

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*



**Zijin Mining Group Co., Ltd.\***

**紫金礦業集團股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 2899)**

**ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010**

**Financial results**

Revenue	+37.37% to RMB27,769,198,000
Gross profit	+44.98% to RMB9,529,044,000
Gross profit margin	34.32% as compared with 32.51% for Year 2009
Net profit attributable to equity holders of the parent	+35.48% to RMB4,812,665,000

**Operating performance**

Production of gold including: mine-produced gold	-8.36% to 69,071kg or 2,220,687 ounces -4.82% to 29,177kg or 938,063 ounces
Sales of gold	-6.87% to 69,443kg
Average selling price of gold	+23.51% to RMB261.91/g
Production of copper	+6.44% to 90,287 tonnes
Sales of copper	+12.83% to 89,802 tonnes
Production of iron concentrates	+23.93% to 1,762,000 tonnes
Sales of iron concentrates	+10.34% to 1,654,573 tonnes
Production of zinc	+64.17% to 223,833 tonnes
Sales of zinc	+64.28% to 218,887 tonnes
(1 troy ounce = 31.1035g)	

**Highlights**

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

The Board of Directors (the “Board”) of Zijin Mining Group Co., Ltd.\* (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to the “Group”) for the year ended 31 December 2010.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2010*

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 December 2010*

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

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

Notes:

## CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

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

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

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

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

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

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

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

- (b) *IAS 1 Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.
- (c) *IAS 27 Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.



## 1. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns.

An analysis of revenue, other income and gains is as follows:

	2010 RMB'000	2009 RMB'000
Revenue		
Sale of gold bullion	16,292,040	14,114,171
Sale of gold concentrates	1,549,240	1,019,895
Sale of copper concentrates	3,503,844	2,076,180
Sale of copper cathodes	932,834	401,365
Sale of zinc bullion	2,718,691	1,191,220
Sale of zinc concentrates	64,329	60,085
Sale of iron concentrates	993,211	591,912
Others	2,067,973	1,011,861
Less: Sales taxes and levies*	<u>(352,964)</u>	<u>(251,578)</u>
	<u>27,769,198</u>	<u>20,215,111</u>
Other income		
Bank interest income	121,895	123,171
Convertible bonds interest income	44,059	-
Rental income	5,921	7,680
Processing income	1,303	6,738
Dividend income	5,913	3,830
Hotel operating income	24,219	23,630
Gain on sales of scrap materials	-	19,161
Government grants	47,976	44,131
Others	<u>56,652</u>	<u>64,891</u>
	<u>307,938</u>	<u>293,232</u>
Gains		
Exchange gains	10,882	729
Fair value gains on derivative financial instruments	88,347	2,402
Fair value gains on financial assets at fair value through profit or loss	18,979	26,100
Gains on disposal of financial assets at fair value through profit or loss	22,678	-
Gain on disposal of a mining right	-	111,306
Gain on disposal of subsidiaries	59,128	4,820
Gain on disposal of certain equity interests in subsidiaries	-	2,275
Gain on disposal of available-for-sale investments	2,968	37,793
Fair value gains on available-for-sale investments (transfer from equity on disposal)	24,120	114,765
Excess of consideration over the cost on acquiring further equity interest in an associate	<u>-</u>	<u>15,560</u>
	<u>227,102</u>	<u>315,750</u>
	<u>535,040</u>	<u>608,982</u>

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

## 2. OPERATING SEGMENT INFORMATION

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

- (a) the mine-produced gold segment is 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.

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

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

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

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

The following tables present revenue, profit and asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2010 and 2009.

