0.10 each	**1,400,000**	**140,000**	—	—
H shares of RMB0.10 each	**4,005,440**	**400,544**	4,005,440	400,544
	14,541,309	**1,454,130**	13,141,309	1,314,130

37. SHARE CAPITAL *(continued)*

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

	2008 Number of shares *'000*	2008 Nominal value *RMB'000*	2007 Number of shares *'000*	2007 Nominal value *RMB'000*
At beginning of year	**13,141,309**	**1,314,130**	10,513,048	1,051,304
Share premium converted into share capital	—	—	2,628,261	262,826
Issue A shares	**1,400,000**	**140,000**	—	—
At end of year	**14,541,309**	**1,454,130**	13,141,309	1,314,130

Note:

On 25 April 2008, 1,400,000,000 of A Shares were issued by the Company with a par value of RMB0.1 per share and listed on the Shanghai Stock Exchange with an initial public offering ("IPO") price of RMB7.13 per share, receiving proceeds of RMB9,982,000,000. After the deduction of IPO expenses of RMB175,040,000, the Company recorded an increase in issued capital and capital surplus of RMB140,000,000 and RMB9,666,960,000, respectively.

On 30 April 2007, the proposal regarding the issue of new shares by conversion of the Company's share premium was approved at the annual general meeting. Accordingly, the Company issued 2,628,261,820 additional ordinary shares of RMB0.1 each on the basis of 2.5 new ordinary shares for every 10 existing ordinary shares.

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

38. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 63 to 64 of the financial statements.

38. RESERVES *(continued)*

Company *(continued)*

	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 2007		294,487	415,265	110,884	946,174	1,766,810
Dividends paid		—	—	—	(946,174)	(946,174)
Share premium converted into share capital	37	(262,826)	—	—	—	(262,826)
Profit for the year	11	—	—	1,985,744	—	1,985,744
Transfer to reserves		—	197,424	(197,424)	—	—
Reversal of statutory surplus reserve to retained profits due to the adoption of new Chinese Accounting Standards		—	(86,446)	86,446	—	—
At 31 December 2007		31,661	526,243	1,985,650	—	2,543,554

38. RESERVES *(continued)*

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 2008		31,661	526,243	1,985,650	—	2,543,554
Dividends paid		—	—	(1,308,718)	—	(1,308,718)
Issued A shares	37	9,666,960	—	—	—	9,666,960
Profit for the year	11	—	—	2,464,094	—	2,464,094
Transfer to reserves		—	244,969	(244,969)	—	—
Provision for specific reserve (note (c))		—	9,791	(9,791)	—	—
Proposed final dividend	12	—	—	(1,454,131)	1,454,131	—
At 31 December 2008		9,698,621	781,003	1,432,135	1,454,131	13,365,890

Notes:

(a) Statutory surplus reserve ("SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the Company and its subsidiaries incorporated in the PRC, the Company and the subsidiaries are required to allocate 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of the registered capital of the Company and its subsidiaries. Subject to certain restrictions set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) Distributable reserves

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

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

At 31 December 2008, the Company's reserves available for distribution amounted to approximately RMB2,886,266,000 (2007: RMB1,985,650,000).

(c) Provision for specific reserve

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

39. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

During 2008, the Group acquired the following subsidiaries:

Pursuant to the agreement entered into between the Company and Gansu Jinhui Wine Group Company Limited （甘肅金徽酒業集團有限責任公司）dated 2 May 2008, the Company acquired a 60% equity interest in Gansu Yate Mining Company Limited (“Gansu Yate”) （「甘肅亞特產礦業有限公司」） through exchange of its 15% equity interest in Wancheng Commercial and paying a cash consideration of RMB117,700,000. Gansu Yate is engaged in gold mining activities and its registered capital was RMB30,000,000 as at 31 December 2008.

