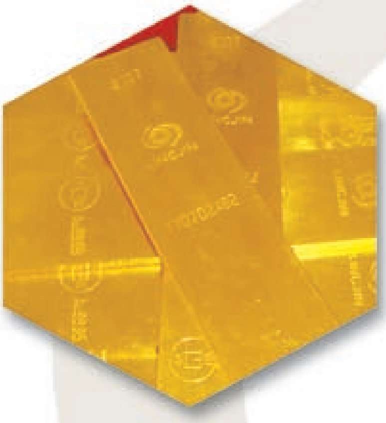
LINGJIN
灵 金

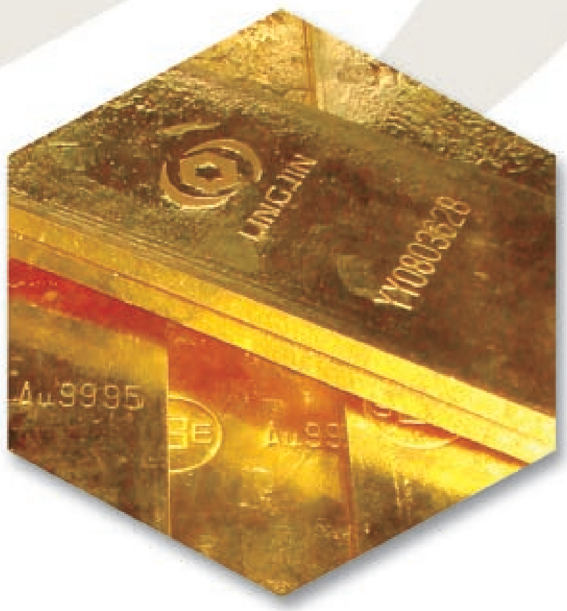
Lingbao Gold Company Ltd.
靈寶黃金股份有限公司

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

(Stock Code: 3330)

Annual Report 2009





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Corporate Information

Directors

Executive Directors
Xu Gaoming *(Chairman)*
Jin Guangcai
Lu Xiaozhao
Liu Pengfei
Zhang Guo

Non-executive Director
Wang Yumin

Independent Non-executive Directors
Niu Zhongjie
Wang Han
Yan Wanpeng
Du Liping

Supervisors

Liu Shengmin
(Chairman of the Supervisory Committee)
Meng Fanrui
Guo Xuchang
Zhu Yusheng
Yang Bo
Hang Zhanping
Jiao Xiaoxiao

Audit Committee

Yan Wanpeng *(Chairman of Audit Committee)*
Wang Yumin
Niu Zhongjie
Wang Han
Du Liping

Company Secretary

Poon, Lawrence Chi Leung

Authorised Representatives

Jin Guangcai

Alternate Authorised Representative

Poon, Lawrence Chi Leung

International Auditor

KPMG

PRC Auditor

Peking Certified Public Accountants

Legal Adviser

Hong Kong law
DLA Piper Hong Kong

PRC law
Commerce & Finance Law Offices

Principal Bankers

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial and Commercial Bank of China, Lingbao City Branch
Industrial Bank, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch
China Development Bank
Shenzhen Development Bank
HSBC

Share Registrar and Transfer Office for H Shares

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office of the Company

Xin Village, Yinzhuang Town
Daonan Industrial Area
Lingbao
Henan
The PRC

Principal Place of Business in Hong Kong

Room 1902, 19th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Corporate Information

Stock Information

Stock Code : 3330
Listing Date : 12 January 2006
Issued Shares : 297,274,000 shares (H Shares)
472,975,091 shares (Domestic Shares)
Nominal Value : RMB0.20 per share
Stock Name : Lingbao Gold
Website of the Company : www.lbgold.com
Investors' website: www.irasia.com/listco/hk/lingbao

Investor Relations Contact

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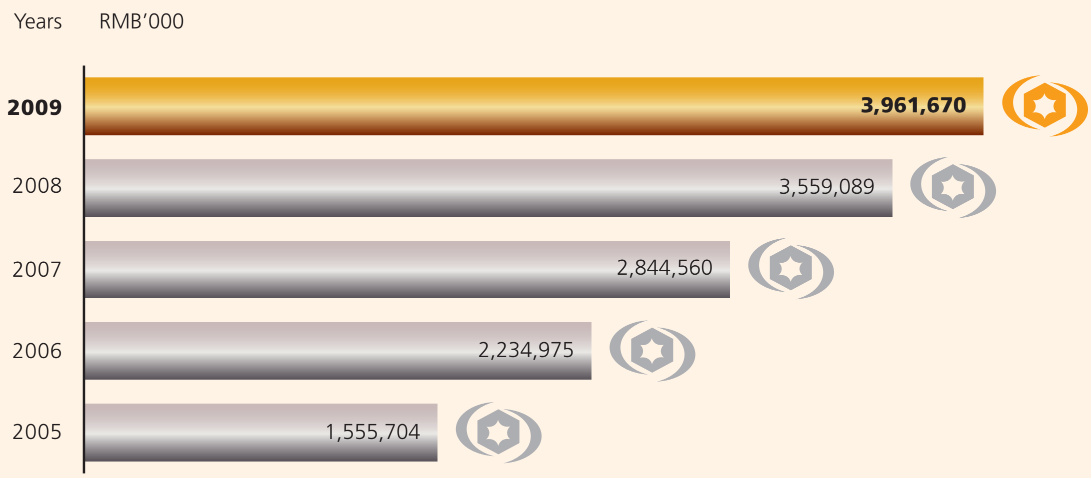
38 Gloucester Road
Wanchai
Hong Kong
Email: lingbaogold@vip.sina.com

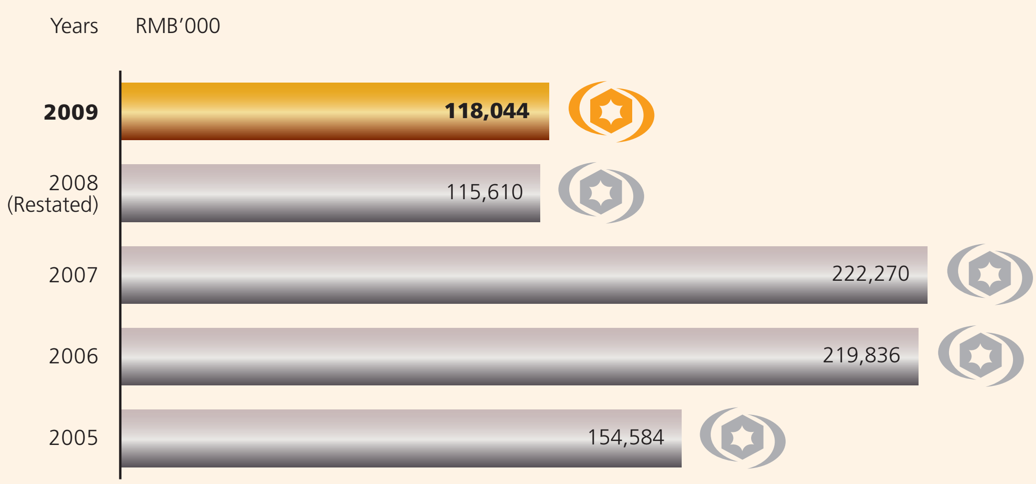
Ms. Qi Haihua
PRC Office
Xin Village, Yinzhuang Town
Daonan Industrial Area
Lingbao
Henan
The People's Republic of China
(Postcode: 472500)
Tel: (86-398) 2296-880
Fax: (86-398) 8860-166
Email: lingbaogold@vip.sina.com

Financial Highlights

Turnover

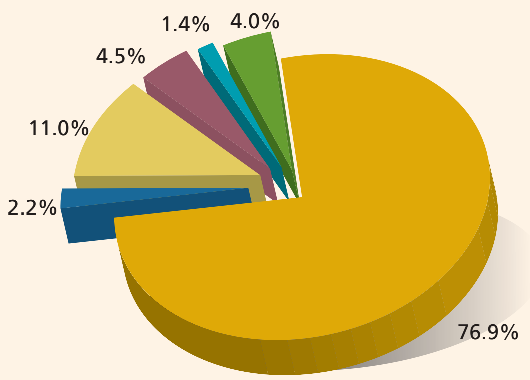


Profit Attributable to Equity Shareholders

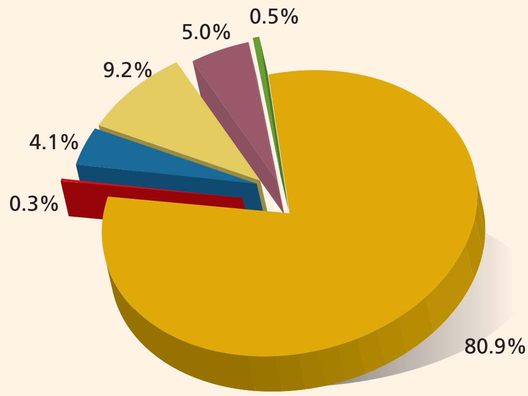


Financial Highlights

Sales Analysis by Products



2008



2009

- Gold bullion
- Silver
- Copper products
- Copper foils
- Copper cords
- Sulphuric acid
- Lead concentrates

Capital Resources

	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 (Restated) RMB'000	**2009** **RMB'000**
Total assets	1,055,462	2,774,925	3,400,303	4,092,819	**4,911,918**
Cash and cash equivalents	117,861	431,647	389,651	575,478	**685,321**
Bank and other borrowings	405,420	938,270	1,303,131	1,738,430	**2,513,615**
Shareholder equity	492,618	1,516,213	1,672,046	1,736,794	**1,882,137**

Corporate Profile

Lingbao Gold Company Ltd. ("Lingbao Gold" or the "Company" and together with its subsidiaries, the "Group") is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 January 2006.

The Group is an integrated gold mining enterprise in the People's Republic of China ("PRC"), and is mainly engaged in gold mining, smelting and refining. The products of the Group are gold, silver, copper products, copper foils, copper cords and sulphuric acid. The Shanghai Gold Exchange certified the Group as a standard gold bullion production enterprise. The Group's mineral resources are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and Kyrgyz Republic with 59 mining and exploration rights with a total area of 2,487.89 sq. km. The total gold reserve and resources as at 31 December 2009 was approximately 145.57 tonnes (approximately 4,680,184 ounce). In 2009, approximately 14,810 kg (approximately 476,153 ounce) of gold was produced with the profit for the year amounting to RMB120,241,000.

The objective of the Group's strategy in the future is continuous expansion, to become the leading integrated gold mining enterprise in the PRC and gradually promote our brand in the international market. The Group will focus on the exploration and expansion of production scale and continue to acquire gold resources with potential, in order to increase the self-produced gold and gold reserve and resources and enhance the Group's self-sufficiency rate.

Chairman's Statement

Dear Shareholders,

I am pleased to report the profit before tax of the Group of approximately RMB171,674,000 for the year ended 31 December 2009, representing a year-on-year increase of 32.2%. Profit for the year of the Group amounted to RMB120,241,000, representing a year-on-year increase of 5.1%. However, if the impairment losses on receivables and investment deposits due from Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi") amounting to RMB110,800,000 were not included, the year-on-year growth rate would be approximately 101.9%. Earnings per share of the Group was RMB0.15.

After discussion by the board (the "Board") of directors (the "Directors") of the Company, the Directors recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2009. Dividend payout ratio was 33.0%.

Review for the Year 2009

In 2009, the continuous weakening of the U.S. currency resulted in an increase in commodity prices and gold demand throughout the world, consequently, gold price remained at a high level. In 2009, the international gold price rose to a closing price of approximately US$1,088 per ounce from an opening price of approximately US$875 per ounce.

I. Production Scale

In 2009, the volume of gold, silver, copper and sulphuric acid produced by the Group were 14,810kg, 40,541kg, 11,580 tonnes and 171,695 tonnes respectively. The 10,000-tonne high-class copper foil production project, being one of the Group's key projects, progressed smoothly. Of which, the construction of the main plant and over 70% of the auxiliary facility were completed while 60% of major imported equipment had been installed. Full Gold Mining Limited Liability Company ("Full Gold") had proceeded with the construction of its processing plant and ore production project. Over 75% of the civil engineering work of the processing plant had been completed with over 80% of major equipment installed.

II. Expansion of the Group's Resources

In 2009, the Group acquired Palladex KR Limited Liability Company ("Palladex") in Kyrgyzstan, and thus took over 2 exploration rights, which laid a solid foundation for the Group to further develop its business in that country. Currently, the Group controls seven major development bases, including Lingbao, Nanyang Tongbai, Jiangxi Wuyuan, Xinjiang, Inner Mongolia Chifeng, Gansu Tianshui and Kyrgyz Republic.

III. Continued the exploratory effort to increase mineral reserve

Lingbao Gold continued to strengthen its technological management, and enhance its geological fundamental works. In 2009, the exploration work in Henan mine area, Xinjiang Habahe Huatai, Gansu area and Kyrgyzstan mine area had been fruitful.

IV. Environmental Protection

By sticking to the operation policy of "implement comprehensive management while taking safety and prevention as priorities", the Company implemented the accountability system for safety and environment protection. In 2009, the Company had no significant accidents occurred due to more efforts were made on the inspection and rectification work.

Chairman's Statement

Business Outlook of 2010

The Company's overall goal for 2010 is "to increase reserve through active exploration, reduce operating cost and increase efficiency in management". The business development strategies of the Group for 2010 are:

1. Exploration projects will be conducted mainly in Hamijiyuan Copper Mine and Shuangqing Copper and Duolanasayi Gold Mine of Habahe Huatai Gold Limited Liability Company ("Habahe Huatai"), Mingxian Sanjiaodi Gold Mine of Tianshui Hongwu Mining Development Company Limited; the neighbouring area of Chifeng Jinchan Mining Company Limited ("Chifeng Jinchan") in Inner Mongolia, Xiaochengzi Polymetallic Mine of Chifeng Lingjin Mining Company Limited and Qiangma Hejiagou Mine Region. At the same time, pitting, trenching and drilling works will be carried out in various mine regions such as Molybdenum Mine Region of Lingbao Hongxin Mining Limited Liability Company ("Lingbao Hongxin"). Meanwhile, priority will be given to the implementation of the mid-to-deep deposit exploration project in Xiaoqinling Mountain, the shaft development project in Shangshanghe of Nanyang Xingyuan, the shaft development project of Xinjiang Habahe Huatai and the development project of Chifeng Jinchan in Inner Mongolia, etc., so as to continue to increase the Company's gold resources.

2. To speed up the construction of Full Gold production plant, aiming to commence production this year. The copper foil project of Lingbao Wason Copper-Foil Company Limited ("Lingbao Wason") with an annual capacity of 10,000 tonnes will be completed and put into operation this year.

3. To strengthen efforts in research and development, with focus on metallogenic studies for Gold Mine of Yinxin, Chifeng Jinchan and Lingbao Hongxin, as well as the recovery of lead and zinc, the utilization of gold sludge, the treatment of exhaust in refining process and the reuse of tailings of our smelting segment.

4. In adherence to the principle of "taking safety and prevention as priorities", the Group will always keep improving its capability of responding to emergencies in mines, continue to increase investment in environmental protection and improvement, take safety supervision seriously and operate in strict compliance with state regulations.

Appreciation

On behalf of the Board, I wish to express our sincere gratitude to all the shareholders for their support and trust, and to the management and all the staff for their dedication and hard work over the past year.

By order of the Board
Xu Gaoming
Chairman

Hong Kong
28 May 2010

Review of Business

In 2009, the Group produced approximately 14,810 kg (equivalent to approximately 476,153 ounce) gold, representing an increase of approximately 809 kg (equivalent to approximately 26,010 ounce) or 5.8% as compared with the previous year. The Group's turnover for 2009 increased by 11.3% to approximately RMB3,961,670,000. The profit for the year was approximately RMB120,241,000, representing an increase of approximately 5.1% as compared with the previous year. The Company's basic earnings per share for 2009 was RMB0.15 which was same as last year. If the impairment losses on receivables and investment deposits due from Beijing Jiuyi were not included, the year-on-year growth rate for the profit for the year would be 101.9%. The increase was mainly due to the rise of commodity prices.

Given that raw materials accounted for over 78% of total production cost, the Group intends to increase its self-produced output of mineral sand through acquisition and expansion of mining operation, and uplift the overall production and operation targets, so as to minimise the risks associated with raw materials purchased from outsiders.

1. Mining Segment – People Republic of China ("PRC")

Turnover and production

Our mining business mainly comprises the sales of gold concentrates and compound gold. Most of the gold concentrates and compound gold were sold to the Group's smelting plants as inter-segment sales.

The following table sets forth the analysis on the production and sales volume of the mining segment by product category:

	Unit	**2009** Approximate production volume	**2009** Approximate sales volume	2008 Approximate production volume	2008 Approximate sales volume
Gold concentrates	kg	**1,931**	**1,844**	1,711	1,650
Compound gold	kg	**1,934**	**1,941**	1,222	1,228
From: Henan region	kg	**640**	**641**	128	119
Xinjiang region	kg	**907**	**907**	728	748
Inner Mongolia region	kg	**387**	**393**	366	361
Total	kg	**3,865**	**3,785**	2,933	2,878
Total	ounce	**124,263**	**121,691**	94,298	92,530

The total turnover of the mining segment of the Group for 2009 was approximately RMB795,087,000, representing an increase of approximately 54.2% from approximately RMB515,724,000 in 2008. During the year, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 62.9%, 25.0% and 12.1% of the total turnover of the mining segment respectively. The production volume of compound gold of the Group increased by approximately 712 kg to approximately 1,934 kg while the production volume of its gold concentrates increased by approximately 220 kg to approximately 1,931 kg. This was mainly attributable to the increase in compound gold and gold concentrates of approximately 522 kg and approximately 245 kg respectively in the mine areas of Henan.