Year ended 31 December 2010	Mine-produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullion RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>								
Sales to external customers	5,645,510	10,646,530	932,834	2,718,691	6,683,846	1,912,168	-	28,539,579
Intersegment sales	<u>2,217</u>	<u>38,856</u>	<u>220,801</u>	<u>120</u>	<u>591,773</u>	<u>667,394</u>	<u>(1,521,161)</u>	<u>-</u>
	<u>5,647,727</u>	<u>10,685,386</u>	<u>1,153,635</u>	<u>2,718,811</u>	<u>7,275,619</u>	<u>2,579,562</u>	<u>(1,521,161)</u>	<u>28,539,579</u>
<b>Segment results</b>	3,986,851	303,617	128,345	211,468	3,726,301	122,665	-	8,479,247
<i>Reconciliation</i>								
Interest and dividend income								171,867
Unallocated expenses								(995,984)
Finance costs								<u>(323,558)</u>
Segment profit								<u>7,331,572</u>
<b>Assets and liabilities</b>								
<b>Segment assets:</b>	8,661,767	2,410,252	2,764,196	1,771,253	7,980,241	5,109,176	-	28,696,885
<i>Reconciliation</i>								
Unallocated assets								<u>9,704,347</u>
Total assets								<u>38,401,232</u>
<b>Segment liabilities:</b>	2,000,585	761,044	758,173	1,254,435	2,572,700	573,769	-	7,920,706
<i>Reconciliation</i>								
Unallocated liabilities								<u>4,451,856</u>
Total liabilities								<u>12,372,562</u>

Year ended 31 December 2010	Mine-produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullion RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>Other segment information:</b>								
Share of profits and losses of:								
Associates	-	-	(6,434)	-	64,788	56,776	-	115,130
Jointly-controlled entities	-	22,236	-	-	-	-	-	22,236
Impairment losses recognised in the income statement	4,583	593	199	5,569	89,219	88,061	-	188,224
Impairment losses reversed in the income statement	-	(7,732)	(218)	-	(3)	(4,582)	-	(12,535)
Exploration and evaluation cost written off	13,102	42	21	587	38,472	8,835	-	61,059
Unallocated non-cash gains								107,326
Depreciation and amortization	294,606	94,203	27,238	127,337	500,604	142,892	-	1,186,880
Interests in associates	-	-	101,299	-	1,040,663	1,029,650	-	2,171,612
Interests in jointly-controlled entities	-	220,097	-	-	-	-	-	220,097
Capital expenditure*	1,184,891	128,078	841,799	154,014	1,494,689	736,881	-	4,540,352
Unallocated capital expenditure								37,895
								<u>4,578,247</u>

Year ended 31 December 2009	Mine-produced gold RMB'000	Processed gold RMB'000	Copper cathodes RMB'000	Zinc bullion RMB'000	Ore concentrates RMB'000	Corporate and others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>								
Sales to external customers	4,812,441	9,513,513	401,364	1,191,220	3,944,226	1,093,061	-	20,955,825
Intersegment sales	218,431	127,479	233,890	-	336,090	291,042	(1,206,932)	-
	<u>5,030,872</u>	<u>9,640,992</u>	<u>635,254</u>	<u>1,191,220</u>	<u>4,280,316</u>	<u>1,384,103</u>	<u>(1,206,932)</u>	<u>20,955,825</u>
<b>Segment results</b>	2,866,889	189,976	191,898	201,060	1,797,406	188,213	-	5,435,442
<i>Reconciliation</i>								
Interest and dividend income								127,001
Unallocated expenses								(375,110)
Finance costs								(168,425)
Segment profit								<u>5,018,908</u>
<b>Assets and liabilities</b>								
<b>Segment assets:</b>	4,005,200	1,025,227	2,110,446	2,591,089	9,869,546	3,709,889	-	23,311,397
<i>Reconciliation</i>								
Unallocated assets								5,624,780
Assets classified as held for sale								709,960
Total assets								<u>29,646,137</u>
<b>Segment liabilities:</b>	1,210,684	577,134	189,577	1,271,761	1,520,490	373,481	-	5,143,127
<i>Reconciliation</i>								
Unallocated liabilities								2,523,413
Liabilities directly associated with the assets classified as held for sale								366,131
Total liabilities								<u>8,032,671</u>

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

\* Capital expenditure consists of additions to property, plant and equipment, intangible assets, investment properties, long-term deferred assets and other assets.