Pursuant to the agreement entered into between the Company, Mr. Zhu Hongxing and Mr. Rao Huihui and Fujian Longyan Engineering Machinery (Group) Company Limited（福建龍岩工程機械（集團）有限公司）dated 18 July 2008, Huanmin Mining Company Limited (“Huanmin Mining”)（「環閩礦業有限公司」）increased its capital from RMB61,000,000 to RMB427,000,000 and the Company agreed to inject RMB306,000,000 into Huanmin Mining to acquire a 51% equity interest. Huanmin Mining completed the capital increment from RMB61,000,000 to RMB156,410,000 in 2008 and the Company had injected RMB244,800,000 into Huanmin Mining as at 31 December 2008. Huanmin Mining is engaged in copper and molybdenum mining activities and Huanmin Mining owns 55% and 95% equity interests in Jiangxi Jinhuan Mining Company Limited (“Jiangxi Jinhuan”)（「江西金環礦業有限公司」）and Fujian Huanmin Geology and Mineral Testing Company Limited (“Huanmin Testing”)（「福建環閩地質礦產測試有限公司」），respectively. After the acquisition of Huanmin Mining, the Company indirectly controls 55% and 95% equity interests in Jiangxi Jinhuan and Huanmin Testing, respectively. Jiangxi Jinhuan is engaged in mineral processing activities and its registered capital was RMB5,000,000 as at 31 December 2008. Huanmin Testing is engaged in mineral testing activities and its registered capital was RMB30,000,000 as at 31 December 2008.

Kingbao Mining Company Limited (“Kingbao Mining”) （「香港金寶礦業有限公司」）was accounted for as a jointly-controlled entity as at 31 December 2007 when the Group held a 50% equity interest. Pursuant to the agreement entered into between the Group and Wanbao Mining Company Limited（「萬寶礦業有限公司」）, the joint venturer of Kingbao Mining dated 18 April 2008, the Group acquired a further 40% equity interest in Kingbao Mining at a consideration of US$20,000,000 (approximately RMB129,023,000). Therefore, the Group holds a 90% equity interest in Kingbao Mining and Kingbao Mining was accounted for as a subsidiary as at 31 December 2008. Kingbao Mining is engaged in nickel mining activities and its registered capital was HK$4,000,000 as at 31 December 2008.

39. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of subsidiaries *(continued)*

Guizhou Xinhengji Mining Company Limited ("Xinhengji Mining")（「貴州新恒基礦產有限公司」） was accounted for as a jointly-controlled entity as at 31 December 2007 when the Group held a 20% equity interest. Pursuant to the agreement dated 3 December 2007 entered into between the Group, Guizhou Geology and Mineral Resource Development Company Limited ("GMRDC")（「貴州省地質礦產資源開發總公司」） and Xingren Gold Development Company Limited ("XGDC")（「興仁縣黃金開發有限責任公司」）, the joint venturers of Xinhengji Mining, the Group acquired a further 23% equity interest in Xinhengji Mining at a total consideration of RMB12,377,000. Pursuant to the capital increment agreement entered into between the Group, XGDC, Hong Kong Xinhengji Company Limited（「香港新恒基有限公司」）, Guiyang Qianjin Geology Mining Company Limited（「貴陽黔金地質礦業有限公司」） and Xingren Hongji Resource Development Company Limited（「興仁縣宏基資源開發有限公司」）, the joint venturers of Xinhengji Mining dated 3 December 2007, Xinhengji Mining increased its capital from RMB10,000,000 to RMB40,000,000 and the Group injected RMB25,955,000 to acquire a further 8% equity interest. As a result, the Group holds a 51% equity interest in Xinhengji Mining and Xinhengji Mining was accounted for as a subsidiary since 30 September 2008. Xinhengji Mining is engaged in gold mining activities and its registered capital was RMB40,000,000 as at 31 December 2008.