Segment results

The Group's results of the mining segment for 2009 was approximately RMB269,663,000, representing an increase of approximately 185.9% from approximately RMB94,333,000 in 2008. The segment result to segment turnover ratio of the Group's mining segment for 2009 was approximately 33.9%, resulting in an increase of approximately 15.6% from approximately 18.3% in 2008.

2. **Smelting Segment**

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. Its main products include gold bullion, silver, copper products and sulphuric acid. The following table sets forth the analysis on the production and sales volume of the smelting segment by product category:

		2009		2008	
Product	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion	kg	**14,810**	**14,875**	14,001	13,956
	ounce	**476,153**	**478,242**	450,143	448,696
Silver	kg	**40,541**	**58,653**	40,157	22,521
	ounce	**1,303,423**	**1,885,738**	1,291,078	724,067
Copper products	tonne	**11,580**	**13,859**	12,193	11,344
Sulphuric acid	tonne	**171,695**	**172,311**	177,491	176,824

Sales and production

The Group's total turnover from the smelting segment for 2009 was approximately RMB3,883,360,000, representing an increase of approximately 10.4% from approximately RMB3,517,256,000 in 2008. Such increase was principally attributable to the increase in the sales of gold bullion as a result of an approximate 9.7% increase in selling price of gold bullion as compared with the previous year, and an increase in sales volume of 919 kg to 14,875 kg in 2009 from 13,956 kg in the previous year.

The daily processing capacity of the Group is approximately 960 tonnes of gold concentrates, and capacity utilisation rate was approximately 100%. This resulted in an increase/(decrease) of approximately 5.8%, 1.0%, (5.0)% and (3.3)% in the Group's production volume of gold, silver, copper and sulphuric acid respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.6%, the silver recovery rate was approximately 73.05% and the copper recovery rate was approximately 94.8%. The recovery rates remained at high level.

Segment results

Our smelting segment results for 2009 was approximately RMB228,261,000, representing a decrease of approximate 12.6% from approximately RMB261,087,000 in 2008. The segment results to segment turnover ratio of our smelting business in 2009 was approximately 5.9%, decreasing by approximately 1.5% from approximately 7.4% in 2008.

Financial Information

1. Combined Operating Results

Turnover

The Group's sales analysis by products is shown as follows:

	2009			2008		
	Amount (RMB'000)	**Sales volume (kg/tonne)**	**Unit price (RMB per kg/tonne)**	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	**3,208,795**	**14,875 kg**	**215,717**	2,743,352	13,956 kg	196,572
Silver	**163,434**	**58,653 kg**	**2,786**	76,991	22,521 kg	3,419
Copper products	**363,339**	**10,539 tonnes**	**34,476**	394,151	8,074 tonnes	48,817
Copper foils	**199,225**	**3,591 tonnes**	**55,479**	161,535	2,249 tonnes	71,825
Copper cords	**–**	**–**	**–**	48,973	940 tonnes	52,099
Sulphuric acid	**19,659**	**172,000 tonnes**	**114**	142,846	176,824 tonnes	808
Lead concentrates	**12,276**	**2,680 tonnes**	**4,581**	–	–	–
Turnover before sales tax	**3,966,728**			3,567,848		
Less: Sales tax	**(5,058)**			(8,759)		
	3,961,670			3,559,089		

The Group's turnover for 2009 was approximately RMB3,961,670,000, representing an increase of approximate 11.3% as compared with the previous year, of which the turnover of gold bullion accounted for 80.9% of its total turnover. Such increase was mainly attributable to the increase of approximately 17.0% in the sales of gold bullion, as a result of the increase in our average selling price and quantity of gold bullion sold of approximately 9.7% and 6.6% respectively during the year.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2009, the production and sales volume of copper foil were 3,468 tonnes and 3,591 tonnes respectively, representing an increase of approximately 48.8% and 59.7% respectively as compared with last year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2009 were approximately RMB755,602,000 and approximately 19.1% respectively, representing an increase of approximately 98.2% and 8.4% respectively as compared with 2008, which was mainly attributable to the rise in gold price.

Other revenue

The Group's other revenue for 2009 was approximately RMB11,578,000, representing a decrease of approximately 36.3% as compared with approximately RMB18,180,000 for 2008. Such decrease was principally attributable to a decrease in interest income of RMB2,726,000 and a decrease in sulphuric acid delivery service income of RMB3,864,000 respectively.

Other net (loss)/gain

The Group's other net loss for 2009 was approximately RMB191,327,000 as compared with a net gain of approximately RMB31,992,000 for 2008. Such loss was mainly attributable to the realised loss from derivative financial instruments of approximately RMB163,812,000.

Selling and distribution expenses

The Group's selling and distribution expenses for 2009 were approximately RMB18,525,000, representing a decrease of approximately 6.8% as compared with the previous year. Such decrease was mainly attributable to the reduction in transportation costs for sulphuric acid.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2009 were approximately RMB178,388,000, representing an increase of approximately 2.5% as compared with approximately RMB174,082,000 for 2008. The increase was mainly attributable to the expansion of the production and operation scale of the Group.

Impairment losses on other receivables and investment deposit

The Group's impairment losses on other receivables and investment deposit for 2009 amounted to a total of RMB110,800,000 (2008: RMB Nil). These amounts represent receivable from Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi") amounting to RMB30,800,000 relating to the compensation income for the termination of the proposed acquisition and an investment deposit of RMB80,000,000 paid to Beijing Jiuyi for acquiring 56.25% interest of a company with mining assets situated in Gansu Province, the PRC. The directors consider that the balance is difficult to be recovered in short term, thus provision for impairment losses was made in 2009. However, the Group will continue to monitor the progress of the acquisition of the investments and chase for settlement of the outstanding balance regularly.

Finance costs

The Group's finance costs for 2009 were approximately RMB96,466,000, representing a decrease of approximately 10.3% as compared with approximately RMB107,599,000 for 2008 (restated). Such decrease was mainly attributable to the finance costs of approximately RMB17,909,000 incurred by gold loan activities in 2008.

Profit attributable to the Company's equity shareholders

The Group's profit attributable to our equity shareholders in 2009 was approximately RMB118,044,000, representing an increase of approximately 2.1% as compared with approximately RMB115,610,000 in 2008 (restated). The net profit margin for 2009 was approximately 3.0%, representing a decrease of 0.2% as compared with approximately 3.2% for 2008. The Company's basic earning per share was RMB0.15. The Group recommended the payment of a dividend of RMB0.05 per share for the year.

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2009 amounted to RMB685,321,000, of which 3.2% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 31 December 2009 amounted to RMB1,882,137,000 (31 December 2008 (restated): RMB1,736,794,000). As at 31 December 2009, the Group had current assets of RMB1,998,275,000 (31 December 2008: RMB1,854,974,000) and current liabilities of RMB1,277,221,000 (31 December 2008: RMB1,785,865,000). The current ratio was 1.56 (31 December 2008: 1.04).

As at 31 December 2009, the Group had total outstanding bank loans of approximately RMB2,510,345,000 with interest rates ranging from 2.55% to 5.76% per annum, of which approximately RMB815,995,000 was repayable within one year, approximately RMB736,826,000 was repayable after one year but within two years while approximately RMB957,524,000 was repayable after two years. The gearing ratio as at 31 December 2009 was 51.2% (31 December 2008: 42.5%) which was calculated by total borrowings divided by total assets.

3. Security

As at 31 December 2009, the mining right of Istanbul Gold Mine with carrying value amounting to RMB129,689,000 and the ordinary shares of Full Gold Mining Limited Liability Company, a subsidiary located in Kyrgyz Republic ("KR") were pledged to secure the borrowings from the National Development Bank.

4. Material Acquisition

On 20 October 2009, the Group acquired 70% equity interests in Palladex which holds 2 exploration rights for gold in Kyrgyzstan for a cash consideration of USD7,700,000.

5. Market Risks

The Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, changes in interest rates and exchange rates.

Gold price and other commodities price risk

The Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products are sold at the market prices and such fluctuation is beyond our control. We do not use and strictly prohibit the use of commodity derivative instruments or futures for speculation purpose, and all commodity derivative instruments are only used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Group is exposed to risks resulting from the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for supporting capital expenditure and general working capital. Our bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China ("PBOC"). If the PBOC increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Group's transactions are mainly denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic gold price, which may impact our results of operation. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi.

Apart from the above, the Group is also exposed to exchange rate risk primarily through bank deposits and other payables that are denominated in foreign currencies. The currencies giving rise to risk are primarily Hong Kong dollars, United States dollars and Japanese Yen.

Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

Business risk

The KR has been experiencing political and economic change that has affected, and may continue to affect, the activities of the Group's subsidiary, Full Gold, operating in this environment. The contraction in the capital and credit markets and its impact on the economy of the KR have increased the level of economic uncertainty in the environment. Consequently, operations in the KR involve risks that typically do not exist in other market. In addition, the subsequent to the year-end date political events have further increased the level of political and economic uncertainty in the environment.

6. Contractual Obligations

As at 31 December 2009, the Group's capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB230,725,000, representing an increase of approximately RMB54,541,000 from approximately RMB176,184,000 as at 31 December 2008.

As at 31 December 2009, our total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB3,060,000, of which approximately RMB900,000 was payable within one year, approximately RMB1,660,000 was payable after one year but within five years, and approximately RMB500,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2009, the Group had no material contingent liabilities (2008: RMB100,000,000).

8. Capital Expenditure

During the year 2009, the Group's capital expenditure was approximately RMB823,560,000, representing an increase of approximately 35.4% from approximately RMB608,040,000 in 2008.

The Group's capital expenditure mainly relates to the construction of mining shafts, expansion projects and upgrading of production equipment.

9. Human Resources

In 2009, the average number of employees of the Group was 5,706. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

Profile of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Xu Gaoming（許高明先生）, aged 51, chairman and an Executive Director. Mr. Xu completed a postgraduate course in politics and economics at Shaanxi Normal University（陝西師範大學）and obtained a MBA degree. Mr. Xu has 30 years' working experience in mining and smelting industry and has overseen several smelting technology improvements. He was appointed as the chairman of the Company in June 2004.

Mr. Jin Guangcai（靳廣才先生）, aged 43, general manager and an Executive Director. He completed a postgraduate course in politics and economics at Shannxi Normal University（陝西師範大學）. He has approximately ten years' experience in mining and smelting industry. Mr. Jin was appointed a Director of the Company in October 2004 and general manager of the Company in May 2010.

Mr. Lu Xiaozhao（呂曉兆先生）, aged 47, deputy general manager and an Executive Director. He completed a course in mining engineering at Shenyang Gold Institute（瀋陽黃金學院）. He is a mining engineer and a registered senior consultant with over 23 year's working experience in mining and smelting industry. Mr. Lu was appointed as a Director and deputy general manager of the Company since September 2002.

Mr. Liu Pengfei（劉鵬飛先生）, aged 35, deputy general manager and an Executive Director. He completed a course in corporate management at Henan School of Finance and Economics（河南省財經學院）. Mr. Liu has more than 17 years' experience in mining and smelting industry. He was appointed as a Director and deputy general manager of the Company in January 2009.

Mr. Zhang Guo（張果先生）, aged 43, deputy general manager and an Executive Director. He completed a course in mining engineering at Baotou Steel and Iron College（包頭鋼鐵學院）and obtained the qualification of mining engineer. He has more than 19 years of experiences in mining industry. Mr. Zhang was appointed as a Director of the Company in January 2009.

Profile of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Wang Yumin（王育民先生）, aged 50, a Non-executive Director. Mr. Wang obtained college education. He is currently the general manager of Lingbao State-owned Assets Operation Limited Liability Company. He was appointed as a Non-executive Director of the Company in January 2009.

Independent Non-executive Directors

Mr. Niu Zhongjie（牛鍾潔先生）, aged 42, an independent Non-executive Director. He is an executive director of Vision Finance Capital Limited, a licensed corporation under the Securities and Futures Ordinance which is engaged in advising on merger and acquisition and corporate finance. Mr. Niu obtained a master degree in business administration. Mr. Niu has extensive experience in equity capital markets. He was appointed as an independent Director in June 2005.

Mr. Wang Han（王瀚先生）, aged 46, is currently deputy principal of Northwest University of Politics and Law（西北政法大學）and an arbitrator of Court of Arbitration of China International Commerce Chamber（中國國際商會仲裁院）. Mr. Wang obtained a bachelor degree from Northwest Normal University（西北師範大學）in 1984, a master degree in laws from Northwest University of Politics & Law in 1987 and a doctor degree in laws from School of Law at Wuhan University（武漢大學）in 1998. Mr. Wang was appointed as dean, deputy dean and faculty officer and various other positions in Northwest University of Politics and Law. In addition, he is also a legal consultant to Shaanxi provincial government, Xi'an municipal government and Baoji municipal government and an arbitrator to various arbitration committees. Mr. Wang is also writer of various publications mainly on law-related topics. Mr. Wang was appointed as an Independent Non-executive Director of the Company in January 2009.

Mr. Yan Wanpeng（閆萬鵬先生）, aged 44, is currently the chief accountant of Henan Investment Company Group. Mr. Yan graduated with a bachelor degree and qualified for certified public accountant, certified asset valuer and senior accountant. Mr. Yan was appointed as an Independent Non-executive Director of the Company in January 2009.

Ms. Du Liping（杜莉萍女士）, aged 46, is currently a professor of School of Economics and Management at Northwest University（西北大學）. Ms. Du obtained a bachelor degree in economics from Northwest University in 1984 and obtained a master degree from School of Management at Northwest University in 1987. She has been a professor of Northwest University since obtaining her master degree. She is also an independent director of Xi'an Food and Beverage Company Limited (a company listed on the Shenzhen Stock Exchange), a committee member of Xi'an Trading and Commerce Bureau, Xi'an Tourism Bureau and Xi'an Association of Traders, and a consultant of various organizations such as Xi'an China Tourism Group. Ms. Du was appointed as an Independent Non-executive Director of the Company in January 2009.

Supervisory Committee and Supervisors

Mr. Liu Shengmin（劉勝民先生）, aged 51, a Supervisor and chairman of the supervisory committee of the Company. He has been the chairman of Lingbao Wason since 2004. Mr. Liu studied chemical engineering in Zhengzhou College of Technology（鄭州工學院）from 1978 to 1982. Mr. Liu was appointed as chairman of the supervisory committee of the Company in January 2009.

Mr. Zhu Yusheng（朱育生先生）, aged 53, a Supervisor. He is currently the deputy secretary-general of Sanmenxia Municipal CPC Party Committee and the chairman of Sanmenxia Jinqu Group Company Limited. Mr. Zhu completed his undergraduate studies in economics and management at the Party School of the CPC Central Committee（中央黨校）in 1995 and he graduated with a master degree from Shaanxi Normal University（陝西師範大學）in 1999. Mr. Zhu was appointed as a Supervisor of the Company in January 2009.

Mr. Meng Fanrui（孟凡瑞先生）, aged 55, a Supervisor. Mr. Meng is a senior economist in the PRC. He is the chairman and general manager of Henan Xuanrui. He was appointed as a Supervisor of the Company in September 2002.

Mr. Guo Xuchang（郭續長先生）, aged 48, a Supervisor. He completed his study of the economics management post-secondary course at Henan Provincial Committee Party School of the Chinese Communist Party（中共河南省委黨校）in 1995. He has been the chairman and general manager of Lingbao Guoshi Mining since September 1999. Mr. Guo was appointed as a Supervisor of the Company in September 2002.

Mr. Hang Zhanping（杭占平先生）, aged 47, a Supervisor. He is currently the chief of the sales team of Qiang Ma Gold Mine. Mr. Hang was appointed as a Supervisor of the Company in January 2009.

Mr. Yang Bo（楊波先生）, aged 42, a Supervisor. He is currently working in the quality testing section of the smelting branch of Lingbao Gold Company Ltd. and has been working in this section since 1992. Mr. Yang was appointed as a Supervisor of the Company in January 2009.

Mr. Jiao Xiaoxiao（焦瀟霄先生）, aged 27, is currently the deputy officer of integrated office of the Company. Mr. Jiao graduated with a degree in Chinese language from Henan University（河南大學）. Mr. Jiao was appointed as a Supervisor of the Company in January 2009.

Senior Management

Mr. Xing Jiangze（邢江澤先生）, aged 42, financial controller of the Company. He is a registered certified public accountant, certified tax agent, senior accountant, senior consultant and economist in the PRC, having over 15 years' experience in finance, accounting and auditing. Mr. Xing was appointed as the financial controller of the Company in January 2009.

Ms. Qi Haihua（戚海花女士）, aged 40, secretary to the Board of Directors, is responsible for the company secretarial and investor relations affairs of the Company. Ms. Qi graduated with a bachelor degree in English Literature from Zhengzhou University（鄭州大學）. Ms. Qi joined the Company in June 2004 as the manager of the securities department of the Company. Ms. Qi was appointed as the secretary to the Board of Directors of the Company in November 2008.

Mr. Poon, Lawrence Chi Leung（潘之亮先生）, aged 35, company secretary, chief financial officer and qualified accountant of the Company, is responsible for company secretarial, financial and accounting management, and investor relations affairs of the Company. Mr. Poon graduated from Monash University, Australia, with a bachelor degree of Commerce. He is a certified practising accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 10 years' experience in auditing, accounting and finance. Mr. Poon was appointed as the qualified accountant and the company secretary of the Company in March 2007.