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

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

### **Geographical information**

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

### **Information about a major customer**

An amount of revenue being approximately RMB15,744,382,000 (2009: RMB14,114,170,000) was derived from sales by mine-produced gold segment and processed gold segment to Shanghai Gold Exchange.

### 3 PROFIT BEFORE TAX

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

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

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

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

#### Notes:

- (a) Depreciation of approximately RMB470,755,000 was included in the cost of sales for the year ended 31 December 2010 (2009: RMB412,226,000).
- (b) Staff costs of approximately RMB615,887,000 were included in the cost of sales for the year ended 31 December 2010 (2009: RMB538,925,000). Retirement benefits of approximately RMB32,930,000 were included in the cost of sales for the year ended 31 December 2010 (2009: RMB30,366,000).
- (c) According to the relevant rules and regulations of the PRC, the Company and its subsidiaries established in the PRC participate in defined contribution retirement plans. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area. The Company and its subsidiaries are required to make contributions to the local social security bureau at rates ranging from 11% to 25% of the prior year's average basic salaries within the geographical 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.



#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

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

The interest capitalised represents the cost of capital from raising the related borrowings and the interest capitalisation rate ranges from 4.86% to 5.31% (2009: 5.13% to 5.41%) per annum.

#### 5. TAX

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

Provision for Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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.

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

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, the Company was granted the status of High-New Technology Enterprise from 2008 to 2010. Therefore, the Company was granted a preferential tax rate of 15% from 1 January 2008 to 31 December 2010 pursuant to Guo Shui Fa [2008] No.111 issued by the State Administration of Taxation and Hang Di Shui [2009] No.8001 issued by Shanghai local Tax Bureau.

This year, there had been two incidents of leakage of acidic copper solution at Zijinshan Copper Mine hydro-metallurgical plant of the Company on 3 July and 16 July 2010, respectively, resulting in water pollution of the Ting River. Since the Company has not discovered the potential environmental risk in the production, pursuant to Min Gao Ke [2011] No.15 issued by the Fujian Recognition of High-New Technology Enterprise Leading Committee dated on 10 March 2011, the qualification of High and New Technology Enterprise of the Company was terminated from 3 July 2010.

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

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

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

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

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

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

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

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

	2010 RMB'000	2009 RMB'000
Profit before tax	<u>7,317,948</u>	<u>5,045,323</u>
At the PRC applicable tax rate	1,829,487	756,798
Expenses not deductible for tax	68,934	25,969
Income not subject to tax	(14,177)	(7,902)
Profits and losses attributable to associates and jointly-controlled entities	(34,341)	(14,356)
Different tax rates on the profit of the Company and certain subsidiaries	(341,443)	58,286
Underprovision in prior years	2,495	94,661
Tax losses not recognized	32,862	15,591
Deductible temporary differences not recognized	<u>32,007</u>	<u>39,207</u>
Tax charge at the Group's effective rate	<u><u>1,575,824</u></u>	<u><u>968,254</u></u>

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

#### **EFFECTS OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND CAS**

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

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

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

	31 December 2010 RMB'000 (Audited)	31 December 2009 RMB'000 (Audited)
	Equity attributable to equity holders of the parent under CAS	21,831,570
	<u>-</u>	<u>-</u>
Equity attributable to equity holders of the parent under IFRS	<u><u>21,831,570</u></u>	<u><u>18,170,181</u></u>

**Note 1:**

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

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

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

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

**7. PROPOSED FINAL DIVIDENDS**

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

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

distribution will be tabled to 2010 annual general meeting for approval.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

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

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

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

### Position in the industry

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

### Business Overview

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

## I. PRODUCTION AND OPERATION

### 1. GOLD MINE BUSINESS

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

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

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

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

(1 troy ounce = 31.1035g)

## 2. COPPER MINE BUSINESS

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

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

## 3. LEAD AND ZINC MINE BUSINESS

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

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

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

## 4. IRON MINE, SILVER AND OTHER BUSINESS

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

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

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

holders of the parent.