Pursuant to the agreement entered into between the Group, Yunnan Luowei Mining Development Company Limited ("YLMDC")（「雲南珞緯礦業開發有限公司」） and Malipo Zijin Tungsten Mining Company Limited（「麻栗坡縣鎢業有限責任公司」） dated 16 September 2007, Malipo Jinwei Mining Company ("Malipo Jinwei")（「麻栗坡金瑋礦業有限公司」） increased its capital from RMB38,000,000 to RMB160,000,000 and the Group injected RMB81,600,000 into Malipo Jinwei and paid a cash consideration of RMB43,820,000 to YLMDC to acquire a 51% equity interest in Malipo Jinwei. Malipo Jinwei is engaged in tungsten and stannum mining activities and its registered capital was RMB138,800,000 as at 31 December 2008.

Luoning Huatai Mining Development Company Limited ("Luoning Huatai")（「洛寧華泰礦業開發有限公司」） was accounted for as an associate as at 31 December 2007 when the Group held a 34% equity interest. Pursuant to the agreement entered into between the Group, Ms. Si Xuezhen, Mr.Yang Songfeng and Ms. Song Xiumiao dated 18 October 2007 and 28 December 2007, respectively, the Group further acquired 66% equity interests in Luoning Huatai for a consideration of RMB185,249,000. As a result, the Group holds a 100% equity interests in Luoning Huatai and Luoning Huatai was accounted for as a subsidiary since 30 November 2008.

39. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of subsidiaries *(continued)*

During 2007, the Group acquired the following subsidiaries:

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

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

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

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

39. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of subsidiaries *(continued)*

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

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

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

39. 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 date of acquisition and the corresponding carrying amounts before the acquisition were as follows:

		2008		2007	
	Notes	Fair value recognised on acquisition *RMB'000*	Previous carrying amount *RMB'000*	Fair value recognised on acquisition *RMB'000*	Previous carrying amount *RMB'000*
Property, plant and equipment	14	109,102	109,102	312,222	312,222
Long-term deferred assets	17	60,467	60,467	12,981	12,981
Other assets		86,951	86,951	23,548	23,548
Other intangible assets	19	1,466,958	263,571	670,781	641,025
Available-for-sale investments		36,150	36,150	—	—
Cash and cash equivalents		327,162	327,162	265,036	265,036
Inventories		6,519	6,519	105,483	105,483
Trade receivables		—	—	22,673	22,673
Prepayments, deposits and other receivables		93,737	93,737	146,621	146,621
		2,187,046	983,659	1,559,345	1,529,589
Trade payables		(24,289)	(24,289)	(26,103)	(26,103)
Accrued liabilities and other payables		(104,349)	(104,349)	(499,700)	(499,700)
Interest-bearing bank loans		—	—	(45,800)	(45,800)
Tax payable		—	—	(199)	(199)
Long-term other payables		(24,990)	(24,990)	—	—
Deferred tax liabilities	35	(135,981)	—	—	—
Minority interests		(618,822)	(259,273)	(275,663)	(266,733)
		(908,431)	(412,901)	(847,465)	(838,535)
		1,278,615	570,758	711,880	691,054

39. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of subsidiaries *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2008 *RMB'000*	2007 *RMB'000*
Consideration:		
Satisfied by cash	(870,512)	(587,080)
Transferred from interest in an associate	(214,202)	(31,800)
Transferred from interests in jointly-controlled entities	(5,500)	(93,000)
Share of fair value adjustments of the identifiable assets and liabilities recognised on step acquisition of subsidiaries	(188,401)	—
	(1,278,615)	(711,880)
Cash consideration	(870,512)	(587,080)
Unpaid balance	29,988	—
Net cash acquired	327,162	265,036
Net cash outflow	(513,362)	(322,044)

Since the acquisition, the aforementioned subsidiaries contributed RMB53,206,000 (2007: RMB192,877,000) to the Group's turnover.

Since the acquisition, the aforementioned subsidiaries contributed a loss of RMB1,576,000 (2007: profit of RMB13,543,000) to the consolidated profit for the year ended 31 December 2008.