Corporate Governance Report

Being one of the largest integrated gold mining companies based in PRC, the Company is committed to continually achieving high standards of corporate governance practices and has put in place a set of well-defined corporate governance procedures to ensure the transparency of the Company and protect the overall interest and rights of shareholders as well as employees.

After listing of its H Shares on the Stock Exchange on 12 January 2006, the Company has fully complied with the requirements under the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the code provisions A.2.1 (division of responsibilities between the chairman and chief executive officer) and A.4.2 (directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after appointment).

The Board

The board of directors ("Directors" and the "Board" or "Board of Directors") is the executive organization of the Company and shall be responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction of the Company. Its duties include evaluating the performance of senior management and supervising the system of the Company. The Board of Directors has to act in the best interest of the Company and its shareholders.

The composition of the Board of Directors are set out in the following table:

Director	**Position**
Mr. Xu Gaoming	Executive Director and Chairman
Mr. Wang Jianguo (resigned on 28 May 2010)	Executive Director
Mr. Lu Xiaozhao	Executive Director
Mr. Jin Guangcai	Executive Director
Mr. Liu Pengfei	Executive Director
Mr. Zhang Guo	Executive Director
Mr. Wang Yumin	Non-executive Director
Mr. Niu Zhongjie	Independent Non-executive Director
Mr. Wang Han	Independent Non-executive Director
Mr. Yan Wanpeng	Independent Non-executive Director
Ms. Du Liping	Independent Non-executive Director

Pursuant to the articles of association of the Company ("Articles of Association"), the term of appointment of the Directors (including the non-executive Directors and independent non-executive Directors) shall be three years and the Directors are eligible for re-election. The chairman of the Company, Mr. Xu Gaoming, and the other four executive Directors have been engaged in the management of gold mining business for years with extensive experience. They are responsible for the business management of the Company, formulation and implementation of important strategies, making daily business decision, and coordination of overall business operation.

All of the Directors can give sufficient time and attention to the Company's affairs.

Non-executive Directors and independent non-executive Directors possess wide expertise and are able to give professional advice in various aspects such as law, accounting, finance, tax, equity capital and industrial and commercial industries. The non-executive Directors would participate in Board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. In addition, they would take the lead in Board meetings where potential conflicts of interests arise. They also have to scrutinise the Company's performance in achieving agreed corporate goals and objectives.

Independent non-executive Directors are expressly identified in all corporate communications that disclose the names of the Directors.

The Company has received annual written confirmation from each of the independent non-executive Directors to ensure they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. Apart from employment relationships with the Company, there is no any financial, business, family or other material relationships amongst members of the Board.

The Company has established various internal control systems which allow the Board of Directors to maintain high standard of corporate governance in the management of the Company. To ensure that the Board of Directors performs its duties effectively, the management is required to submit business and financial reports of the Company to the Directors regularly.

Directors would make further enquiries if they require further enquiries than information volunteered by management. The Board of Directors has separate and independent access to the company secretary, qualified accountant and other senior management at all times to conduct informal discussions. It is at the Company's expense for the Board of Directors to contact the auditors, lawyers or other professionals to obtain independent professional opinions when appropriate. Management are regularly reminded by the company secretary that they have an obligation to provide the Board and its committees with adequate, complete and reliable information in a timely manner. All Directors have access to board papers and related materials which will enable the Board to make an informed decision on matters placed before it. Steps are taken to respond to enquiries raised by Directors as fully as possible.

For the year ended 31 December 2009, the Board of Directors of the Company held sixteen meetings to discuss and approve various important matters. All such meetings were convened in accordance with the Articles of Association. The table below lists out the attendance of each Director at the Board meetings held during the year up to the date of the report. The attendance illustrates the attention of the Board of Directors to the management of the Company's affairs. The matters processed by the Board of Directors in the meetings are all recorded, and the relevant records are kept pursuant to relevant laws and regulations.

Director	The number of Board meetings that the Director was entitled to attend	The number of Board meetings that the Director attended	Attendance (%)
Mr. Xu Gaoming	16	16	100
Mr. Wang Jianguo	16	16	100
Mr. Lu Xiaozhao	16	16	100
Mr. Jin Guangcai	16	16	100
Mr. Liu Pengfei	16	16	100
Mr. Zhang Guo	16	16	100
Mr. Wang Yumin	16	16	100
Mr. Niu Zhongjie	16	16	100
Mr. Wang Han	16	16	100
Mr. Yan Wanpeng	16	16	100
Ms. Du Liping	16	16	100

Prior to each regular Board meeting, the management of the Company shall submit materials relevant to the affairs to be discussed in the meeting to the Board of Directors. Notice convening the regular meeting shall be sent to the Directors at least ten days before the meeting so that arrangements can be made to attend the meeting. Documents required for the Board meeting shall be sent to the Directors at least three days before the meeting, to ensure that enough time is given to the Directors to review the documents and get prepared for the meeting.

The Board meeting is chaired by the chairman of the Company to ensure that sufficient time is allocated to the consideration and discussion of each matter in the agenda and each Director is given an equal opportunity to speak. In addition, Directors are given an opportunity to include matters in the agenda. Minutes of Board meetings and meetings of Board committees record detailed concerns raised by Directors and dissenting views expressed. Minutes of Board meetings and meetings of Board committees would be kept by secretary and such minutes are opened for inspection at any reasonable time on reasonable notice by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a Board meeting would be held. Independent non-executive Directors have no material interest in the transaction would be present at such Board meeting.

With respect to the re-election of newly appointed Director, the Company has complied with Paragraph 4(2) of Appendix 3 of the Listing Rules, which permits the Directors who have been appointed to fill a casual vacancy of the Board be eligible for re-election at the next annual general meeting of the Company. As such, Code Provision A.4.2, which requires the re-election to take place at the next general meeting, was not adopted.

Every newly appointed Director would receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently continuous briefing and professional development would be arranged to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Board Committee

The Board of Directors has established four committees. Each committee has its terms of reference, including the review of matters of extraordinary nature, giving suggestions to the Board of Directors and making decisions on behalf of the Board of Directors relating to such matters when appropriate.

(1) Audit Committee

The audit committee of the Board of Directors is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for the communication, supervision and inspection of internal and external audit.

After our listing, the Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

The audit committee comprises of five members. Any former partner of KPMG should be prohibited from acting as a member of the audit committee. Pursuant to the Code, an independent non-executive Director specializing in accounting will be the chief member who will be in charge of the work of the committee. The committee now comprises of the following members:

Mr. Yan Wanpeng *(Chairman of the committee)*
Mr. Wang Yumin
Mr. Niu Zhongjie
Mr. Wang Han
Ms. Du Liping

The principal terms of reference of the audit committee are: (a) to suggest recruiting or changing external audit organization; (b) to supervise the internal audit system of the Company and its implementation; (c) to facilitate the communication between internal audit and external audit; (d) to review the financial information and its disclosure; (e) to inspect the internal control system of the Company and to audit major connected transactions; (f) to develop and implement policy on the engagement of an external auditor to supply non-audit service; (g) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee would discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; (h) to monitor integrity of financial statements of the Company and the Company's annual reports and accounts, half-year reports and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual reports and accounts, half-year reports before Corporate Governance Report submission to the Board, the committee would focus particularly on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions and any qualifications; (v) compliance with accounting standards; (vi) compliance with the Listing Rules and other legal or regulatory requirements in relation to financial reporting; and (vii) members of the committee would liaise with the Company's Board of Directors, senior management and the qualified accountant and the committee must meet, at least once a year, with the Company's auditors; (viii) the committee would consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance adviser and auditors; (i) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system; (j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response; (k) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; (l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response; (m) to report to the Board on the matters set out in Code Provision C.3.3; and (n) to be responsible for other matters as authorized by the Company.

The terms of reference of audit committee are kept at the registered office of the Company.

The audit committee has been provided with sufficient resources to discharge its duty.

Details of audit committee meetings held during the year are as follows:

Director	Number of meetings of audit committee in 2009	The number of meetings that Director attended	Attendance (%)
Mr. Yan Wanpeng	2	2	100
Mr. Wang Yumin	2	2	100
Mr. Niu Zhongjie	2	2	100
Mr. Wang Han	2	2	100
Ms. Du Liping	2	2	100

In 2009, two meetings of the audit committee were held. On 24 April 2009, the audit committee met with the international auditors to discuss the general scope of their audit work. On 24 September 2009, the audit committee reviewed the Company's interim report for the year 2009. In addition, the audit committee had reviewed the financial statements for the year ended 31 December 2009 before the announcement of the Company's annual results. During the discussion, the audit committee had reviewed key areas in which management's judgment applied for adequate provision and disclosure, and internal control policies.

(2) Strategic Committee

The strategic committee of the Board is a body specifically set up by the Board according to the resolution of the general meeting and shall mainly be responsible for conducting research and giving advice regarding the long-term development strategies and material investment decisions of the Company.

The strategic committee comprises of six Directors, with one independent non-executive Director pursuant to the implementation measure. The committee now comprises of the following members:

Mr. Xu Gaoming *(Chairman of the committee)*
Mr. Wang Jianguo (resigned on 28 May 2010)
Mr. Lu Xiaozhao
Mr. Jin Guangcai
Mr. Liu Pengfei
Mr. Wang Yumin
Mr. Niu Zhongjie

The principal terms of reference of the strategic committee are: (a) to conduct research and make suggestions concerning the long-term development strategic plans of the Company; (b) to conduct research and make suggestions concerning the material investment and financial proposals which are subject to the approvals of the Board of Directors and the general meeting pursuant to the Articles of Association; (c) to conduct research and make suggestions concerning the material capital management and assets management projects which are subject to the approvals of the Board of Directors and the general meeting pursuant to the Articles of Association; (d) to conduct research and make suggestions concerning other significant events that influence the development of the Company; (e) to carry out inspection concerning the implementation of the above matters; and (f) to be responsible for other matters as delegated by the Board.

No strategic committee meeting was held in 2009.

(3) Nomination Committee

The nomination committee of the Board of Directors is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for making suggestions regarding the selection of the Directors and managers of the Company, choosing and making suggestions relating to the selection standards and procedures.

The nomination committee comprises of the following members, a majority of which are independent non-executive Directors:

Mr. Wang Han *(Chairman of the committee)*
Mr. Wang Yumin
Mr. Niu Zhongjie
Mr. Yan Wanpeng
Ms. Du Liping

The main duties of the nomination committee include: (a) making recommendations to the Board on the Board's scale and composition in accordance with the operating activities, scale of assets and shareholding structure of the Company; (b) studying the criteria and procedures for the election of Directors and management personnel and making recommendations to the Board thereon; (c) seeking for the right candidates for the position of Directors and management personnel; (d) reviewing the candidates for the position of Directors and management personnel and making recommendations thereon; (e) reviewing other senior management proposed to be appointed by the Board and making recommendations thereon; and (f) undertaking other tasks as delegated by the Board.

The nomination committee would hold a meeting to discuss the appropriateness of the candidates and consult the chairman about their proposals relating to the nomination of other executive Directors and have access to professional advice if considered necessary. The criteria for selection include professional qualification, industrial experience and academic background.

Written notice of the intention to nominate a candidate together with the respective resume would be delivered to the Board for its consideration and approval.

In 2009, no meeting of the nomination committee was held.

(4) Remuneration and Review Committee

The remuneration and review committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for formulating the review criteria of and conducting review for the Directors and senior management of the Company, as well as formulating and reviewing their remuneration packages and proposals. It is accountable to the Board. The committee would be provided with sufficient resources to discharge its duty.

The remuneration and review committee comprises of five members, the majority of whom are independent non-executive Directors. The members are as follows:

Ms. Du Liping *(Chairman of the committee)*
Mr. Wang Yumin
Mr. Niu Zhongjie
Mr. Wang Han
Mr. Yan Wanpeng

The main duties of the remuneration and review committee include: (a) formulating and making recommendation to the Board on policy and structure for remuneration packages or proposals according to the major areas, duties and importance of the management position of Directors and senior management and the remuneration for relevant positions of other relevant enterprises; (b) establishing criteria, procedures and major assessment system for performance assessment and major proposals and systems for awards and punishments; (c) reviewing the performance of duties and conducting annual performance assessment of the Company's Directors and senior management; (d) monitoring the implementation of the Company's remuneration system; and (e) undertaking other tasks as delegated by the Board.

Moreover, the remuneration and review committee has to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

Besides, the committee would review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The remuneration and review committee will also ensure that none of the Directors or any of their associates is involved in deciding his own remuneration.

The remuneration committee makes available its terms of reference, explaining its role and the authority delegated to it by the Board, and copies of the terms of reference are kept at the registered office of the Company.

In 2009, one meeting of the remuneration and review committee was held. Attendance of individual members of remuneration and review committee to the committee meeting in 2009 are as follows:

Director	The number of meetings of remuneration and review committee in 2009	The number of meetings that member of committee attended	Attendance (%)
Ms. Du Liping	1	1	100
Mr. Wang Yumin	1	1	100
Mr. Niu Zhongjie	1	1	100
Mr. Wang Han	1	1	100
Mr. Yan Wanpeng	1	1	100

The remuneration and review committee had considered the annual salary review as well as bonus plan of Directors and senior management of the Company for 2009.

Breakdown of the Directors' and the supervisors' remuneration for the year ended 31 December 2009 are set out in note 9 to the financial statements.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by Directors. The Company has made specific enquiry to all Directors and Supervisors, who have confirmed that they have complied with the Model Code in 2009.

The Board has established written guidelines for employees who are likely to possess unpublished price sensitive information in respect of their dealings in the securities of the Company.

Chairman and Chief Executive Officer

Code Provision A.2.1 states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman is responsible for ensuring that Directors are properly explained on matters discussed at Board meetings and reliable information have been received by Directors.

Mr. Xu Gaoming is the chairman and chief executive officer of the Company and has considerable industry experience. Thus, there is a derivation from the Code Provision A.2.1. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board, in particular, the non-executive Directors, in a timely manner on various issues and developments of the industry. In addition, the Board believes that this structure can assist the Group to implement decisions promptly and more efficiently.

Management Functions

The Board is responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction. When the Board delegates its management functions to the management, clear directions will be given and management will report to the Board on regularly basis. The Board reserves most of the powers and delegates routine duties to management including bank loan arrangement. There would be a periodic review of the arrangement. Management must obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Chief Financial Officer

Chief financial officer of the Company is responsible for the preparation of the interim and annual financial statements in accordance with the Hong Kong Accounting Standards and to make sure that the results and financial position of the Company are disclosed in an accurate and fair manner. Chief financial officer of the Company shall also be responsible for contacting the auditors regularly. The duties of the chief financial officer also include reviewing the financial risk management of the Company and making suggestions to the Board of Directors. Moreover, chief financial officer shall be responsible for giving advice to the Board of Directors regarding the disclosure of notifiable transactions, connected transactions and price-sensitive information.

Company secretary

The company secretary shall be directly responsible to the Board of Directors. The company secretary is responsible for ensuring that the proceedings of the Board of Directors are complied with, making appropriate disclosures regarding the interests of securities of the Directors and giving advice to the Board of Directors regarding the disclosure of notifiable transactions, connected transactions and price-sensitive information. The company secretary acts as the principal channel of communication between the Company and the Stock Exchange. The company secretary also assists the Board of Directors in realizing and strengthening corporate governance practices in order to enhance the best interest of the Company and the shareholders.

Financial Reporting

Management provides financial information with explanation to the Board to assist the Board in assessing the financial position of the Company. Financial statements are the responsibilities of Directors. The Board has to present a balanced, clear and understandable assessment which extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Exchange Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

The reporting responsibilities of KPMG, the international auditors, are stated in the Auditor's Report on pages 41-42 of the Annual Report.

There was no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Board has taken the same view as that of the audit committee in relation to the appointment of KPMG as international auditors of the Company.

Auditors' Remuneration

During the year, the fees charged to the accounts of the Company for KPMG and Peking Certified Public Accountants for statutory audit services and non-audit related services including agreed upon procedures and review of financial statements amounted to approximately RMB3,082,000 and RMB500,000 respectively.

Internal Control

The Company has established various systems for internal management, so as to safeguard the assets and shareholders' interests of the Company and maintain a high standard of corporate governance for the management of the Company. To further strengthen its internal control, the Company conducts regular meetings with its auditors, lawyers and other professionals to obtain independent and professional advices for the improvement of the Company's internal management system.

Investor relations and communications with shareholders

The Company highly values its relationship with its investors and shareholders. It maintains amicable relationship with investors, fund managers and shareholders through one-on-one meetings, road shows, seminars and on-site inspection by investors, thereby allowing investors to have a better understanding of the Company's financial position, production operations, management decisions, overall strategic directions and latest development.

Voting by Poll

At the upcoming 2009 annual general meeting of the Company to be held on 21 July 2010 the procedures for conducting the poll will be explained. The procedures for demanding a poll by the shareholders are incorporated in the circular accompanying this report.

Each substantially separate issue will be proposed by separate resolution at the forthcoming general meeting, the committee heads will be available to answer questions at the general meeting, the level of proxies lodged on each resolution will be indicated, and the balance for and against each resolution will be disclosed at the commencement of general meeting. The chairman of the meeting will also explain the procedures for demanding a poll, and then answer questions from shareholders at the commencement of the general meeting.

Report of the Supervisory Committee

1. Meetings of the Supervisory Committee during the Reporting Period

In 2009, two supervisory committee meetings were held by the supervisory committee.