## **II. GEOLOGICAL EXPLORATION PROJECTS**

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

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

As at the end of 2010, the Group retained resources reserve (audited): 750.17 tonnes of gold, an increase of 5%; 1,827.9 tonnes of silver; 10.5787 million tonnes of copper; 392,500 tonnes of molybdenum; 5.23 million tonnes of lead and zinc; 173,400 tonnes of tungsten ( $WO_3$ ); 184.5 million tonnes of iron ore; 459.2 million tonnes of coal; 99,290 tonnes of tin; 607,100 tonnes of nickel; 66.73 million tonnes of sulfur iron (standard ore).

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

## **III. EXTERNAL INVESTMENTS**

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

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

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

## **IV. CONSTRUCTION PROJECTS**

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

## **V. INVESTMENT AND ADVANCEMENT IN TECHNOLOGY**

During the reporting period, the Group has invested RMB192,000,000 into research and development of technology. The approval of the construction of “State’s Main Laboratory of integrated usage of low grade refractory gold ore” from the Ministry of Science and Technology of the PRC was the first enterprise-government’s main laboratory for gold industry in the country. The Group also made the following achievements in technology: successfully obtained the approval to build a provincial engineering institute in Fujian, the “Key technology of large scale application in biological extraction of copper in low grade sulfuric copper ore” obtained for the first time the first grade technology

advancement prize in Fujian, applied for registration of 27 patents (in which 18 items were invention patents), received 12 patents granted from government (in which 4 items were invention patents), the Group participated in the national standards setting in “Copper Cathodes” and coordinated the national standards setting in “Gold Bullion” and both of which gained the first prize and second prize of “Non-ferrous Metals Standards Setting Committee’s Standards Excellence Prize” respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Operating Results

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

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

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

Note:

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

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

3. The expansion of production capacity brings significant sales growth: (1) sales of mine-produced copper concentrates

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

### An Analysis of Gross Profit and Gross Profit Margin

The Group is mainly engaged in mine development. The Group's cost of sales mainly includes mining, processing, and refining costs, ore transportation cost, raw materials consumption, salaries and depreciation of fixed assets employed for production. The table below sets out details of the gross profit margin for the two years ended 31 December 2009 and 2010.

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

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

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

Detailed analysis as follow:

During the reporting period, due to the increase unit selling prices of major mine products of the Group, increase in processing volume of low-grade ores and the ore stripping ratio, the increase in costs of raw materials, increase in staff costs, extreme weather conditions such as snowstorm in Northern regions and drought in Southwest region, the unit selling costs of mine-produced gold bullion, mine-produced gold concentrates, copper concentrates, mine-produced copper cathodes, zinc concentrates and iron concentrates increased by 13.38%, 2.70%, 19.50%, 92.77%, 24.36% and



30.60% respectively compared to last year. However, the selling prices of our major products have large increase over last year. The selling prices of gold, mine-produced copper, zinc bullion and iron concentrates increased by 23.25%, 39.92%, 26.24% and 52.08% respectively over last year. The gross profit increased by RMB3.151 billion compared to last year. The increase in the prices of mine products contributed to the increase in gross profits by around RMB3.283 billion. The increase in the sales volumes of mine products contributed to the increase in gross profits by RMB0.384 billion, the increase in the unit costs of mine products contributed to the reduction in gross profits by around RMB0.661 billion and the processed and refined products resulted in an increase of gross profits by around RMB0.07 billion. The unrealized profit from the elimination of internal sales was RMB0.076 billion.

### **Selling Costs**

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

### **Administrative Expenses**

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

### **Finance Costs**

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

### **Assets Impairment Loss**

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

### **Gain in Changes in Fair Value**

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

### **Derivative Financial Instruments**

During the reporting period, the Group recorded a loss of RMB41,361,000 in settlement of forward contracts (2009: loss RMB409,341,000), in which, loss in gold forward contracts was RMB29,310,000, loss in copper forward contracts was RMB 28,040,000 and gain in zinc forward contracts was RMB 16,011,000.