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 RMB16,511,646,000 (2007: RMB14,945,450,000) and RMB3,164,957,000 (2007: RMB2,527,432,000), respectively.

39. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of subsidiaries

	Notes	2008 RMB'000	2007 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	39,396	—
Prepaid land lease payments	16	3,132	—
Long-term deferred assets	17	10,078	—
Other assets	18	5,753	
Other intangible assets	19	37,280	—
Cash and cash equivalents		27,026	6,820
Inventories		34,215	—
Trade receivables		392	2,163
Prepayments, deposits and other receivables		28,913	—
Available-for-sale investments		5,913	—
Trade payables		(7,681)	—
Accrued liabilities and other payables		(6,582)	(21)
Tax payable		131	
Long-term other payables		(4,889)	
Minority interests		(55,927)	(4,391)
		117,150	4,571
Losses on disposal of subsidiaries, net	7	(54,168)	—
		62,982	4,571
Satisfied by:			
Cash		45,814	—
Equity interests in a subsidiary		15,132	—
Bills receivable		2,036	—
Transfer to interests in associates (note)		—	4,571
		62,982	4,571
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:			
Cash consideration		45,814	—
Cash and bank balances disposed of		(27,026)	(6,820)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries		18,788	(6,820)

39. ACQUISITION OF AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of subsidiaries *(continued)*

Note:

Pursuant to the agreement entered into between the Group, Mr. Chen Huanlong, Mr. Su Jingyu and Mr. Liu Zhengong dated 18 January 2008, the Group disposed of its 60% equity interest in Yunnan Zhongtao Economy and Trading Company Limited ("Yunnan Zhongtao")（雲南眾韜經貿有限公司）and in return, obtained a 24% equity interest in Guangnan Longxing Mining Company Limited ("Guangnan Longxing")（廣南隆興礦業有限公司）plus a cash consideration of RMB7,500,000. The disposal resulted in a gain on disposal of RMB6,643,000 for the year.

Pursuant to the agreement entered into between the Group and Mr. Chen Hong dated 18 October 2008, the Group disposed of its 75% equity interest in Guangnan Longxing at a consideration of RMB37,500,000. The disposal resulted in a loss on disposal of RMB43,031,000 for the year.

Pursuant to the agreement entered into between the Group and Shandong Humon Smelling Company Limited（山東恒邦冶煉股權有限公司）dated 10 June 2008, the Group disposed of its 70% equity interest in Rushan Zijin Mining Company Limited（乳山紫金礦業有限公司）at a consideration of RMB2,550,000. The disposal resulted in a loss on disposal of RMB17,780,000 for the year.

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

40. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

During the year, the Group capitalised interest expenses of RMB40,102,000 (2007: RMB33,644,000) in property, plant and equipment (note 6).

41. 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	2008 RMB'000	2007 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)	**198,544**	178,663
Fujian Jinyi Copper Company Limited (福建金藝銅業有限責任公司)	An associate	Sales of copper concentrates	(i)	**10,630**	—
Shangdong Guoda	A jointly-controlled entity	Sales of gold concentrates	(i)	**97,756**	96,124
Tibet Yulong	An associate	Provision of construction service works	(i)	**8,439**	13,992
Xinjiang Non-ferrous Metal Industry (Group) Company Limited (新疆有色金屬工業(集團)有限責任公司)	A shareholder of Xinjiang Ashele	Purchase of raw materials	(i)	**8,509**	10,677
Wancheng Commercial	An associate	Purchase of zinc concentrates	(i)	**—**	457,403
Yunnan Wenshan Longxing Mining Company Limited (雲南文山州隆興礦業有限公司)	A shareholder of Guannan Longxing	Construction service fees	(i)	**—**	10,110
Shanxi Runlong Gold Mining Company Limited (陝西潤龍礦業有限公司)	A shareholder of Qinghai West	Sales of copper concentrates	(i)	**—**	32,631