2. Independent Work Report of the Supervisory Committee

In 2009, aiming at protecting the interest of the Company and the shareholders, the supervisory committee seriously performed the duties in accordance with the Company Law of the PRC ("Company Law"), Securities Law, Listing Rules and other relevant rules and regulations and the Articles of Association of the Company, comprehensively monitored aspects such as the Company's capital operation, operating management, financial position and the fulfillment of obligations by senior management. After a serious review, members of the committee unanimously agreed to the following:

i. Legal Compliance of the Company's Operations

The Board of the Company conscientiously carried out various resolutions according to the relevant resolutions in general meetings, during which its decision-making procedures were in compliance with the relevant requirements of the Company Law, Listing Rules and the Articles and Association. It also set up rules and systems for internal control, project investment management approach, connected transactions, resources purchase and project tendering management. None of the officers, including directors and managers, were aware of any violations of the laws, regulations and articles of association or any act which would prejudice the Company's interests.

ii. Inspection of the Financial Status of the Company

In 2009, the Supervisory Committee reviewed the financial system and position of the Company and considered that the financial report for 2009 truly reflected its financial position and operating results. In 2009, Peking Certified Public Accountants, the local auditors, and KPMG, the international auditors, audited the Company's annual financial statements and issued unqualified auditor reports, which have been reviewed by the Supervisory Committee without any adverse opinion.

iii. Acquisition of Assets

In this reporting period, the Company acquired 70% equity interest in Palladex, and 87% equity interest in Beijing Phuyer Investment Company Limited (Laos).

The Supervisory Committee considered that: no behaviors constituting insider dealings had been found in the acquisitions of assets by the Company, nor had any situations happened that would harm the interests of the Company and all shareholders.

iv. Connected Transactions

After review and examination, the Supervisory Committee was not aware of any behaviors in the Company's connected transactions that would prejudice the Company's interest, and such connected transactions were fully disclosed pursuant to the requirements under Rule 14A.45 of the Listing Rules.

Continuing Connected Transactions

Lingbao Electric Company ("Lingbao Electric" or "Lingbao Electric Bureau") (靈寶市電業總公司) supplies electricity to the Company on an ongoing basis, as the supply of electricity is essential to the operation of the business of the Group.

A total of seven electricity supply contracts were entered into between Lingbao Electric and the Company for supplying electricity to the Company on 30 July 2006, 15 September 2007, 26 November 2007, 21 January 2008, 30 January 2008, 11 February 2008 and 10 October 2008 respectively. The electricity supply contracts are valid for a period of three years. Under these electricity supply contracts, upon expiry of their respective terms, the contracts will continue to be in force upon written confirmation by both parties. Pursuant to these electricity supply contracts, the Company shall make full amount payment to Lingbao Electric before the 25th day of each month.

Lingbao Electric is a company incorporated in the PRC and is a promoter of the Company. Lingbao Electric holds approximately 2.26% equity interest in the Company as at the date of this report. Accordingly, Lingbao Electric is a connected person of the Company under the Listing Rules and the transactions with Lingbao Electric constitute continuing connected transactions.

For the year ended 31 December 2009, the annual electricity fee paid by the Group to Lingbao Electric amounted to RMB77,071,000.

For details, please refer to the circular dated 12 February 2009 issued by the Company.

v. External Guarantees

The Company had no external guarantees as at 31 December 2009.

Directors' Report

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2009.

Principal Place of Business

Lingbao Gold Company Ltd. (the "Company") is a company incorporated and domiciled in the People's Republic of China ("PRC") and has its registered office at Xin Village, Yinzhuang Town, Daonan Industrial Area, Lingbao, Henan, the PRC and its principal place of business in Hong Kong at Room 1902, 19th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

Principal Activities

The principal activities of the Group are the mining, processing, smelting and sales of gold and other metallic products in the PRC.

The analysis of the principal activities of the operations of the Company and its subsidiaries (the "Group") during the financial year is set out in note 21 to the financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	80.9%	
Five largest customers in aggregate	91.5%	
The largest supplier		13.9%
Five largest suppliers in aggregate		26.4%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Financial Statements

The profit of the Group for the year ended 31 December 2009 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 43 to 137.

Transfer to Reserves

Profits attributable to equity shareholders of the Company, before dividends, of RMB118,044,000 (2008 (Restated): RMB115,610,000) have been transferred to reserves. Other movements in reserves are set out in note 33 to the financial statements.

Dividend

At the board meeting held on 28 May 2010, the Directors declared a final dividend of RMB0.05 (with tax) per share (2008: RMB Nil) in respect of the year ended 31 December 2009. The 2009 final dividend is subject to the consideration and approval at the annual general meeting of the Company.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholder. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders.

Investors should review and consider the above carefully. If any investor intends to have his name registered in the register of members for H shares of the Company, please enquire about the relevant procedures with your agents or trustees. The Company has no responsibility and shall not be responsible for confirming the identities of the shareholders. The Company will strictly comply with laws, and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company on the record date for the dividend payment for H shares. The Company will not entertain any requests relating to any delay in confirming the identity of the shareholders or any errors in the identity of the shareholders.

Fixed Assets

Movements in fixed assets during the year are set out in note 16 to the financial statements.

Share Capital

As at the date of this report, there was a total of share capital of 770,249,091 shares of the Company which includes:

	Number of shares	**Approximate percentage of total share capital**
Domestic shares	472,975,091	61.41
H Shares	297,274,000	38.59
Total	770,249,091	100.00

Details of the movements in share capital of the Company during the year are set out in note 33(b) to the financial statements.

Purchase, Sale or Redemption of Shares of the Company

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries for the year ended 31 December 2009.

Directors and Supervisors

The Directors and supervisors of the Company for the year are as follows:

Directors

Executive Directors

Xu Gaoming, *Chairman*
Wang Jianguo, *General Manager* (resigned on 28 May 2010)
Lu Xiaozhao, *Deputy General Manager*
Jin Guangcai, *Deputy General Manager*
Liu Pengfei, *Deputy General Manager*
Zhang Guo

Non-executive Directors

Wang Yumin

Independent Non-executive Directors

Niu Zhongjie
Wang Han
Yan Wanpeng
Du Liping

Supervisors

Meng Fanrui
Guo Xuchang
Liu Shengmin
Zhu Yusheng
Hang Zhanping
Yang Bo
Jiao Xiaoxiao

Biographical Details of Directors, Supervisors and Senior Management

Brief biographical details of Directors, supervisors and senior management of the Company are set out on pages 16 to 19 of the annual report.

Highest Paid Individuals

During the year, the relevant information of the five individuals with the highest remuneration in the Group is disclosed in note 10 to the accounts.

Remuneration

The Company has a remuneration committee to formulate compensation policies and determine and manage the compensation of the Company's Directors and senior management with reference to their duties, responsibilities, performance and results of the Group.

Directors' and Supervisors' Service Contracts

Each of the executive Directors has entered into an executive director service agreement with the Company for a term of three years commencing on 7 January 2009. Each of these service agreements may be terminated by either party with not less than six months' prior written notice.

Non-executive Director has been appointed for a term of three years commencing on 7 January 2009. No remuneration is payable to the non-executive Director.

Each of the independent non-executive Directors has been appointed for a term of three years commencing on 7 January 2009.

Each supervisor has entered into a supervisor service agreement with the Company for a term of three years commencing on 7 January 2009. The service agreement may be terminated by either party with not less than six months' prior written notice.

Under these deeds, no remuneration is payable to the supervisors.

No Director or supervisor has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

Continuing Connected Transactions

Lingbao Electric (also known as Lingbao Electric Bureau) supplies electricity to the Company on an ongoing basis, as the supply of electricity is essential to the operation of the business of the Group.

A total of seven electricity supply contracts have been entered into between Lingbao Electric and the Company for the supply of electricity to the Company. These contracts were entered into on 30 July 2006, 15 September 2007, 26 November 2007, 21 January 2008, 30 January 2008, 11 February 2008 and 10 October 2008 respectively. These electricity supply contracts are valid for a period of three years. Under these electricity supply contracts, upon expiry of their respective terms, the contracts will continue to be in force upon written confirmation by both parties. Pursuant to these electricity supply contracts, the Company shall make payment to Lingbao Electric in full by the 25th day of each month.

Lingbao Electric is a company incorporated in the PRC and is a promoter of the Company. Lingbao Electric held approximately 2.26% shareholding in the Company as at the date of this report. Accordingly, Lingbao Electric is a connected person of the Company under the Listing Rules and the transactions with Lingbao Electric constitute continuing connected transactions.

For the year ended 31 December 2009, the annual electricity fee paid by the Group to Lingbao Electric amounted to RMB77,071,000.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions and are of the opinion that: (1) these transactions are within the ordinary course of business of the Group; (2) these transactions are conducted on normal commercial terms, or where there was no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as applicable) independent third parties; and (3) these transactions are conducted in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Group has confirmed to the Board of Directors in writing that (a) The transactions have been approved by the Board of Directors; (b) The transactions have been entered into in accordance with the pricing terms set out in the relevant agreement governing the transactions; and (c) The aggregate dollar amount of the transactions did not exceed the annual cap amount as set out in the circular dated 12 February 2009 made by the Company in respect of the Continuing Connected Transactions.

The Group's continuous connected transactions were passed at the extraordinary general meeting held on 1 April 2009. The annual caps of the above continuous connected transactions shall not exceed RMB77,500,000, RMB89,100,000 and RMB93,600,000 respectively for the three years ending 31 December 2011.

For details, please refer to the circular dated 11 February 2009 issued by the Company.

Directors', Supervisors' and Chief Executive's interest in shares

As at 31 December 2009, the interest and short position of each Director, Supervisor and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if applicable to Supervisors) were as follows:

Name of Director/ Supervisor	Relevant entity	Capacity	Number of domestic shares held (Long position)	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued share capital
Mr. Meng Fanrui (孟凡瑞先生)	the Company	Interest of controlled corporation *(Note 1)*	18,000,000	3.80%	2.34%
Mr. Guo Xuchang (郭續長先生)	the Company	Interest of controlled corporation *(Note 1)*	12,250,000	2.58%	1.59%

Notes:

1. Henan Xuanrui Assets Company Limited ("Henan Xuanrui") (河南軒瑞產業股份有限公司), a promoter of the Company, owns approximately 2.34% interest in the Company as at the date of this report. Mr. Meng Fanrui (孟凡瑞先生) owns approximately 61.6% interest in Henan Xuanrui and together with his wife Ms. Ma Xianting (馬仙婷女士), hold approximately 96.1% of the shareholding in Henan Xuanrui. Under section 316 of the SFO, Mr. Meng Fanrui (孟凡瑞先生) is deemed to be interested in the Shares held by Henan Xuanrui.

2. Lingbao Guoshi Mining owns approximately 1.59% interest in the Company as at the date of this report. Mr. Guo Xuchang (郭續長先生) owns approximately 78.8% interest in Lingbao Guoshi Mining and together with his wife Ms. Yang Yuqin (楊玉琴女士), hold 100% of the shareholding in Lingbao Guoshi Mining. Under section 316 of the SFO, Mr. Guo Xuchang (郭續長先生) is deemed to be interested in the Shares held by Lingbao Guoshi Mining.

Substantial Shareholders interest in shares

As at 31 December 2009, so far as was known to the Directors, the following person, other than the Directors, supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

	Number of Domestic Shares	Capacity	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total share capital
Lingbao State-owned Assets Operation Limited Liability Company ("Lingbao State-owned Assets") (靈寶市國有資產經營有限責任公司) *(Notes 1 and 2)*	373,840,620	Beneficial owner	79.04%	48.54%
Beijing Wanlaixin Investment Limited Liability Company (北京萬來鑫投資有限責任公司)	37,698,784	Beneficial owner	7.97%	4.89%

Notes:

1. In addition to its direct interest in 373,840,620 domestic shares, Lingbao State-owned Assets has an indirect interest in the Company through its equity interest of approximately 43.4% in Lingbao Gold Machinery Limited Liability Company (靈寶市黃機械有限責任公司), which in turn holds approximately 21.1% equity interest in Lingbao Jinxiang Motors. Lingbao Jinxiang Motors is a promoter of the Company, which held approximately 1.7% shareholding in the Company as at the date of the report.

2. Mr. Wang Yumin (王育民先生), a non-executive Director, is the general manager of Lingbao State-owned Assets.

Save as disclosed above, as at 31 December 2009, so far as the Directors are aware, there are no other persons, other than the Directors, supervisors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Directors' and Supervisors' Interests in Contracts

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which the Directors or the supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (excluding the Directors' and supervisors' service contracts).

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Apart from disclosed under the paragraph headed "Directors, Supervisors and Chief Executive" above, at no time during the year was the Company, its subsidiaries or its jointly controlled entity, a party to any arrangement to enable to the Directors, the supervisors and their respective spouses or children under 18 years of age of acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of Directors in Competing Business

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2009 are set out in notes 29 and 30 to the financial statements.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB1,228,000 (2008: RMB1,580,000).

Pre-emptive Rights

There are no provisions regarding pre-emptive rights under the Articles of Association of the Company and related laws of Hong Kong and the PRC, which would oblige the Company to issue new shares on pro-rata basis to the existing shareholders of the Company.

Policy on Income Tax

The Company and its subsidiaries basically paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC. Details of the Group's income tax information are disclosed in note 8 to the account.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 22 June 2010 to Wednesday, 21 July 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the final dividend and for attending the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H shares) or the registered office of the Company at Xin Village, Yinzhuang Town, Daonan Industrial Area, Lingbao, Henan, the PRC (for domestic shares), no later than 4:00 p.m. on Monday, 21 June 2010.

Litigation and Arbitration

As at the date of this report, there was no material litigation and arbitration for the Group.

Directors' Report

Public Float

Based on the publicly available information and the best of knowledge of the Directors, the Company has maintained sufficient public float at the latest practicable date prior to the issue of this report.

Compliance of Code of Conduct

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provision set out in the code on Corporate Government Practices for any period from 1 January 2009 to 31 December 2009.

Five Years Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 138 of the annual report.

Confirmation of Independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Taxation

For the year ended 31 December 2009, no foreign shareholder who is not resident of the PRC is liable for Individual or Enterprise Income Tax, Capital Gains Tax, Stamp Duty or Estate Duty of the PRC in relation to their holding of shares of the Company. Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H shares.

By order of the board

Xu Gaoming
Chairman

Hong Kong, 28 May 2010

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
Lingbao Gold Company Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Lingbao Gold Company Ltd. (the "Company") set out on pages 43 to 137, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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' responsibilities 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This 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 auditor's 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 auditor considers 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 May, 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Turnover	3	**3,961,670**	3,559,089
Cost of sales		**(3,206,068)**	(3,177,792)
Gross profit		**755,602**	381,297
Other revenue	4	**11,578**	18,180
Other net (loss)/gain	5	**(191,327)**	31,992
Selling and distribution expenses		**(18,525)**	(19,881)
Administrative expenses and other operating expenses		**(178,388)**	(174,082)
Impairment losses on other receivables and investment deposits		**(110,800)**	–
Profit from operations		**268,140**	237,506
Finance costs	7(a)	**(96,466)**	(107,599)
Profit before taxation	7	**171,674**	129,907
Income tax	8(a)	**(51,433)**	(15,483)
Profit for the year		**120,241**	114,424
Attributable to:			
Equity shareholders of the Company	11	**118,044**	115,610
Minority interests		**2,197**	(1,186)
Profit for the year		**120,241**	114,424
Basic and diluted earnings per share (cents)	14	**15**	15

The notes on pages 53 to 137 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12(a).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Profit for the year, as previously reported			106,761
Prior period adjustments arising from changes in accounting policies	*2(b)*		7,663
Profit for the year (2008: as restated)		**120,241**	114,424
Other comprehensive income for the year	*13*		
Exchange differences on translation of financial statements of overseas subsidiaries		**3,602**	250
Total comprehensive income for the year		**123,843**	114,674
Attributable to:			
Equity shareholders of the Company		**121,646**	115,860
Minority interests		**2,197**	(1,186)
Total comprehensive income for the year		**123,843**	114,674

The notes on pages 53 to 137 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Non-current assets			
Property, plant and equipment	*16*	**948,308**	826,253
Construction in progress	*17*	**930,727**	452,716
Intangible assets	*18*	**681,505**	556,480
Goodwill	*19*	**41,511**	38,882
Lease prepayments	*20*	**90,345**	86,870
Other investments	*22*	**10,504**	10,504
Investment deposit	*23*	**–**	80,000
Non-current prepayments	*27*	**119,854**	135,376
Deferred tax assets	*24(b)*	**90,889**	50,764
		2,913,643	2,237,845
Current assets			
Inventories	*25*	**759,401**	711,333
Trade and other receivables, deposits and prepayments	*26*	**540,970**	545,958
Current tax recoverable	*24(a)*	**12,583**	22,205
Cash and cash equivalents	*28*	**685,321**	575,478
		1,998,275	1,854,974
Current liabilities			
Bank loans	*30*	**815,995**	1,280,000
Trade and other payables	*31*	**423,111**	464,403
Loan from ultimate holding company	*32*	**23,800**	23,800
Current tax payable	*24(a)*	**14,315**	17,662
		1,277,221	1,785,865
Net current assets		**721,054**	69,109
Total assets less current liabilities		**3,634,697**	2,306,954

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Non-current liabilities			
Bank loans	*30*	**1,694,350**	455,160
Other loan	*29*	**3,270**	3,270
Other payables	*31*	**46,551**	111,730
Deferred tax liabilities	*24(b)*	**8,389**	–
		1,752,560	570,160
NET ASSETS		**1,882,137**	1,736,794
CAPITAL AND RESERVES			
Share capital	*33(b)*	**154,050**	154,050
Reserves		**1,678,477**	1,556,831
Total equity attributable to equity shareholders of the Company		**1,832,527**	1,710,881
Minority interests		**49,610**	25,913
TOTAL EQUITY		**1,882,137**	1,736,794

Approved and authorised for issue by the board of directors on 28 May 2010.