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

### **Donation and Social Responsibility**

During the reporting period, the Group donated RMB311,579,000, which included the Company's donation of RMB252,080,000, Guizhou Zijin's donation of RMB21,120,000, Malipo Zijin Tungsten's donation of RMB15,910,000, Xinjiang Ashele Copper's donation of RMB 13,750,000 and other enterprises' donation of RMB8,719,000.

## Working Capital and Capital Sources

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

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

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

During the year, net cash inflow from the Group's financing activities amounted to RMB1,185,160,000, an increase of RMB2,227,199,000 (2009: net cash outflow of 1,042,039,000) which was mainly due to the increase in bank loans for the increase in expenditure for investing activities.

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

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

## Gearing Ratio

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

## Profits Attributable to Shareholders of the Parent and Earnings per Share

The Group's profits attributable to shareholders of the parent as at 31 December 2010 was approximately RMB4,812,665,000, representing an increase of 35.48% over approximately RMB3,552,347,000 in 2009.

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

## Investment Status

### Use of proceeds

RMB(ten thousand)

Total Proceeds	980,696.02	Proceeds used in this year	60,805.15
----------------	------------	----------------------------	-----------

				Accumulated use of proceeds		870,495.28
Project Name	Project amended	Proposed investment	Actual investment	On schedule	Expected gains	Gains generated
Zijinshan Gold and Copper Mine joint open pit mining project	No	152,252.68	152,411.32	Yes		2010: Production of gold of 16,227.76kg; copper 7,058.3 tonnes, 5,538.6 tonnes of copper in concentrates; realised net profit of RMB2,017,529,800 (included the production capacity before innovation)
Hunchun Zijin Shuguang Gold and Copper Mine technological innovation and expansion project	No	46,150.00	43,107.21	Yes		2010: Production of gold 2,412.98kg and copper 9,020.02 tonnes and realized net profit of RMB425,548,200 (included the production capacity before innovation)
200 tonnes daily gold processing and refining project	No	19,809.40	19,809.40	Yes		2010: Production of processed gold of 1,856.24kg and silver of 28,632.45kg, realized net profit of RMB39,672,400
Mining resources exploration project	Yes	1,706.76	1,706.76			
Acquisition of the exploration right in Zhonglao Copper Mine Wuziqilong Jintonghu section exploration project	No	19,680.00	19,680.00	Yes		
Increase capital injection in Zijin Tongguan for the acquisition of equity interest in Monterrico Metals plc project	No	60,300.00	60,300.00	Yes		
Acquisition and development of the ZGC Gold Mine in Tajikistan	No	130,534.50	69,520.59	No		Produced 1.2tonnes gold in year 2010
Acquisition of 70% interest in Zijin Longxing which owns the mining right in the Tuva Lead Zinc Mine - the Republic of Tuva	No	27,160.00	27,160.00	Yes		In development stage
Comprehensive Utilisation of Circular Economy	New project after amendment	34,210.51				

for the Qinghai Deerni Tailings Project						
Supplemental working capital		489,109.44	476,800.00			
Total	/	980,913.29	870,495.28			/

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

Note:

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

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

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

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

**Status of change of use of proceeds**

**RMB(ten thousand)**

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

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

**Non-IPO projects**

RMB

Project name	Amount	Project	Expected gains
--------------	--------	---------	----------------