41. RELATED PARTY TRANSACTIONS *(continued)*

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with the following related parties during the year: *(continued)*

Name of related party	Relationship with the Company	Nature of transaction	Notes	2008 *RMB'000*	2007 *RMB'000*
Shanxi Runlong Gold Mining Company Limited (陝西潤龍礦業有限公司)	A shareholder of Qinghai West	Purchase of a 33.5% equity interest in Qinghai West	(ii)	**723,600**	—
Zijin Mining Group Company Limited Labor Union (紫金礦業集團股份有限公司工會委員會)	Shareholders of Qinghai west	Purchase of a 6.5% equity interest in Qinghai west	(ii)	**140,400**	—
New High Profit Group Limited (新高潤集團有限公司)	A shareholder of Zijin Copper	Purchase of a 31.22% equity interest in Zijin Copper	(iii)	**56,350**	—
Wanbao Mining Company Limited (萬寶礦業有限公司)	A shareholder of Kingbao Mining	Purchase of a 40% equity interest in Kingbao Mining	(iv)	**129,023**	—
Minority shareholders of Xinyi Mining Company Limited ("Xinyi Zijin") (信宜紫金之少數股東)	Shareholders of Xinyi Zijin	Purchase of a 20% equity interest in Xinyi Zijin	(v)	**—**	63,900
Longkou Jinxing Gold Company Limited (龍口金興黃金有限公司)	A shareholder of Longkou Jintai Mining Company Limited ("Longkou Jintai")	Purchase of a 39% equity interest in Longkou Jintai	(vi)	**—**	90,000
Mr. Ran Houbi and Mrs. Cao Shifen	Shareholders of Funing Zhenglong Gold Resources Development Company Limited ("Funing Zhenglong")	Purchase of a 49% equity interest in Funing Zhenglong	(vii)	**—**	66,300
Zijin Tongguan	An associate	Loan	(viii)	**—**	260,100

41. RELATED PARTY TRANSACTIONS *(continued)*

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with the following related parties during the year: *(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 Company, Shanxi Runlong Gold Mining Company Limited and Zijin Mining Group Company Limited Labor Union dated 12 August 2008, the Company purchased 33.5% and 6.5% equity interests of Qinghai West at considerations of RMB723,600,000 and RMB140,400,000 which was mutually agreed between the parties.

(iii) Pursuant to an agreement entered into between the Group and New High Profit Group Limited dated 6 Novemver 2008, the Group purchased a 31.22% equity interest of Zijin Copper at a consideration of RMB56,350,000 which was mutually agreed between the parties.

(iv) Pursuant to an agreement entered into between the Group and Wanbao Mining Company Limited dated 18 April 2008, the Group purchased a 40% equity interest of Kingbao Mining at a consideration of RMB129,023,000 which was mutually agreed between the parties.

(v) Pursuant to an agreement entered into between the Company and the minority shareholders of Xinyi Zijin dated 7 June 2007, the Company purchased a 20% equity interest of Xinyi Zijin from the minority shareholders for a consideration of RMB63,900,000 which was mutually agreed between the parties.

(vi) Pursuant to an agreement entered into between the Company and Longkou Jinxing Gold Company Limited dated 10 January 2007, the Company purchased a 39% equity interest of Longkou Jintai from Longkou Jinxing Gold Company Limited for a consideration of RMB90,000,000 which was mutually agreed between the parties.

(vii) Pursuant to an agreement entered into between the Company and the two minority shareholders of Funing Zhenglong dated 26 July 2007, the Company purchased a 49% equity interest of Funing Zhenglong from the minority shareholders for a consideration of RMB66,300,000 which was mutually agreed between the parties.

(viii) The loan advance from Zijin Tongguan was unsecured and bore interest at 4.77% per annum. The loan was fully repaid in 2007.