Xu Gaoming
Executive director and chairman

Jin Guangcai
Executive director

The notes on pages 53 to 137 form part of these financial statements.

Balance Sheet

At 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Non-current assets			
Property, plant and equipment	*16*	**497,353**	476,284
Construction in progress	*17*	**134,358**	114,245
Intangible assets	*18*	**31,972**	19,616
Lease prepayments	*20*	**33,406**	29,474
Investments in subsidiaries	*21*	**675,941**	622,951
Other investments	*22*	**10,504**	10,504
Investment deposit	*23*	**–**	80,000
Non-current prepayments	*27*	**6,022**	36,079
Deferred tax assets	*24(b)*	**45,735**	23,007
		1,435,291	1,412,160
Current assets			
Inventories	*25*	**685,972**	644,524
Trade and other receivables, deposits and prepayments	*26*	**355,561**	456,345
Amounts due from subsidiaries	*21*	**926,811**	614,216
Current tax recoverable	*24(a)*	**10,464**	20,424
Cash and cash equivalents	*28*	**476,189**	260,508
		2,454,997	1,996,017
Current liabilities			
Bank loans	*30*	**740,000**	1,280,000
Trade and other payables	*31*	**175,585**	237,576
Amounts due to subsidiaries	*21*	**51,691**	30,519
		967,276	1,548,095
Net current assets		**1,487,721**	447,922
Total assets less current liabilities		**2,923,012**	1,860,082

Balance Sheet

At 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Non-current liabilities			
Bank loans	*30*	**1,110,000**	150,000
Other loan	*29*	**3,270**	3,270
		1,113,270	153,270
NET ASSETS		**1,809,742**	1,706,812
CAPITAL AND RESERVES	*33*		
Share capital		**154,050**	154,050
Reserves		**1,655,692**	1,552,762
TOTAL EQUITY		**1,809,742**	1,706,812

Approved and authorised for issue by the board of directors on 28 May 2010.

Xu Gaoming
Executive director and chairman

Jin Guangcai
Executive director

The notes on pages 53 to 137 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 *(note 33(b))*	Share premium RMB'000 *(note 33(a)(i))*	PRC statutory reserves RMB'000 *(note 33(a)(ii))*	Capital reserve RMB'000 *(note 33(a)(iii))*	Exchange reserve RMB'000 *(note 33(a)(iv))*	Other reserve RMB'000 *(note 33(a)(v))*	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2008	154,050	827,931	97,936	32,334	(3,959)	(858)	564,612	1,672,046	26,337	1,698,383
Changes in equity for 2008:										
Total comprehensive income for the year	–	–	–	–	250	–	115,610	115,860	(1,186)	114,674
Dividend approved in respect of prior year *(note 12(b))*	–	–	–	–	–	–	(77,025)	(77,025)	–	(77,025)
Gain on deemed disposal of subsidiary	–	–	–	–	–	–	–	–	(392)	(392)
Capital contributions to subsidiary from minority interests	–	–	–	–	–	–	–	–	1,154	1,154
Profit appropriation	–	–	8,477	–	–	–	(8,477)	–	–	–
Balance at 31 December 2008 (as restated)	154,050	827,931	106,413	32,334	(3,709)	(858)	594,720	1,710,881	25,913	1,736,794
Balance at 1 January 2009 (as previously reported)	**154,050**	**827,931**	**106,413**	**32,334**	**(3,709)**	**(858)**	**587,276**	**1,703,437**	**25,694**	**1,729,131**
Prior period adjustments arising from changes in accounting policies *(note 2(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**7,444**	**7,444**	**219**	**7,663**
Balance at 1 January 2009 (as restated)	**154,050**	**827,931**	**106,413**	**32,334**	**(3,709)**	**(858)**	**594,720**	**1,710,881**	**25,913**	**1,736,794**
Changes in equity for 2009:										
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,602**	**–**	**118,044**	**121,646**	**2,197**	**123,843**
Acquisition of subsidiaries *(note 36(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,500**	**21,500**
Profit appropriation	**–**	**–**	**13,548**	**–**	**–**	**–**	**(13,548)**	**–**	**–**	**–**
Balance at 31 December 2009	**154,050**	**827,931**	**119,961**	**32,334**	**(107)**	**(858)**	**699,216**	**1,832,527**	**49,610**	**1,882,137**

The notes on pages 53 to 137 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Operating activities			
Profit before taxation		**171,674**	129,907
Adjustments for:			
– Interest income	*4*	**(2,886)**	(5,612)
– Dividend income from unlisted securities	*4*	**(420)**	(420)
– Gain on deemed disposal of subsidiary	*5*	**–**	(392)
– Negative goodwill arising from business combination	*5*	**–**	(12,437)
– Net realised loss/(gain) on financial instruments at fair value	*5*	**163,812**	(45,421)
– Net unrealised (gain)/loss on financial instruments at fair value	*5*	**(5,922)**	856
– Net loss on disposal of property, plant and equipment	*5*	**498**	2,315
– Depreciation	*7(b)*	**146,062**	102,245
– Finance costs	*7(a)*	**96,466**	107,599
– Impairment losses on:			
– investment deposit	*7(b)*	**80,000**	–
– amount due from Beijing Jiuyi	*7(b)*	**30,800**	–
– trade and other receivables	*7(b)*	**2,376**	2,539
– purchase deposits	*7(b)*	**1,300**	4,726
– intangible assets	*7(b)*	**–**	2,781
– Amortisation of lease prepayments	*7(b)*	**2,143**	1,637
– Amortisation of intangible assets	*7(b)*	**24,394**	43,181
– Write down of inventories	*25(b)*	**2,282**	36,112
– Reversal of write down of inventories	*25(b)*	**(35,899)**	–
– Foreign exchange differences		**26,692**	29,177
Operating profit before changes in working capital		**703,372**	398,793
Increase in inventories		**(14,451)**	(129,708)
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(11,142)**	233,460
Decrease in trade and other payables		**(94,690)**	(92,718)
Cash generated from operations		**583,089**	409,827
PRC income tax paid		**(85,193)**	(101,729)
Net cash generated from operating activities		**497,896**	308,098

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Investing activities			
Interest received		**2,886**	5,612
(Loss)/gain on settlement of financial instruments		**(163,812)**	45,421
Decrease in restricted deposits		**10,067**	80,386
Payment for purchase of property, plant and equipment		**(79,987)**	(84,784)
Proceeds from disposal of property, plant and equipment		**1,467**	2,356
Payment for construction in progress		**(165,328)**	(202,667)
Payment for purchase of intangible assets		**(115,599)**	(112,224)
Payment for acquisition of subsidiaries	*36*	**(50,498)**	(13,284)
Payment for purchase of land use right		**(6,101)**	–
Proceeds from disposal of available-for-sale investments		**–**	40,000
Payment for non-current prepayments		**(488,986)**	(181,699)
Release of restricted cash		**–**	181,982
Dividends received from other investments		**420**	420
Net cash used in investing activities		**(1,055,471)**	(238,481)

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 (restated) RMB'000
Financing activities			
Proceeds from new bank loans		**2,064,471**	1,615,160
Repayment of bank loans		**(1,286,000)**	(667,770)
Proceeds from loan from minority shareholder		**18,845**	–
Capital contributions from minority shareholders		**–**	1,154
Repayment of unsecured debenture		**–**	(580,000)
Interest paid		**(117,271)**	(87,249)
Other borrowing costs paid		**(1,128)**	(4,154)
Dividend paid to equity shareholders of the Company		**–**	(73,255)
Net cash generated from financing activities		**678,917**	203,886
Net increase in cash and cash equivalents		**121,342**	273,503
Cash and cash equivalents at 1 January	*28*	**565,411**	294,692
Effect of foreign exchange rate changes		**(1,432)**	(2,784)
Cash and cash equivalents at 31 December	*28*	**685,321**	565,411

The notes on pages 53 to 137 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments (see note 1(f)) and property, plant and equipment (see note 1(g)) are stated at fair value. These consolidated financial statements are presented in Renminbi rounded to the nearest thousand.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 1(r).

1 Significant accounting policies (continued)

(c) Subsidiaries and minority interests (continued)

When the Group acquires any minority interests, no fair value adjustment is made to the identifiable net assets acquired. The excess of the purchase price over the carrying value of minority interests acquired is recognised as a component of equity. Where the Group's interest in a subsidiary is decreased without losing control, any gain or loss on the partial disposal or deemed disposal is recognised as a movement in equity.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)(ii)).

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)(ii)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments

The Group's and the Company's policies for investments in equity securities other than investments in subsidiaries are as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)(i)). Dividend income is recognised in profit or loss in accordance with the policy set out in note 1(s)(iii).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1 Significant accounting policies (continued)

(g) Property, plant and equipment and construction in progress

(i) Property, plant and equipment

Property, plant and equipment are initially stated in the balance sheets at cost less accumulated deprecation and impairment losses (see note 1(j)(ii)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

When proved and probable gold reserves have been determined, costs incurred to develop gold mines are capitalised as part of the cost of mining structures. All other expenditures, including the cost of repairs and maintenance and major overhaul, are expensed as they are incurred. Mining exploration costs, such as expenditures related to locating gold deposits and determining the economic feasibility and the costs of removing waste materials or "stripping costs" are expensed as incurred.

Subsequent to the revaluation pursuant to the PRC rules and regulations in connection with a restructuring of the Company in 2002 (the "Restructuring"), which was determined based on depreciation replacement costs basis, property, plant and equipment are carried at revalued amount, being the fair value at the date of the revaluation, less subsequent accumulated depreciation and impairment losses (see note 1(j)(ii)).

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. When an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued simultaneously. When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated separately in equity in the revaluation reserve. The revaluation gain is recognised as income to the extent that it reverses a revaluation loss of the same asset previously recognised as an expense. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense in profit or loss. The revaluation loss is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Revaluations are to be performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

1 Significant accounting policies (continued)

(g) Property, plant and equipment and construction in progress (continued)

(i) Property, plant and equipment (continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	2 – 30 years
Plant and machinery	4 – 12 years
Transportation equipment	8 years
Office and electronic equipment	5 – 10 years

Included in property, plant and equipment are mining shafts located at the mining sites. Depreciation is provided to write off the cost of mining shafts using the units of production method based on the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Construction in progress

Construction in progress represents buildings, various infrastructure projects under construction and equipment pending installation, and is recognised in the balance sheets at cost less impairment losses (see note 1(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the relevant authorities in the People’s Republic of China (the “PRC”).

1 Significant accounting policies (continued)

(g) Property, plant and equipment and construction in progress (continued)

(ii) Construction in progress (continued)

No depreciation is provided in respect of the construction in progress.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out below.

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). The mining rights are amortised to profit or loss using the units of production method based on the proved and probable mineral reserves.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). The exploration rights are amortised to exploration and evaluation assets (see note 1(h)(iii)) on a straight-line basis over the estimated useful lives of one to three years.

(iii) Exploration and evaluation assets and mining development assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 1(j)(ii)). Exploration and evaluation assets include exploration and development costs.

1 Significant accounting policies (continued)

(h) Intangible assets (other than goodwill) (continued)

(iii) Exploration and evaluation assets and mining development assets (continued)

Exploration and development costs include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is charged to profit or loss as incurred.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining development assets and amortised to profit or loss using the units of production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

(i) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC governmental authorities for acquiring land held under operating leases. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). Amortisation is charged to the profit or loss on a straight-line basis over the respective periods of the rights.

(j) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and trade and other receivables (continued)

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(i) Impairment of other investments in equity securities and trade and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible assets;

– lease prepayments;

– investments in subsidiaries;

– other investments; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting,* in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Operating lease charges

Leases of assets under which do not transfer substantially all the risks and rewards of ownership of the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)(i)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 Significant accounting policies (continued)

(m) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 Significant accounting policies (continued)

(o) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1 Significant accounting policies (continued)

(o) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Provisions and contingent liabilities

(i) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(q)(ii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(q)(ii).

1 Significant accounting policies (continued)

(q) Provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when the title to the goods and the related risks and rewards of ownership are passed to customers, the Group will not execute the right of supervision and control over the goods, either the proceeds are received or entitlement of proceeds is evidenced, and the cost of sale of goods can be estimated reliably. Revenue excludes value added tax or other sales tax and is after deduction of any trade discounts.

(ii) Delivery service income

Delivery service income is recognised when the related service is rendered.

1 Significant accounting policies (continued)

(s) Revenue recognition (continued)

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 Significant accounting policies (continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rate approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

1 Significant accounting policies (continued)

(x) Related parties (continued)

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 8, *Operating segments*

– HKAS 1 (revised 2007), *Presentation of financial statements*

– Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

– *Improvements to HKFRSs (2008)*

– Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*

– HKAS 23 (revised 2007), *Borrowing costs*

2 Changes in accounting policies (continued)

The impact of these developments on the financial statements is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related production processes, products and services only. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 37). Corresponding amounts have also been provided on a basis consistent with the revised segment information.

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

– The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

2 Changes in accounting policies (continued)

– As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 35(g) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

– In prior years, borrowing costs are expensed in profit or loss in the period in which they are incurred.

HKAS 23 (revised 2007) required an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset as part of the cost of that asset. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. The revised standard removes the option of immediately recognised all borrowing costs as an expense.

The Group has adopted HKAS 23 (revised 2007) retrospectively in accordance with the specific transitional provisions. The directors of the Company has designated 1 February 2008 as the effective date in applying HKAS 23 (revised 2007). As a result, the opening balance of retained profits, minority interests, construction in progress, intangible assets and the comparative information have been adjusted for the amounts relating to prior periods as disclosed below. Due to the adoption of HKAS 23 (revised 2007), the Group's profit after taxation for the year ended 31 December 2009 increased by RMB28,319,000 (2008: RMB7,663,000).

(a) Effect on opening balance of total equity at 1 January 2009

The effect of the prior period adjustments are as follows:

Effect of new accounting policy	**The Group** RMB'000	**The Company** RMB'000
HKAS 23 (revised 2007)		
Increase in construction in progress	7,518	801
Increase in intangible assets	145	–
Total increase in total equity	7,663	801

2 Changes in accounting policies (continued)

(b) Effect on profit after taxation for the year ended 31 December 2009 and 31 December 2008

The effect of the prior period adjustments are as follows:

	The Group	
Effect of new accounting policy	**2009**	2008
	RMB'000	RMB'000
HKAS 23 (revised 2007)		
Decrease in finance costs	**28,319**	7,663
Increase in profit after taxation	**28,319**	7,663
Increase in basic and diluted earnings per share (cents)	**4**	1

3 Turnover

The principal activities of the Group are mining, processing, smelting and sales of gold and other metallic products in the PRC.

Turnover represents the sales value of goods sold to customers, net of sales tax and value added tax. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2009	2008
	RMB'000	RMB'000
Sales of:		
– Gold	**3,208,795**	2,743,352
– Other metals	**738,274**	681,650
– Others	**19,659**	142,846
Less: Sales taxes and levies	**(5,058)**	(8,759)
	3,961,670	3,559,089

3 Turnover (continued)

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. During the year ended 31 December 2009, revenues from sales of gold products to this customer amounted to approximately RMB3,208,795,000 (2008: RMB2,731,144,000) are arose in the Henan Province, the PRC. Details of concentrations of credit risk arising from this customer are set out in note 35(a).

Further details regarding the Group's principal activities are disclosed in note 37 to these financial statements.