200,000 tonnes copper refinery at Shanghang	Proposed to invest 3.6 billion	90% completion of main structure and started the equipment installation stage	Full capacity: 200,000 tonnes of copper, 830,000 tonnes of sulfur acid, by-product: 4.8 tonnes of gold, 176 tonnes of silver and 77 tonnes of selenium
Phosphoric acid products from plants coherent to 200,000 tonnes copper refinery	Proposed to invest 1.65 billion	Under construction	Full capacity: phosphoric acid 100,000 tonnes, ammonium phosphate 200,000 tonnes, expected in operation in December 2011
Heilongjiang Duobaoshan Copper Mine	Proposed to invest 2.7 billion	Under construction	Full capacity (metal): 35,000 tonnes of copper, by-product: 1,681 tonnes of molybdenum, 1 tonne of gold, 12.8 tonnes of silver, expected in operation in December 2011
Zijinshan hydrometallurgical copper plant		Expect to finish the fundamental rectification by the end of 2011	Resume copper cathodes production 10,000 to 20,000 tonnes
Inner Mongolia Sanguihou Zinc Mine	Proposed to invest 0.7 billion	Invested 0.3 billion (included exploration rights)	Full capacity: 30,000-60,000 tonnes of zinc, 3,500-7,000 tonnes of lead (by-product), expected in operation in June 2012
Tuva Lead Zinc Mine - the Republic of Tuva	Proposed to invest 1.8 billion	30% ground work completed, completed order of main facilities	Full capacity: 85,000 tonnes of zinc, by-product: 12,000 tonnes of lead, 5,000 tonnes of copper, 0.8 tonne of gold, expected in operation in June 2012
Guizhou Taipingdong Gold Mine (3 projects construction and innovation)	Proposed to invest 0.24 billion	About 30% completed	Full capacity: 1.5 tonnes of gold, expected in operation from December 2011 to June 2012
Innovation in ZGC Gold Mine in Tajikistan	Proposed to invest 0.117 billion	About 30% completed	Full capacity: 1.2 tonnes of gold, expected in operation in September 2011
Oxidize mine innovation in Wuping Multi-metal Silver Mine	Proposed to invest 0.174 billion	Invested 0.14 billion	Full capacity: 15 tonnes of silver, 200kg gold, expected in operation in May 2011
Qinghai sulfuric-iron tailing comprehensive utilisation project	Proposed to invest 0.58 billion	About 30% completed	Full capacity: 190,000 tonnes of iron calcine, 400,000 tonnes of sulfuric acid, 1,000 tonnes of copper, expected in operation at the end of 2011

## PROSPECTS

### Business Environment

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

### Business Objectives

After the stern tests of "7.3" Incident and "9.21" Incident, the Company's management seriously revisited the Company's development strategy, clearly stated the idea "the Company's development strategy will stay firm; highly

value the importance of environmental safety, solidly perform to honour corporate social responsibilities; firmly motivate a new tide of entrepreneurial activities; comprehensively strengthen the building up of project management and foundation management; adhere to the soul of persistent innovation to develop the Company, ". During the period of the twelfth five-year plan, the Company will adhere to the prime development objective for the building up of "a large international mining group of high-tech efficiency", persist in the development strategy to have "mining industry as the primary, gold with the priority while other basic metals are also on the list, conditionally select to develop complementary businesses and related businesses", persist in heading to the direction of internationalizing the development.

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

## **Business Strategies**

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

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

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

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

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

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

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

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

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

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

Strengthen the management of mining rights and research concerning mineral formation belts area, establish rapid

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

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

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

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

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

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

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

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

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

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

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

**Future needs in capital**

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

**SUPPLEMENTAL INFORMATION**

**Major litigation and arbitration**

Unit: Yuan Currency: RMB

Basic information of proceedings (arbitration)	Amount involved in proceedings (arbitration)	Progress of proceedings (arbitration)	Hearing results and impacts of proceedings (arbitration)	Execution progress for judgment of proceedings (arbitration)
“7.3” Zijinshan Gold and Copper Mine environmental incident, Zijinshan Gold and Copper Mine and other five individual defendants have been sued by prosecutor for committing substantial environmental pollution offence	A fine of RMB30 million (including administrative fine) as the judgment of the first trial	Defendants filed an appeal after judgment of the first trial	Procedures of second trial in progress	
On 21 September 2010, as Xinyi Zijin’s tailing pool dam collapsed, causing casualties and property damages downstream. In October, 2010, Xinyi City People’s Court filed the claims of	Proceedings amount of RMB19.5 million, more claims will be requested if the confirmed loss exceeds the original claims.	Procedures of first trial, court has not yet opened at the moment	Case is in progress	