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

(c) (i) Guarantees in respect of bank loans provided by a minority shareholder to a subsidiary

On 8 May 2003, a shareholder of Xinjiang Ashele, Xinjiang Non-ferrous Metal Industry (Group) Company Limited （新疆有色金屬工業（集團）有限責任公司）, entered into a guarantee agreement with a PRC bank. Pursuant to the agreement, Xinjiang Non-ferrous Metal Industry (Group) Company Limited provides a maximum corporate guarantee amounting to RMB116,000,000 in respect of a long-term bank loan granted to Xinjiang Ashele. As at 31 December 2007, the guarantee was utilized to the extent of RMB70,000,000. The balance of long-term bank loan was fully repaid by Xinjiang Ashele during the year .

(ii) Guarantees in respect of bank loans granted by the Company to associates and a jointly-controlled entity are disclosed in note 42.

41. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties:

(i) Details of the Group's prepayment and other receivable balances from an associate, a jointly-controlled entity and related parties as at the balance sheet date are disclosed in note 26 to the financial statements.

(ii) Details of the Group's trade receivable balances with the associates and a related party as at the balance sheet date are disclosed in note 27 to the financial statements.

(iii) Details of the Group's trade payable balances to related parties as at the balance sheet date are disclosed in note 32 to the financial statements.

(iv) Details of the Group's other payable balances to a jointly-controlled entity and a related party as at the balance sheet date are disclosed in note 31 and note 36 to the financial statements.

42. CONTINGENT LIABILITIES

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Corporate guarantees in respect of bank loans granted to:				
Subsidiaries	**—**	—	**1,529,000**	1,154,650
Associates	**315,500**	362,000	**265,500**	312,000
A jointly-controlled entity	**100,000**	140,000	**100,000**	140,000
	415,500	502,000	**1,894,500**	1,606,650

As at 31 December 2008, 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 RMB1,270,100,000 (2007: RMB707,650,000), RMB315,500,000 (2007: RMB308,250,000) and RMB100,000,000 (2007: RMB85,000,000), respectively.

As at 31 December 2008, 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 RMB315,500,000 (2007: RMB358,250,000) and RMB100,000,000 (2007: RMB85,000,000), respectively.

43. 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 2008, the Group and the Company had total future minimum lease rental income under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**5,509**	4,177	**276**	144
In the second to fifth years, inclusive	**26,262**	16,237	**97**	105
Over five years	**9,817**	26,283	**—**	—
	41,588	46,697	**373**	249

(b) As lessee

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

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,740**	1,740	**1,200**	1,200
In the second to fifth years, inclusive	**5,790**	7,530	**7,200**	6,000
	7,530	9,270	**8,400**	7,200

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided:				
Acquisition of plant, machinery and mining assets	**1,004,867**	404,864	**388,446**	68,263
Acquisition of exploration and mining rights	**3,000**	378,924	**3,000**	183,000
Capital injection in subsidiaries	**—**	—	**—**	22,600
	1,007,867	783,788	**391,446**	273,863
Authorised, but not contracted for:				
Acquisition of available-for-sale investments	**12,500**	—	**—**	—
Capital injection in subsidiaries	**—**	—	**614,000**	—
Acquisition of minority interests	**—**	18,000	**—**	18,000
Acquisition of a jointly-controlled entity	**500,000**	—	**500,000**	—
	512,500	18,000	**1,114,000**	18,000
	1,520,367	801,788	**1,505,446**	291,863

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2008

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	—	78,900	—	78,900
Available-for-sale investments	—	—	422,238	422,238
Financial assets included in prepayments, deposits and other receivables	—	364,073	—	364,073
Trade receivables	—	322,131	—	322,131
Bills receivable	—	266,534	—	266,534
Equity investments at fair value through profit or loss	23,677	—	—	23,677
Derivative financial instruments	5,665	—	—	5,665
Pledged deposits	—	74,833	—	74,833
Cash and cash equivalents	—	4,964,659	—	4,964,659
	29,342	6,071,130	422,238	6,522,710