4 Other revenue

	2009 RMB'000	2008 RMB'000
Bank interest income	**2,886**	4,414
Other interest income	**–**	1,198
Delivery service income	**3,925**	7,789
Government grants	**1,200**	1,700
Scrap sales	**2,905**	2,124
Dividend income from unlisted securities	**420**	420
Sundry income	**242**	535
	11,578	18,180

5 Other net (loss)/gain

	2009 RMB'000	2008 RMB'000
Net realised (loss)/gain on financial instruments at fair value	**(163,812)**	45,421
Net unrealised gain/(loss) on financial instruments at fair value *(note 26(e))*	**5,922**	(856)
Net loss on disposal of property, plant and equipment	**(498)**	(2,315)
Negative goodwill arising from business combination *(note 36)*	**–**	12,437
Gain on deemed disposal of subsidiary	**–**	392
Net foreign exchange losses	**(32,153)**	(23,392)
Others	**(786)**	305
	(191,327)	31,992

6 Staff costs

	2009 RMB'000	2008 RMB'000
Salaries, wages and bonuses	**149,501**	103,991
Staff welfare	**14,939**	7,502
Contributions to retirement benefit schemes	**11,780**	8,188
	176,220	119,681
Less: Staff costs capitalised into construction in progress	**(14,482)**	(4,737)
	161,738	114,944

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 20% (2008: 20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2009 RMB'000	2008 (restated) RMB'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	**118,166**	61,708
Interest on unsecured debenture	**–**	24,891
Interest on other loan	**85**	139
Net realised and unrealised loss on commodity-linked interest-bearing borrowings	**–**	17,909
Interest expenses on financial liabilities measured at amortised cost	**5,185**	6,461
Other borrowing costs	**1,128**	4,154
Total interest expenses on financial liabilities not at fair value through profit or loss	**124,564**	115,262
Less: interest expenses capitalised into construction in progress and intangible assets	**(28,098)**	(7,663)
	96,466	107,599
Finance costs on financial liabilities measured at		
– amortised cost	**124,564**	96,752
– fair value	**–**	18,510
	124,564	115,262

7 Profit before taxation (continued)

	2009 RMB'000	2008 (restated) RMB'000
(b) Other items:		
Amortisation of lease prepayments	**2,143**	1,637
Operating lease charges in respect of properties	**2,384**	2,624
Research and development expenses	**3,686**	1,325
Impairment losses on:		
– investment deposit *(note 23)*	**80,000**	–
– amount due from Beijing Jiuyi *(note 26(f))*	**30,800**	–
– trade and other receivables *(note 26(c))*	**2,376**	2,539
– purchase deposits	**1,300**	4,726
– intangible assets *(note 18)*	**–**	2,781
Pollution discharge fee	**1,801**	1,740
Environmental rehabilitation fee	**10,485**	12,776
Auditors' remuneration		
– audit services	**3,582**	3,245
– other services	**–**	400
Amortisation of intangible assets *(note 18)*	**49,667**	77,536
Less: Amortisation capitalised into exploration and evaluation assets	**(25,273)**	(34,355)
	24,394	43,181
Depreciation *(note 16)*	**150,933**	103,348
Less: Depreciation capitalised into construction in progress	**(4,871)**	(1,103)
	146,062	102,245

8 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2009 RMB'000	2008 RMB'000
Current tax – PRC income tax		
Provision for the year	**96,552**	71,348
Over-provision in respect of prior years	**(5,084)**	(4,400)
	91,468	66,948
Deferred tax		
Origination and reversal of temporary differences	**(40,672)**	(51,465)
Effect on opening deferred tax balances resulting from a change in tax rate	**637**	–
	51,433	15,483

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2009 RMB'000	2008 RMB'000
Profit before taxation	**171,674**	122,244
Notional tax on profit before taxation, calculated at the PRC income tax rate of 25% (2008: 25%)	**42,919**	30,561
Effect of different taxation rates used in other jurisdictions	**4,360**	5,374
Tax effect of non-deductible expenses	**8,045**	5,273
Tax effect of non-taxable income	**(1,437)**	(3,214)
Tax effect of unused tax losses not recognised	**1,917**	1,489
Tax effect of timing differences recognised in prior years utilised in current year	**–**	(18,993)
Over-provision in respect of prior years	**(5,084)**	(4,400)
Effect on opening deferred tax balances resulting from a change in tax rate	**637**	–
Others	**76**	(607)
Actual tax expense	**51,433**	15,483

8 Income tax in the consolidated income statement (continued)

Notes:

(i) The Company and the Group's subsidiaries in the PRC are subject to PRC income tax.

One of the subsidiaries, Lingbao Wason Copper-Foil Company Ltd. was accredited as an "Advanced and New Technology Enterprise" in 2009 and entitled to an income tax rate of 15%.

The provisions for PRC income tax for the Company and the rest of the Group's subsidiaries is based on a statutory rate of 25% (2008: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC. Taxation for subsidiaries outside the PRC is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%). No provision for Hong Kong Profits Tax is made in the financial statements as the Group did not earn any income which is subject to Hong Kong Profits Tax.

(iii) The provision for Kyrgyzstan Profits Tax for 2009 is calculated at 10% (2008: 10%). No provision for Kyrgyzstan Profits Tax is made in the financial statements as the Group did not earn any income which is subject to Kyrgyzstan Profits Tax.

(iv) The provision for Laos Profits Tax for 2009 is calculated at 20%. No provision for Laos Profits Tax is made in the financial statements as the Group did not earn any income which is subject to Laos Profits Tax.

9 Directors' and supervisors' remuneration

Directors' and supervisors' remuneration comprises of payments to directors and supervisors by the Company and its subsidiaries. The remuneration of each of the directors and supervisors of the Company is as follows:

Year ended 31 December 2009

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr Xu Gaoming	–	600	5	329	934
Mr Wang Jianguo	–	540	5	296	841
Mr Lu Xiaozhao	–	420	4	230	654
Mr Jin Guangcai	–	420	4	230	654
Mr Liu Pengfei	–	420	4	230	654
Mr Zhang Guo	–	420	3	230	653
Non-executive director					
Mr Wang Yumin	–	–	–	–	–
Independent non-executive directors					
Mr Yan Wanpeng	100	–	–	–	100
Mr Wang Han	100	–	–	–	100
Mr Du Liping	100	–	–	–	100
Mr Niu Zhongjie	120	–	–	–	120
Supervisors					
Mr Meng Fanrui	–	–	–	–	–
Mr Guo Xuchang	–	–	–	–	–
Mr Liu Shengmin	–	–	–	–	–
Mr Zhu Yusheng	–	–	–	–	–
Mr Hang Zhanping	–	–	–	–	–
Mr Yang Bo	–	–	–	–	–
Mr Jiao Xiaoxiao	–	–	–	–	–
Total	420	2,820	25	1,189	4,454

9 Directors' and supervisors' remuneration (continued)

Year ended 31 December 2008

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr Xu Gaoming	–	480	5	165	650
Mr Wang Jianguo	–	432	5	149	586
Mr Lu Xiaozhao	–	336	5	116	457
Mr Jin Guangcai	–	336	5	116	457
Non-executive directors					
Mr Di Qinghua	–	–	–	–	–
Mr Qi Guozhong	–	–	–	–	–
Mr Xu Wanmin	–	–	–	–	–
Independent non-executive directors					
Mr Ning Jincheng	100	–	–	–	100
Mr Wang Yanwu	100	–	–	–	100
Mr Zheng Jinqiao	100	–	–	–	100
Mr Niu Zhongjie	120	–	–	–	120
Supervisors					
Mr Gao Yang	–	–	–	–	–
Mr Meng Fanrui	–	–	–	–	–
Mr Guo Xuchang	–	–	–	–	–
Mr Peng Jinzeng	–	–	–	–	–
Mr Lei Mingyang	–	–	–	–	–
Total	420	1,584	20	546	2,570

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, five (2008: four) are directors and supervisors of the Company whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other individual (2008: one) are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and wages	**600**	603
Contributions to retirement benefit scheme	**23**	11
Bonus	**50**	50
	673	664

11 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB102,930,000 (2008 restated: RMB112,134,000) which has been dealt with in the financial statements of the Company (note 33(a)).

12 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2009 **RMB'000**	2008 RMB'000
Final dividend proposed after the balance sheet date of RMB0.05 (2008: RMB Nil) per ordinary share	**38,512**	–

Pursuant to a resolution passed at the directors' meeting on 28 May 2010, a final dividend in respect of the year ended 31 December 2009 of RMB0.05 (2008: RMB Nil) per share totalling RMB38,512,000 (2008: RMB Nil) was proposed for shareholders' approval at the annual general meeting. Final dividend of RMB38,512,000 (2008: RMB Nil) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009 **RMB'000**	2008 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB Nil (2008: RMB0.10) per ordinary share	**–**	77,025

13 Other comprehensive income

The component of other comprehensive income do not have any significant tax effect for the years ended 31 December 2009 and 2008.

14 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB118,044,000 (2008 restated: RMB115,610,000) and 770,249,000 (2008: 770,249,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share for the current and the prior year is the same as the basic earnings per share as there are no dilutive ordinary shares during the years.

15 Related party transactions

Particulars of transactions with related parties during the year ended 31 December 2009 are as follows:

(a) Transactions with equity shareholder

	2009	2008
	RMB'000	RMB'000
Purchase of electricity from Lingbao Electric Company (靈寶市電業總公司)	**83,314**	69,423

(b) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Transactions with other state-controlled entities include but are not limited to the following:

– sales and purchase of goods and ancillary materials;

– rendering and receiving of utilities and other services;

– purchase of property, plant and equipment; and

– obtaining finance.

15 Related party transactions (continued)

(b) Transactions with other state-controlled entities in the PRC (continued)

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the entity's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements; the directors are of the opinion that there are no transactions that require disclosure as related party transactions.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 9 is as follows:

	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**5,796**	3,606
Post-employment benefits	**53**	34
	5,849	3,640

Total remuneration is included in "staff costs" (see note 6).

(d) The details of the loan from ultimate holding company as at 31 December 2009 and 2008 are set out in note 32.

16 Property, plant and equipment

The Group

	Buildings RMB'000	Mining shafts RMB'000	Plant and machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2008	245,807	171,095	347,534	46,465	16,125	827,026
Exchange adjustments	(238)	–	(507)	(285)	(9)	(1,039)
Additions	13,710	28,863	44,501	7,794	2,260	97,128
Transfer from construction in progress *(note 17)*	64,163	50,424	23,702	–	827	139,116
Through business combination *(note 36)*	18,238	–	47,201	806	298	66,543
Disposals	(1,082)	(733)	(4,272)	(2,747)	(3)	(8,837)
At 31 December 2008	340,598	249,649	458,159	52,033	19,498	1,119,937
Representing:						
Cost	249,804	201,204	421,670	48,989	19,062	940,729
Valuation – 2002	24,087	48,445	36,489	3,044	436	112,501
Valuation – 2005	66,707	–	–	–	–	66,707
	340,598	249,649	458,159	52,033	19,498	1,119,937
Accumulated depreciation:						
At 1 January 2008	20,471	68,859	85,627	12,903	4,615	192,475
Exchange adjustments	(15)	–	(19)	(14)	(1)	(49)
Charge for the year	17,542	25,396	51,049	6,315	3,046	103,348
Through business combination *(note 36)*	266	–	1,762	22	26	2,076
Written back on disposals	(240)	(127)	(2,158)	(1,640)	(1)	(4,166)
At 31 December 2008	38,024	94,128	136,261	17,586	7,685	293,684
Net book value:						
At 31 December 2008	302,574	155,521	321,898	34,447	11,813	826,253

16 Property, plant and equipment (continued)

The Group (continued)

	Buildings RMB'000	Mining shafts RMB'000	Plant and machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2009	340,598	249,649	458,159	52,033	19,498	1,119,937
Exchange adjustments	(272)	–	(1,292)	(574)	(13)	(2,151)
Additions	13,792	1,532	52,876	14,811	3,628	86,639
Transfer from construction in progress *(note 17)*	38,741	110,909	37,824	–	2,352	189,826
Through business combination *(note 36)*	–	–	–	490	–	490
Disposals	(168)	–	(4,046)	(1,890)	(65)	(6,169)
At 31 December 2009	392,691	362,090	543,521	64,870	25,400	1,388,572
Representing:						
Cost	301,897	313,645	507,032	61,826	24,964	1,209,364
Valuation – 2002	24,087	48,445	36,489	3,044	436	112,501
Valuation – 2005	66,707	–	–	–	–	66,707
	392,691	362,090	543,521	64,870	25,400	1,388,572
Accumulated depreciation:						
At 1 January 2009	38,024	94,128	136,261	17,586	7,685	293,684
Exchange adjustments	(24)	–	(98)	(43)	(2)	(167)
Charge for the year	22,139	57,460	60,286	6,590	4,458	150,933
Through business combination *(note 36)*	–	–	–	18	–	18
Written back on disposals	(50)	–	(2,653)	(1,438)	(63)	(4,204)
At 31 December 2009	60,089	151,588	193,796	22,713	12,078	440,264
Net book value:						
At 31 December 2009	332,602	210,502	349,725	42,157	13,322	948,308

16 Property, plant and equipment (continued)

The Company

	Buildings RMB'000	Mining shafts RMB'000	Plant and machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost or valuation:						
At 1 January 2008	154,332	127,175	265,226	27,806	6,746	581,285
Additions	1,679	–	16,076	3,840	1,541	23,136
Transfer from construction in progress *(note 17)*	15,137	41,845	17,288	–	179	74,449
Disposals	(477)	–	(2,968)	(2,343)	–	(5,788)
At 31 December 2008	170,671	169,020	295,622	29,303	8,466	673,082
Representing:						
Cost	79,877	120,575	259,133	26,259	8,030	493,874
Valuation – 2002	24,087	48,445	36,489	3,044	436	112,501
Valuation – 2005	66,707	–	–	–	–	66,707
	170,671	169,020	295,622	29,303	8,466	673,082
Accumulated depreciation:						
At 1 January 2008	11,138	46,184	70,848	10,042	3,577	141,789
Charge for the year	8,115	14,308	30,993	3,413	1,359	58,188
Written back on disposals	(186)	–	(1,513)	(1,480)	–	(3,179)
At 31 December 2008	19,067	60,492	100,328	11,975	4,936	196,798
Net book value:						
At 31 December 2008	151,604	108,528	195,294	17,328	3,530	476,284

16 Property, plant and equipment (continued)

The Company (continued)

	Buildings RMB'000	Mining shafts RMB'000	Plant and machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost or valuation:						
At 1 January 2009	170,671	169,020	295,622	29,303	8,466	673,082
Additions	5,209	–	6,498	2,081	943	14,731
Transfer from construction in progress *(note 17)*	9,492	38,457	23,922	–	–	71,871
Disposals	(168)	–	(2,750)	(1,890)	(57)	(4,865)
At 31 December 2009	185,204	207,477	323,292	29,494	9,352	754,819
Representing:						
Cost	94,410	159,032	286,803	26,450	8,916	575,611
Valuation – 2002	24,087	48,445	36,489	3,044	436	112,501
Valuation – 2005	66,707	–	–	–	–	66,707
	185,204	207,477	323,292	29,494	9,352	754,819
Accumulated depreciation:						
At 1 January 2009	19,067	60,492	100,328	11,975	4,936	196,798
Charge for the year	8,606	18,151	32,654	2,781	1,842	64,034
Written back on disposals	(50)	–	(1,822)	(1,438)	(56)	(3,366)
At 31 December 2009	27,623	78,643	131,160	13,318	6,722	257,466
Net book value:						
At 31 December 2009	157,581	128,834	192,132	16,176	2,630	497,353

16 Property, plant and equipment (continued)

As required by the relevant PRC rules and regulations with respect to the Restructuring, the property, plant and equipment of the Group as at 31 May 2002 were revalued for each asset class by Asia (Group) Accounting Firm ("亞太（集團）會計師事務所有限公司"), a firm of independent valuers registered in the PRC, on a depreciated replacement costs basis. The surpluses arising from the revaluation of certain property, plant and equipment of RMB28,939,000 were credited to capital reserve as at 31 May 2002 while deficit arising from the revaluation of certain property, plant and equipment of RMB17,833,000 was charged as an expense for the year ended 31 December 2002. The revalued amounts serve as the tax base for future years for such assets.

For the purpose of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the properties of the Group were revalued as at 30 September 2005 by Sallmanns (Far East) Limited, an independent firm of valuers. The valuation gave rise to a revaluation surplus of approximately RMB2,467,000 from the carrying amount of the buildings at that date. The revaluation surplus was credited to capital reserve as at 30 September 2005.

At 31 December 2009, the carrying amount of such revalued property, plant and equipment approximated the historical carrying amount of such assets had they been stated at cost less accumulated depreciation and impairment losses.

17 Construction in progress

	The Group		**The Company**	
	2009	2008 (restated)	**2009**	2008 (restated)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost:				
At 1 January (as previously reported)	**445,198**	302,451	**113,444**	109,075
Prior period adjustments arising from changes in accounting policies *(note 2)*	**7,518**		**801**	
At 1 January (restated)	**452,716**		**114,245**	
Exchange adjustments	**(9,223)**	(1,288)	**–**	–
Additions	**677,060**	284,586	**91,984**	79,619
Acquisition through business combination *(note 36)*	**–**	6,083	**–**	–
Transfer to property, plant and equipment *(note 16)*	**(189,826)**	(139,116)	**(71,871)**	(74,449)
At 31 December	**930,727**	452,716	**134,358**	114,245

18 Intangible assets

The Group

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (b))* RMB'000	Exploration rights *(note (b))* RMB'000	Total RMB'000
Cost:						
At 1 January 2008	820	239,102	11,484	121,477	131,843	504,726
Exchange adjustments	–	–	–	(19,359)	–	(19,359)
Additions	–	58,431	–	195,109	6,004	259,544
Prior period adjustments arising from changes in accounting policies *(note 2)*	–	145	–	–	–	145
Capitalisation of amortisation	–	34,355	–	–	–	34,355
At 31 December 2008 (restated)	820	332,033	11,484	297,227	137,847	779,411
Accumulated amortisation:						
At 1 January 2008	–	–	6,494	53,844	82,276	142,614
Impairment loss *(note (f))*	–	2,781	–	–	–	2,781
Charge for the year	–	–	2,897	40,284	34,355	77,536
At 31 December 2008	–	2,781	9,391	94,128	116,631	222,931
Net book value:						
At 31 December 2008 (restated)	820	329,252	2,093	203,099	21,216	556,480
Cost:						
At 1 January 2009 (as previously reported)	**820**	**331,888**	**11,484**	**297,227**	**137,847**	**779,266**
Prior period adjustments arising from changes in accounting policies *(note 2)*	**–**	**145**	**–**	**–**	**–**	**145**
At 1 January 2009 (restated)	**820**	**332,033**	**11,484**	**297,227**	**137,847**	**779,411**
Exchange adjustments	**–**	**(2,467)**	**–**	**(15,639)**	**–**	**(18,106)**
Additions	**–**	**38,364**	**–**	**15,400**	**6,097**	**59,861**
Through business Combination *(note 36)*	**–**	**28,222**	**–**	**–**	**81,462**	**109,684**
Capitalisation of amortisation	**–**	**25,273**	**–**	**–**	**–**	**25,273**
Disposals	**–**	**(2,020)**	**–**	**–**	**–**	**(2,020)**
At 31 December 2009	**820**	**419,405**	**11,484**	**296,988**	**225,406**	**954,103**
Accumulated amortisation:						
At 1 January 2009	**–**	**2,781**	**9,391**	**94,128**	**116,631**	**222,931**
Charge for the year	**–**	**–**	**1,081**	**23,313**	**25,273**	**49,667**
At 31 December 2009	**–**	**2,781**	**10,472**	**117,441**	**141,904**	**272,598**
Net book value:						
At 31 December 2009	**820**	**416,624**	**1,012**	**179,547**	**83,502**	**681,505**

18 Intangible assets (continued)

The Company

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets (note (a)) RMB'000	Mining rights (note (b)) RMB'000	Exploration rights (note (b)) RMB'000	Total RMB'000
Cost:					
At 1 January 2008 and 31 December 2008	820	–	50,139	447	51,406
Accumulated amortisation:					
At 1 January 2008	–	–	28,181	447	28,628
Charge for the year	–	–	3,162	–	3,162
At 31 December 2008	–	–	31,343	447	31,790
Net book value:					
At 31 December 2008	820	–	18,796	–	19,616
Cost:					
At 1 January 2009	**820**	**–**	**50,139**	**447**	**51,406**
Additions	**–**	**–**	**11,500**	**3,630**	**15,130**
Capitalisation of amortisation	**–**	**1,815**	**–**	**–**	**1,815**
At 31 December 2009	**820**	**1,815**	**61,639**	**4,077**	**68,351**
Accumulated amortisation:					
At 1 January 2009	**–**	**–**	**31,343**	**447**	**31,790**
Charge for the year	**–**	**–**	**2,774**	**1,815**	**4,589**
At 31 December 2009	**–**	**–**	**34,117**	**2,262**	**36,379**
Net book value:					
At 31 December 2009	**820**	**1,815**	**27,522**	**1,815**	**31,972**

18 Intangible assets (continued)

Notes:

(a) Included in the Group's and the Company's exploration and evaluation assets are assets related to mines which are not operative as at 31 December 2009 with a carrying value of RMB416,624,000 (2008: RMB329,252,000) and RMB1,815,000 (2008: RMB Nil) respectively. These assets are not subject to amortisation until they are placed in use.