property damages.				
On 21 September 2010, as Xinyi Zijin's tailing pool dam collapsed, waves of water and rocks rushed downstream causing 22 deaths in Datong Village and Shuanghe Village in Qianpai Town. Villagers commenced personal injury proceedings in December 2010.	RMB 11,678,317.33 for injuries	Procedures of first trial, court has not yet opened at the moment. In March, 2011, Xinyi City People's Court ordered to join 4 companies which were in charge of design, construction, supervision, and examination and appraisal of the tailing dam as additional defendants; in relation to 17 casualties in Shuanghe Village located in the downstream of Xinyi City Shihuadi power plant, Xinyi City People's court agreed to join 13 partners of Xinyi City Shihuadi power plant as additional defendants.	Case is in progress	

#### Details of major litigation and arbitration:

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

#### Post Balance Sheet Event

1. The collapse of Xinyi Zijin's tailings dam caused property damages to the villagers downstream on 21 September 2010. In February 2011, the Company, Xinyi Zijin and Xinyi Booyuan received notices of response to proceedings issued by the Guangdong Province Xinyi City People's Court. 852 villagers of Datong Village and Shuanghe Village of Qianpai Town in Xinyi City commenced a civil proceeding against Zijin Mining, Xinyi Zijin, Xinyi Baoyuan, and other 4 defendants, the People's Court granted an order against the 7 defendants for them to pay to the 852 plaintiffs a total amount of RMB170,520,871.04 being the compensation for loss of property. All costs of the proceedings be borne by the defendants.

In March 2011, the Company, Xinyi Zijin and Xinyi Baoyuan received notices of response to proceedings issued by the Guangdong Province Xinyi City People's Court. 850 villagers of Datong Village and Shuanghe Village of Qianpai Town in Xinyi City commenced a civil proceeding against Zijin Mining, Xinyi Zijin, Xinyi Baoyuan, and other 4 defendants, the People's Court granted an order against the 7 defendants for them to pay to the 850 plaintiffs a total amount of RMB75,052,806.10 being the compensation for loss of property. All costs of the proceedings be borne by the defendants.

2. The Company received a "Notice of cancellation of recognition of Zijin Mining Group Co., Ltd.\* as a high technology enterprise" (Minkegao[2011] No.15) issued by the Fujian Recognition of New and High Technology Enterprises Leading Committee in March 2011. Following the leakages of acidic copper-contained waste water from the Company's subsidiary, Zijinshan Gold and Copper Mine copper hydro-metallurgical plant, there has been serious pollution to Ting River. According to the requirements of Article 15 of "Recognition of New and High Technology Enterprises Management Policy" (Guokefahuo[2008] No.172), the committee decided to cancel the recognition of the Company as a new and high technology enterprise with effect from 3 July 2010.

#### Purchase, Redemption or Sale of Listed Securities of the Company

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



## Corporate Governance

The Corporate Governance Report of the Company has been set out in its 2010 Annual Report. The Audit Committee of the Board held a meeting on 29 March 2011 for the purpose of reviewing the annual report of the Group and giving advice and recommendations to the Board. The Board acknowledges that as at 31 December 2010, the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) without deviations.

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Jinghe (Chairman), Luo Yingnan, Liu Xiaochu, Lan Fusheng, Huang Xiaodong, and Zou Laichang as executive directors, Mister. Peng Jiaqing as non-executive director, and Messrs. Su Congfu, Chen Yuchuan, Lin Yongjing, and Wang Xiaojun as independent non-executive directors.

By Order of the Board of Directors  
**Zijin Mining Group Co., Ltd.\***  
**Chen Jinghe**  
*Chairman*

Fujian, the PRC, 30 March 2011

*\*The Company's English name is for identification purpose only*