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in accrued liabilities and other payables	1,340,776
Trade and bills payables	727,713
Interest-bearing bank and other loans	3,485,663
Long-term other payables	121,550
	5,675,702

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Group

2007

Financial assets

	Financial assets at fair value through profit or loss- held for trading *RMB'000*	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets included in other assets	—	80,000	—	80,000
Available-for-sale investments	—	—	462,178	462,178
Financial assets included in prepayments, deposits and other receivables	—	316,794	—	316,794
Trade receivables	—	293,870	—	293,870
Bills receivable	—	52,346	—	52,346
Equity investments at fair value through profit or loss	102,439	—	—	102,439
Derivative financial instruments	4,440	—	—	4,440
Pledged deposits	—	52,088	—	52,088
Cash and cash equivalents	—	2,184,510	—	2,184,510
	106,879	2,979,608	462,178	3,548,665

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in accrued liabilities and other payables	1,265,725
Trade and bills payables	590,262
Interest-bearing bank and other loans	6,442,438
Long-term other payables	108,835
	8,407,260

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Company

2008

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	—	78,900	—	78,900
Interests in subsidiaries	—	1,243,270	—	1,243,270
Available-for-sale investments	—	—	76,350	76,350
Financial assets included in prepayments, deposits and other receivables	—	963,319	—	963,319
Trade receivables	—	72,047	—	72,047
Bills receivable	—	80,932	—	80,932
Derivative financial instruments	1,288	—	—	1,288
Pledged deposits	—	64,566	—	64,566
Cash and cash equivalents	—	3,339,948	—	3,339,948
	1,288	5,842,982	76,350	5,920,620

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in accrued liabilities and other payables	959,258
Trade and bills payables	150,741
Interest-bearing bank and other loans	341,730
Long-term other payables	88,589
	1,540,318

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Company

2007

Financial assets

	Financial assets at fair value through profit or loss- held for trading *RMB'000*	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets included in other assets	—	80,000	—	80,000
Interests in subsidiaries	—	404,500	—	404,500
Available-for-sale investments	—	—	51,350	51,350
Financial assets included in prepayments, deposits and other receivables	—	521,706	—	521,706
Trade receivables	—	59,661	—	59,661
Derivative financial instruments	130	—	—	130
Pledged deposits	—	50,328	—	50,328
Cash and cash equivalents	—	488,809	—	488,809
	130	1,605,004	51,350	1,656,484

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in accrued liabilities and other payables	614,223
Trade and bills payables	181,873
Interest-bearing bank and other loans	3,341,808
Long-term other payables	91,979
	4,229,883

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, 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, equity investments at fair value through profit or loss, loans to associates and jointly-controlled entities, other receivables and derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 42 to the financial statements.

Other than the aforesaid, the Group has no significant concentration of credit risk with any single counterparty or group counterparties.

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

(b) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed annual credit facilities from banks to meet its commitments over the next year in accordance with its strategic plan. In the opinion of the directors of the Company, most of the borrowings that mature 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.

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

Group

	2008					
	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*
Other payables	911,646	281,645	147,485	—	—	1,340,776
Trade and bills payables	61,137	661,137	5,439	—	—	727,713
Interest-bearing bank and other loans	—	981,795	1,534,500	313,000	656,368	3,485,663
Long-term other payables	—	—	—	121,550	—	121,550
	972,783	1,924,577	1,687,424	434,550	656,368	5,675,702

	2007					
	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*
Other payables	312,223	721,760	231,742	—	—	1,265,725
Trade and bills payables	7,702	582,560	—	—	—	590,262
Interest-bearing bank and other loans	—	2,142,978	1,539,800	2,721,230	38,430	6,442,438
Long-term other payables	—	—	—	94,767	14,068	108,835
	319,925	3,447,298	1,771,542	2,815,997	52,498	8,407,260