(b) The Group's mining rights and principal exploration rights are as follows:

Mine	Location	Expiry date
Mining rights:		
Lingjin One Mine	Lingbao, Henan	December 2021
Lingjin Two Mine	Lingbao, Henan	October 2014
Hongxin Gold Mine	Lingbao, Henan	August 2012
Duolanasayi Gold Mine *(note (c))*	Habahe, Xinjiang	July 2018
Tuokuzibayi Gold Mine	Habahe, Xinjiang	August 2017
Kaqia Gold Mine	Wushi, Xinjiang	September 2009
Shanzaoling Gold Mine	Shangrao, Jiangxi	June 2011
Chifeng Jinchan Mining Company Limited Gold Mine	Chifeng, Inner Mongolia	January 2010
Beiyangzhuang Polymetallic Mine	Nanyang, Henan	August 2009
Istanbul Gold Mine *(note (d))*	Kyrgyz Republic ("KR")	February 2017
Exploration rights:		
Tielieke Gold Mine Prospecting	Kyrgyzstan	December 2009
Harqin Banner Shijiaxiang Shuiquangou Gold Mine	Chifeng, Inner Mongolia	April 2010
Xiaobeigou Silver-polymetallic Mine of Linxi County	Chifeng, Inner Mongolia	May 2010
Qiaotou Gold Mine of Maiji Area of Tianshui City, Gansu Province	Tianshui, Gansu	May 2010
Chengnanshan Gold Mine of Shijia Town, Kalaqin County	Chifeng, Inner Mongolia	May 2010
Daziying Gold Mine of Longshan Town, Kalaqin County	Chifeng, Inner Mongolia	May 2010
Ganluchi Gold Mine Prospecting	Tianshui, Gansu	April 2010

Notes:

(i) The Group was in the process of applying for extension of the certificates of certain of its mining or exploration rights with an aggregate carrying value of approximately RMB84,481,000 (2008: RMB19,000,000) as at 31 December 2009. The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned intangible assets.

(ii) The amortisation charge for the year is included in "cost of sales" in the consolidated income statement of the Group.

18 Intangible assets (continued)

Notes: (continued)

(c) Duolanasayi Gold Mine

During the year ended 31 December 2008, the Group had successfully extended the mining right of Duolanasayi Gold Mine for a period of five years to 1 July 2018 for a consideration of RMB26,920,000. The consideration is to be settled in six instalments. The first instalment of RMB5,630,000 was settled on 3 September 2008. The second to fifth annual instalment of RMB4,300,000 each will be payable on or before 3 September of each year starting from 2009. The final instalment in an amount of RMB4,090,000 will be payable on or before 3 September 2013.

As at 31 December 2009, the Group's payable for this mining right amounted to RMB17,200,000 (2008: RMB21,290,000) of which RMB4,300,000 (2008: RMB4,300,000) and RMB12,900,000 (2008: RMB16,990,000) is recognised as current liabilities and non-current liabilities respectively.

(d) Istanbul Gold Mine

As disclosed in the circular of the Company dated 24 April 2008, the Company entered into a Cooperation Agreement on 27 February 2008 with the Government of Kyrgyz Republic, Full Gold Mining Limited Liability Company ("Full Gold", the Company's subsidiary), China Road & Bridge Corporation ("CRB"), China Development Bank and Xinjiang Lingxi Investment Company Limited ("Xinjiang Lingxi"). Pursuant to the Cooperation Agreement, in consideration of payment of a restoration fee of a public road within the territory of the Kyrgyz Republic amounting to USD25,300,000 (equivalent to RMB180,705,000) by Full Gold to CRB, Full Gold will acquire the mining right of the Istanbul Gold Mine from CRB. CRB is responsible for the road restoration work which has to be completed in 3 years by May 2011. Full Gold estimated that the restoration fee will be paid to CRB in accordance with the progress of the restoration work.

At the date of acquisition, the mining right is recognised in the consolidated balance sheet at its fair value of RMB164,687,000. As at 31 December 2009, the Group's payable for this mining right amounting to RMB88,000,000 (2008: RMB158,741,000) of which RMB88,000,000 (2008: RMB74,101,000) and RMB Nil (2008: RMB84,640,000) is recognised as current liabilities and non-current liabilities respectively.

(e) During the year ended 31 December 2008, the carrying amount of certain exploration and evaluation assets was written down by RMB2,781,000 as the related exploration projects have been suspended.

19 Goodwill

	The Group	
	2009	2008
	RMB'000	RMB'000
Cost:		
At 1 January	**38,882**	38,882
Additions *(note 36(a))*	**2,629**	–
At 31 December	**41,511**	38,882

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment as follows:

	2009	2008
	RMB'000	RMB'000
Mining	**41,511**	38,882

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2009	2008
	%	%
Gross margin	**30**	30
Growth rate	**3**	5
Discount rate	**8.89**	7.54

Management determined the budgeted gross margin based on past performance and their expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to the mining segment.

20 Lease prepayments

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**88,992**	37,819	**30,162**	8,875
Through business combination *(note 36)*	**–**	14,657	**–**	–
Additions	**6,101**	38,153	**5,081**	21,757
Less: Amortisation	**(2,143)**	(1,637)	**(688)**	(470)
At 31 December	**92,950**	88,992	**34,555**	30,162

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Lease prepayments	**92,950**	88,992	**34,555**	30,162
Less: Current portion of lease prepayments included in other receivables, deposits and prepayments	**(2,605)**	(2,122)	**(1,149)**	(688)
	90,345	86,870	**33,406**	29,474

The Group's and the Company's leasehold land are located in the PRC. The Group and the Company were formally granted by the relevant PRC authorities certain rights to use the land on which the Group's and the Company's factories and infrastructures are erected for a period of 50 years.

21 Investment in subsidiaries

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**675,941**	622,951

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the subsidiaries at 31 December 2009 are as follow:

Name of company	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Xinjiang Baoxin Mining Company Limited ("Xinjiang Baoxin")	Limited liability company	The PRC	80	20	RMB10,000	Sales of mineral products
Lingbao Hongxin Mining Limited Liability Company	Limited liability company	The PRC	80	–	RMB3,000	Exploration and processing of gold; sales of mineral products
Akesu District Xindi Mining Company Limited ("Akesu Xindi")	Limited liability company	The PRC	–	100	RMB10,000	Mining and exploration of mineral reserves
Jiangxi Mingxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB5,000	Production and sales of precious metal products
Habahe Huatai Gold Limited Liability Company ("Habahe Huatai")	Limited liability company	The PRC	83.3	16.7	RMB9,800	Mining, processing and smelting of gold, production of gold products, sales of gold bullion products, machinery, equipment and components for gold processing
Tongbai Xingyuan Mining Company Limited	Limited liability company	The PRC	100	–	RMB17,000	Geological exploration of mineral reserves

21 Investment in subsidiaries (continued)

Name of company	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Shangrao County Jintian Industrial Company Limited	Limited liability company	The PRC	100	–	RMB38,000	Mining and exploration of mineral reserves, processing and smelting of gold, further processing and sales of gold products
Chi Feng City Zheng Ji Mining Limited Company	Limited liability company	The PRC	80	–	RMB5,000	Processing of metallurgy products, sales of mineral products
Lingbao Gold International Company Limited	Limited liability company	Hong Kong	100	–	HKD50,000	Investment holding
Wuyuan County Jincheng Mining Company Limited	Limited liability company	The PRC	100	–	RMB500	Sales of mineral products
Chifeng Jinchan Mining Company Limited ("Chifeng Jinchan")	Limited liability company	The PRC	100	–	RMB20,000	Mining and exploration of mineral reserves
Chifeng Lingjin Mining Company Limited	Limited liability company	The PRC	80	–	RMB40,000	Mining and exploration of mineral reserves
Lingbao Yixin Mining Limited Liability Company ("Lingbao Yixin")	Limited liability company	The PRC	80 *(note i)*	–	RMB3,670	Mining and exploration of mineral reserves
Full Gold Mining Limited Liability Company ("Full Gold")	Limited liability company	Kyrgyz Republic	82	–	SOM33,300	Mining and exploration of mineral reserves
Palladex KR Limited Liability Company ("Palladex KR")	Limited liability company	Kyrgyz Republic	70	–	SOM1	Mining and exploration of mineral reserves
Beijing Phuyer Investment Co. Ltd. (Laos) ("Beijing Phuyer")	Limited liability company	The PRC	87	–	USD50	Mining and exploration of mineral reserves
Tianshui Hongwu Mining Development Company Limited ("Tianshui Hongwu")	Limited liability company	The PRC	74 *(note ii)*	–	RMB1,000	Mining and exploration of mineral reserves

21 Investment in subsidiaries (continued)

Name of company	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Lanzhou Lingjin Mining Limited Liability Company ("Lanzhou Lingjin")	Limited liability company	The PRC	100	–	RMB1,000	Mining and exploration of mineral reserves
Beijing Fushengda Investment Company Limited ("Beijing Fushengda")	Limited liability company	The PRC	100	–	RMB10,000	Investment holding
Lingbao Wason Copper-Foil Company Limited ("Lingbao Wason")	Limited liability company	The PRC	100	–	RMB27,900	Processing of copper products
Ha Mi Jiachang Mining Investment and Development Company Limited	Limited liability company	The PRC	100	–	RMB27,900	Mining and exploration of mineral reserves

Notes:

(i) Lingbao Yixin was acquired by the Group in June 2007. Pursuant to the sale and purchase agreement, the Group is entitled to an amount of initial profit which is equivalent to the Group's investment cost in Lingbao Yixin. Profit generated thereafter is shared between the Group and the minority shareholder on a 55%: 45% basis.

(ii) Tianshui Hongwu was acquired by the Group in November 2007. Pursuant to the sale and purchase agreement, the Group is entitled to an amount of initial profit which is equivalent to the Group's investment cost in Tianshui Hongwu. Profit generated thereafter is shared between the Group and the minority shareholder on a 60%: 40% basis.

22 Other investments

	The Group and the Company 2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	**10,504**	10,504

It represents the Group's and the Company's 5% equity interest in a PRC domiciled enterprise which is mainly engaged in geological exploration, mining, processing, sales of gold, as well as research, development, production and sale of artificial industrial diamonds. There is no quoted market price for such equity securities and a reasonable estimate of the fair value could not be made without incurring excessive costs.

23 Investment deposit

During the year ended 31 December 2007, an investment deposit of RMB80,000,000 was paid to an independent third party, Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi"), for acquiring 56.25% interest of a company with mining assets situated in Gansu Province, the PRC. The relevant agreements in connection with this acquisition expired on 31 October 2009 and the acquisition had not been completed as at 31 December 2009. The directors consider that the investment deposit of RMB80,000,000 is not recoverable and accordingly, an impairment loss of RMB80,000,000 is made in the financial statements for the year ended 31 December 2009.

24 Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC income tax payable/(recoverable)	**1,732**	(4,543)	**(10,464)**	(20,424)
Representing:				
PRC income tax				
– Recoverable	**(12,583)**	(22,205)	**(10,464)**	(20,424)
– Payable	**14,315**	17,662	**–**	–
	1,732	(4,543)	**(10,464)**	(20,424)

24 Income tax in the balance sheets (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation in excess of related depreciation allowance	Amortisation of other intangibles	Provision for doubtful debt, salary and other employee benefits	Tax losses *(note)*	Inventories	Financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:							
At 1 January 2008	(639)	(19,352)	9,291	2,698	1,752	5,646	(604)
Credited/(charged) to profit or loss	9,169	24,979	4,127	7,316	11,306	(5,432)	51,465
Acquisition through business combination *(note 36)*	(641)	(889)	2,518	–	(1,085)	–	(97)
At 31 December 2008	7,889	4,738	15,936	10,014	11,973	214	50,764
At 1 January 2009	**7,889**	**4,738**	**15,936**	**10,014**	**11,973**	**214**	**50,764**
Exchange adjustments	**214**	**51**	**25**	**(443)**	**–**	**–**	**(153)**
Credited/(charged) to profit or loss	**6,621**	**1,464**	**32,923**	**7,042**	**(6,320)**	**(1,695)**	**40,035**
Acquisition through business combination *(note 36)*	**–**	**(8,146)**	**–**	**–**	**–**	**–**	**(8,146)**
At 31 December 2009	**14,724**	**(1,893)**	**48,884**	**16,613**	**5,653**	**(1,481)**	**82,500**

24 Income tax in the balance sheets (continued)

(b) Deferred tax assets and liabilities recognised (continued):

(ii) The Company

	Depreciation in excess of related depreciation allowance RMB'000	Amortisation of other intangibles RMB'000	Provision for doubtful debt, salary and other employee benefits RMB'000	Inventories RMB'000	Financial instruments RMB'000	Total RMB'000
At 1 January 2008	208	1,870	6,722	378	5,646	14,824
Credited/(charged) to profit or loss	147	265	5,272	7,931	(5,432)	8,183
At 31 December 2008	355	2,135	11,994	8,309	214	23,007
At 1 January 2009	**355**	**2,135**	**11,994**	**8,309**	**214**	**23,007**
(Charged)/credited to profit or loss	**(286)**	**168**	**31,862**	**(7,321)**	**(1,695)**	**22,728**
At 31 December 2009	**69**	**2,303**	**43,856**	**988**	**(1,481)**	**45,735**

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Net deferred tax asset recognised on the balance sheet	**90,889**	50,764	**45,735**	23,007
Net deferred tax liability recognised on the balance sheet	**(8,389)**	–	**–**	–
	82,500	50,764	**45,735**	23,007

Note: In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB16,876,000 (2008: RMB8,752,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in 5 years under certain tax legislations.

25 Inventories

(a) Inventories in the balance sheets comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**555,813**	396,558	**529,826**	380,952
Work in progress	**42,390**	48,769	**19,484**	15,542
Finished goods	**116,558**	228,553	**117,094**	232,046
Spare parts and materials	**44,640**	37,453	**19,568**	15,984
	759,401	711,333	**685,972**	644,524

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Carrying amount of inventories sold	**3,239,685**	3,141,680
Write down of inventories	**2,282**	36,112
Reversal of write-down of inventories	**(35,899)**	–
	3,206,068	3,177,792

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain metals as a result of a favourable change in market price of the metals.

26 Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**69,125**	57,050	**3,057**	24,002
Bills receivables	**37,031**	66,531	**2,150**	30,713
Less: Allowance for doubtful receivables	**(4,152)**	(2,342)	**(3,005)**	–
	102,004	121,239	**2,202**	54,715
Other receivables, deposits and prepayments	**142,822**	56,155	**57,526**	33,919
Less: Allowance for doubtful receivables	**(2,863)**	(2,302)	**(805)**	(2,105)
	139,959	53,853	**56,721**	31,814
Purchase deposits *(note 26(d))*	**127,761**	211,651	**127,761**	211,651
Less: Allowance for non-delivery	**(14,393)**	(13,093)	**(14,393)**	(13,093)
	113,368	198,558	**113,368**	198,558
Derivative financial assets *(note 26(e))*	**15,766**	4,137	**15,766**	4,137
Deposits for derivative financial instruments *(note 26(e))*	**121,973**	59,471	**119,604**	58,421
Amount due from Beijing Jiuyi *(note 26(f))*	**47,900**	108,700	**47,900**	108,700
	185,639	172,308	**183,270**	171,258
	540,970	545,958	**355,561**	456,345

All of the trade and other receivables, deposits and prepayments are expected to be recovered within one year.

26 Trade and other receivables, deposits and prepayments (continued)

(a) Ageing analysis

An ageing analysis of trade and bills receivable (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within three months	**75,175**	81,680	**861**	27,483
Over three months but less than six months	**26,785**	37,944	**1,341**	25,870
Over six months but less than one year	**39**	1,395	**–**	1,142
Over one year	**5**	220	**–**	220
At 31 December	**102,004**	121,239	**2,202**	54,715

The Group requests customers to pay cash or settle by bills in full prior to delivery of goods. Subject to negotiation, credit term of a maximum of 180 days is only available for certain major customers with well-established trading records.