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

(b) Liquidity risk *(continued)*

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

Company

	2008					
	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*
Other payables	654,811	274,483	29,964	—	—	959,258
Trade and bills payables	52,499	35,493	62,749	—	—	150,741
Interest-bearing bank and other loans	—	—	—	341,730	—	341,730
Long-term other payables	—	—	—	—	88,589	88,589
	707,310	309,976	92,713	341,730	88,589	1,540,318

	2007					
	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*
Other payables	104,582	247,885	261,756	—	—	614,223
Trade and bills payables	16,441	165,432	—	—	—	181,873
Interest-bearing bank and other loans	—	1,597,978	328,800	1,415,030	—	3,341,808
Long-term other payables	—	—	—	1,033	90,946	91,979
	121,023	2,011,295	590,556	1,416,063	90,946	4,229,883

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

(c) 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 investments classified as trading equity investments (note 28) and available-for-sale investments (note 24) as at 31 December 2008. The Group's listed investments are listed on the Hong Kong, Shenzhen, Shanghai and overseas stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective hightest and lowest points during the year were as follows:

	31 December 2008	High/low 2008	31 December 2007	High/low 2007
Shanghai – A Share Index	1,912	5,771/ 1,793	5,521	6,395/ 2,744
Shenzhen – A Share Index	5,820	16,600 4,800	15,200	16,290 5,720
Hong Kong – Hang Seng Index	14,387	27,616/ 11,016	27,812	31,638 18,664

A reasonably change of 10% in the levels of equity indices and the value of individual securities would have no material impact on the Group's and the Company's profit and equity for the year.

(d) Foreign exchange risk

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain prepayments for mining rights and other payables denominated in US dollars and HK dollars, respectively, the forward contracts for the sale of gold denominated in US dollars and available-for-sale investments denominated in Great Britain Pounds. Therefore, the fluctuations in the exchange rate 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.

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

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

(e) Commodity price risk

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

The Group entered into forward contracts for the sale of gold, copper and zinc as set out in note 29. All forward commodity contracts can only be carried out at the approval of the Future Exchange Team which is composed of top management of the Company. As approved by the board of directors of the Company, the holding position of gold, copper and zinc underlying the open forward contract should not exceed 25% of annual gold, copper and zinc planned production of the Group, respectively. In addition, the price range of the forward commodity contracts is closely monitored by the Future Exchange Team.

At 31 December 2008, most of the forward commodity contracts of the Group were settled and accordingly, a reasonably possible change of 10% in commodity price would have no material impact on the Group's and Company's profit and equity for the year.

(f) Capital management

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

The Group manages the capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the balance sheet) less cash and cash equivalents. Capital comprises all components of equity. The Group aims to maintain the debt-to-capital ratios at a reasonable level. The debt-to-capital ratios at 31 December 2007 and 2008 were as follows:

	At 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interest-bearing bank loans and other loans (note 33)	**3,485,663**	6,442,438
Less: Cash and cash equivalents	**(4,964,659)**	(2,184,510)
Net debt	**(1,478,996)**	4,257,928
Equity	**19,179,125**	7,118,613
Debt-to-capital ratio	**(0.08)**	0.60

47. POST BALANCE SHEET EVENTS

Pursuant to the resolutions passed in an extraordinary general meeting on 9 March 2009, the Company and Minxi Xinghang State-owned Assets Investment Company Limited, a shareholder of the Company, will set up a joint venture named Zijin Copper Company Limited. The registered capital of Zijin Copper Company Limited is RMB1,000,000,000 and the Company will inject RMB500,000,000 and hold a 50% equity interest in Zijin Copper Company Limited. In addition, the Company is authorised to provide financial guarantee to Zijin Copper Company Limited according to its interest in the joint venture with the yearly maximum amount of RMB900,000,000.

On 20 March 2009, 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.

48 COMPARATIVE AMOUNTS

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

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2009.

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