(b) Trade and bills receivable that are not impaired

The ageing analysis of trade and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**101,960**	119,624	**2,202**	53,353
Less than one year past due	**44**	1,615	**–**	1,362
	102,004	121,239	**2,202**	54,715

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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 over these balances.

26 Trade and other receivables, deposits and prepayments (continued)

(c) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(j)(i)).

Movement in the allowance for doubtful receivables during the year are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**4,644**	2,105	**2,105**	2,105
Impairment loss recognised	**5,542**	2,539	**3,005**	–
Impairment loss written back	**(3,166)**	–	**(1,300)**	–
Uncollectible amounts written off	**(5)**	–	**–**	–
At 31 December	**7,015**	4,644	**3,810**	2,105

At 31 December 2009, the Group's and the Company's trade and bills receivable of RMB7,015,000 (2008: RMB4,644,000) and RMB3,810,000 (2008: RMB2,105,000) respectively were individually determined to be impaired.

(d) Purchase deposits

Purchase deposits represent the amounts paid by the Group and the Company in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The directors of the Company consider that appropriate procedures have been taken by the Group and the Company to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

26 Trade and other receivables, deposits and prepayments (continued)

(e) Deposits for derivative financial instruments

The Group and the Company had respectively placed deposits of RMB121,973,000 (2008: RMB59,471,000) and RMB119,604,000 (2008: RMB58,421,000) with independent futures trading agents for commodity derivative contracts entered into by the Group and the Company in the normal course of business primarily to protect the Group and the Company from the impact of price fluctuations in gold and copper commodities. The notional amounts of the Group's and the Company's commodity derivative contracts were as follows:

	The Group and the Company	
	2009	2008
	RMB'000	RMB'000
Future commodity contracts		
– Buy	**–**	43,642,000
– Sell	**616,337,000**	193,426,000

The net unrealised loss on the Group's commodity derivative contracts remeasured at fair value as at 31 December 2009 recognised in the profit or loss for the year ended 31 December 2009 are as follows:

	2009	2008
	RMB'000	RMB'000
Derivative financial assets	**15,766**	4,137
Derivative financial liabilities *(note 31)*	**(9,844)**	(4,993)
Net unrealised gains/(losses) *(note 5)*	**5,922**	(856)

(f) Amount due from Beijing Jiuyi

According to a supplementary agreement entered into between the Company and Beijing Jiuyi regarding the extension of compensation payment for a proposed acquisition, Beijing Jiuyi should pay RMB108,700,000 to the Company in two instalments. The first instalment of RMB50,000,000 should be settled before 30 April 2009 and the second instalment of RMB58,700,000 should be settled before 31 October 2009. On 30 June 2009, the Company has entered into another supplementary agreement with Beijing Jiuyi to further extend the repayment date of the first instalment to 31 October 2009.

26 Trade and other receivables, deposits and prepayments (continued)

(f) Amount due from Beijing Jiuyi (continued)

During the year ended 31 December 2009, Beijing Jiuyi has settled RMB30,000,000 to the Company. Subsequent to 31 December 2009, Beijing Jiuyi has settled a further of RMB47,900,000 to the Company. The directors consider that the remaining balance of RMB30,800,000 was not recoverable and accordingly, an impairment loss on this remaining balance amounting to RMB30,800,000 was made in the financial statements.

27 Non-current prepayments

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits for purchase of property, plant and equipment and construction of mining shafts	**117,794**	103,539	**6,022**	17,448
Deposits for acquisition of mining and exploration assets	**2,060**	26,756	**–**	13,550
Deposits for acquisition of land use rights	**–**	5,081	**–**	5,081
	119,854	135,376	**6,022**	36,079

28 Cash and cash equivalents

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**685,321**	575,478	**476,189**	260,508
Restricted deposits#	**–**	(10,067)		
Cash and cash equivalents in the consolidated cash flow statement	**685,321**	565,411		

\# The Company's H shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2006. The Group raised RMB865,379,000 (net of related expenses) from the listing. The proceeds from the public offer is placed in designated bank saving and deposits accounts. The deposits can only be used for the specified purposes stipulated in the Prospectus dated 30 December 2005. As at 31 December 2008, the amount of cash and bank deposits placed in the designated accounts amounted to RMB10,067,000. The balance was released after the approval from State Administration of Foreign Exchange was obtained on 19 May 2009.

29 Interest-bearing borrowings

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current portion:				
Bank loans *(note 30)*	**815,995**	1,280,000	**740,000**	1,280,000
Non-current portion:				
Bank loans *(note 30)*	**1,694,350**	455,160	**1,110,000**	150,000
Other loan *(note 29(b))*	**3,270**	3,270	**3,270**	3,270
	1,697,620	458,430	**1,113,270**	153,270

(b) Other loan

The Finance Bureau of Lingbao City (靈寶市財政局) granted the Company a fifteen-year loan for the construction of a new smelting plant in Lingbao City, Henan Province, the PRC. The loan is unsecured and interest-bearing at a rate with reference to the one-year deposit rate of the People's Bank of China plus 0.3%. The loan principal is repayable in eleven equal annual instalments with the first instalment due in December 2010.

30 Bank loans

At 31 December 2009, the bank loans were repayable as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year or on demand	**815,995**	1,280,000	**740,000**	1,280,000
Over one year but within two years	**736,826**	150,000	**730,000**	150,000
Over two years but within five years	**713,143**	172,490	**380,000**	–
Over five years	**244,381**	132,670	**–**	–
	2,510,345	1,735,160	**1,850,000**	1,430,000

At 31 December 2009, the bank loans were secured as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– secured	**371,350**	205,160	**–**	–
– unsecured	**2,138,995**	1,530,000	**1,850,000**	1,430,000
	2,510,345	1,735,160	**1,850,000**	1,430,000

At 31 December 2009, bank loans of the Group amounting to RMB371,350,000 (2008: RMB205,160,000) were secured by a mining right with carrying amount of RMB129,689,000 (2008: RMB145,328,000) and the ordinary shares of a subsidiary established in KR.

31 Trade and other payables

Current trade and other payables:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**72,187**	145,321	**63,228**	141,568
Other payables	**175,039**	182,432	**61,595**	56,740
Payable for mining rights *(notes 18(c) and (d))*	**92,300**	78,401	**–**	–
Salary and welfare payable	**39,281**	23,893	**23,174**	13,907
Accruals	**18,688**	13,764	**11,602**	11,795
Interest payable	**12,884**	9,541	**3,254**	2,515
Dividend payable	**–**	3,770	**–**	3,770
Receipts in advance	**2,888**	2,288	**2,888**	2,288
Derivative financial liabilities *(note 26(e))*	**9,844**	4,993	**9,844**	4,993
	423,111	464,403	**175,585**	237,576
Non-current other payables				
Payable for mining rights *(notes 18(c))*	**12,900**	101,630	**–**	–
Decommissioning costs	**4,706**	–	**–**	–
Payable to minority shareholders	**28,945**	10,100	**–**	–
	46,551	111,730	**–**	–

The amount payable to a minority shareholder is unsecured, interest-free and repayable on 1 April 2011.

31 Trade and other payables (continued)

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within three months	**64,513**	133,813	**59,163**	132,849
Over three months but less than six months	**3,044**	6,337	**1,361**	3,744
Over six months but less than one year	**1,784**	3,938	**391**	3,935
Over one year but less than two years	**1,837**	73	**1,304**	41
Over two years	**1,009**	1,160	**1,009**	999
	72,187	145,321	**63,228**	141,568

32 Loan from ultimate holding company

The loan was provided by Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) and assumed by the Group upon the acquisition of Lingbao Wason during the year ended 31 December 2008. The loan is unsecured, interest-free and repayable on demand.

33 Capital and reserve

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital (note 33(b)) RMB'000	Share premium (note (i)) RMB'000	PRC Statutory reserves (note (ii)) RMB'000	Capital reserve (note (iii)) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2008		154,050	827,931	92,629	32,334	564,759	1,671,703
Total comprehensive income for the year		–	–	–	–	112,134	112,134
Dividend approved in respect of the previous year	*12(b)*	–	–	–	–	(77,025)	(77,025)
Profit appropriation		–	–	11,270	–	(11,270)	–
At 31 December 2008 (as restated)		154,050	827,931	103,899	32,334	588,598	1,706,812
At 1 January 2009 (as previously reported)		**154,050**	**827,931**	**103,899**	**32,334**	**587,797**	**1,706,011**
Prior period adjustments arising from changes in accounting policies *(note 2(a))*		**–**	**–**	**–**	**–**	**801**	**801**
At 1 January 2009 (as restated)		**154,050**	**827,931**	**103,899**	**32,334**	**588,598**	**1,706,812**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**102,930**	**102,930**
Profit appropriation		**–**	**–**	**13,548**	**–**	**(13,548)**	**–**
At 31 December 2009		**154,050**	**827,931**	**117,447**	**32,334**	**677,980**	**1,809,742**

33 Capital and reserve (continued)

(a) Movements in components of equity (continued)

Notes:

(i) Share premium

The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering. The application of the share premium account is governed by sections 168 and 169 of the PRC Company Law.

(ii) PRC statutory reserves

Transfers from retained earnings to the PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and articles of association of the Company and its subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The Company and the subsidiaries incorporated in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve (the "SSR") until the reserve balance reaches 50% of the registered capital. Subject to certain restrictions as 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 share capital.

(iii) Capital reserve

The capital reserve, primarily represents the surpluses arising from the revaluation of certain property, plant and equipment as required by the relevant PRC rules and regulations with respect to the Restructuring of the Company on 31 May 2002.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(v) Other reserve

The excess of purchase consideration on acquisition of minority interests over the carrying value of the share of net assets acquired are charged to other reserve.

33 Capital and reserve (continued)

(b) Share capital

	2009 Number of shares	2009 RMB'000	2008 Number of shares	2008 RMB'000
Registered, issued and fully paid:				
Domestic state-owned shares of RMB0.20 each	**472,975,091**	**94,595**	472,975,091	94,595
H shares of RMB0.2 each	**297,274,000**	**59,455**	297,274,000	59,455
At 1 January and 31 December	**770,249,091**	**154,050**	770,249,091	154,050

The holders of Domestic shares and H shares are entitled to receive dividends as and when declared by the Company. All Domestic shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

(c) Distributability of reserves

According to the Listing Rules of the Main Board of the Stock Exchange, the amount of retained profits available for distribution to shareholders of the Company is the lower of the amount determined in accordance with the PRC Accounting Rules and Regulations and the amount determined in accordance with HKFRSs. At 31 December 2009, the amount of retained profits available for distribution was RMB677,980,000, being the amount determined in accordance with HKFRSs (2008 restated: RMB588,598,000). After the balance sheet date, the directors proposed a final dividend of RMB0.05 (2008: RMB Nil) per share, amounting to RMB38,512,000 (2008: RMB Nil). This dividend has not been recognised as a liability at the balance sheet date.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables plus unaccrued proposed dividends, less cash and cash equivalents). Adjusted capital comprises all components of equity less unaccrued proposed dividends.

33 Capital and reserve (continued)

(d) Capital management (continued)

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 was as follows:

		The Group		The Company	
		2009	2008	**2009**	2008
			(restated)		(restated)
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current liabilities:					
– Trade and other payables	*31*	**423,111**	464,403	**175,585**	237,576
– Bank loans	*30*	**815,995**	1,280,000	**740,000**	1,280,000
– Loan from ultimate holding company	*32*	**23,800**	23,800	**–**	–
		1,262,906	1,768,203	**915,585**	1,517,576
Non-current liabilities:					
– Other payables	*31*	**46,551**	111,730	**–**	–
– Interest-bearing borrowings	*29*	**1,697,620**	458,430	**1,113,270**	153,270
		1,744,171	570,160	**1,113,270**	153,270
Total debt		**3,007,077**	2,338,363	**2,028,855**	1,670,846
Add: Proposed dividends	*12(a)*	**38,512**	–	**38,512**	–
Less: Cash and cash equivalents	*28*	**(685,321)**	(575,478)	**(476,189)**	(260,508)
Net debt		**2,360,268**	1,762,885	**1,591,178**	1,410,338
Total equity		**1,882,137**	1,736,794	**1,809,742**	1,706,812
Less: Proposed dividends	*12(a)*	**(38,512)**	–	**(38,512)**	–
Adjusted capital		**1,843,625**	1,736,794	**1,771,230**	1,706,812
Net debt-to-adjusted capital ratio		**128%**	101%	**90%**	83%

33 Capital and reserve (continued)

(d) Capital management (continued)

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 Commitments and contingencies

(a) Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for	**230,725**	176,184	**54,645**	1,500
Authorised but not contracted for	**295,781**	624,106	**120,795**	131,410
	526,506	800,290	**175,440**	132,910

(b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**900**	768
After one year but within five years	**1,660**	1,104
After five years	**500**	333
	3,060	2,205

The Group is the leasee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

34 Commitments and contingencies (continued)

(c) Environmental contingencies

To date, the Company and the Group's subsidiaries in the PRC have not incurred any significant expenditures for environment remediation and is currently not involved in any environmental remediation. In addition, the Company and the Group's subsidiaries in the PRC have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material. The Group paid normal routine pollutant discharge fee and environmental rehabilitation expenses of RMB1,801,000 (2008: RMB1,740,000) and RMB10,485,000 (2008: RMB12,776,000) respectively for the year ended 31 December 2009.

In accordance with the laws and regulations of KR, the Group's subsidiary in KR has present obligation with regards to dismantling of mine site facilities and equipment and site rehabilitation. Provision for decommissioning costs of RMB4,706,000 was made in the financial statements for the year ended 31 December 2009. The Group's subsidiary in KR does not have present obligation in respect of reclamation of damage incurred to the land as there are no mining activities carried out in 2009.

35 Financial risk management and fair values

Exposure to gold price, other commodity price, interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities or financial products. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The carrying amounts of cash and cash equivalents, deposits, investments, trade and other receivables, prepayment and deposits represent the Group's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

The Group's major customers are Shanghai Gold Exchange and metallurgical companies in the PRC, which accounted for significant amounts of the Group's total revenues during the year. The Group has no significant credit risk with any of these customers since the Group maintain long-term and stable business relationships with these customers. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk on trade receivables as Nil (2008: 35%) and 15% (2008: 53%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

In addition, the Group made purchase deposits of RMB113,368,000 (net of provision) (2008: RMB198,558,000) at 31 December 2009 to suppliers to secure its supplies of mineral sand which is the major raw materials in the smelting process. The balance represented 5.7% (2008: 10.5%) of the total current assets at 31 December 2009. The Group believes that the purchase deposits will be recovered through purchases from these suppliers in future periods. In the event that these suppliers ceased to provide mineral sand to the Group, the Group may expose itself to significant credit risk arising from the recoverability of the purchase deposits and hence the profitability will be adversely affected.

During the year ended 31 December 2009, impairment losses on investment deposits of RMB80,000,000 (see note 23) and other receivables of RMB30,800,000 (see note 26(f)) have been made in the financial statements. The management will continue to monitor the progress of the acquisition of the investments and chase for settlement of the outstanding balances from the debtor regularly. Management will consider to carry out due diligence work on the proposed acquisition before investment decision is made in order to reduce the related credit risk.

35 Financial risk management and fair values (continued)

(a) Credit risk (continued)

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient funding to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

35 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2009 Contractual undiscounted cash outflow						2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000
Bank loans	908,626	794,039	770,769	260,125	2,733,559	2,510,345	1,342,149	169,224	152,242	257,609	1,921,224	1,735,160
Other loan	381	381	1,142	2,281	4,185	3,270	138	436	1,306	3,044	4,924	3,270
Trade and other payables	426,787	–	–	–	426,787	423,111	476,434	–	–	–	476,434	464,403
Non-current other payables	–	15,027	28,108	4,706	47,841	46,551	–	61,931	51,710	–	113,641	111,730
	1,335,794	809,447	800,019	267,112	3,212,372	2,983,277	1,818,721	231,591	205,258	260,653	2,516,223	2,314,563

The Company

	2009 Contractual undiscounted cash outflow						2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance Sheet carrying amount RMB'000
Bank loans	809,101	764,987	384,577	–	1,958,665	1,850,000	1,328,650	151,298	–	–	1,479,948	1,430,000
Other loan	381	381	1,142	2,281	4,185	3,270	138	436	1,306	3,044	4,924	3,270
Trade and other payables	175,585	–	–	–	175,585	175,585	237,576	–	–	–	237,576	237,576
Amounts due to subsidiaries	51,691	–	–	–	51,691	51,691	131,321	–	–	–	131,321	131,321
	1,036,758	765,368	385,719	2,281	2,190,126	2,080,546	1,697,685	151,734	1,306	3,044	1,853,769	1,802,167

35 Financial risk management and fair values (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the balance sheet date.

	The Group				The Company			
	2009		2008		**2009**		2008	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000	**Effective interest rate %**	**RMB'000**	Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	**5.01**	**305,995**	6.29	480,000	**5.08**	**230,000**	6.29	480,000
Net variable rate borrowings:								
Bank loans	**4.69**	**2,204,350**	5.87	1,255,160	**5.01**	**1,620,000**	5.86	950,000
Other loan	**2.55**	**3,270**	4.23	3,270	**2.55**	**3,270**	4.23	3,270
Less: Cash and cash equivalents	**0.44**	**(685,321)**	0.53	(575,478)	**0.46**	**(476,189)**	0.35	(260,508)
		1,522,299		682,952		**1,147,081**		692,762
Total net borrowings		**1,828,294**		1,162,952		**1,377,081**		1,172,762
Net fixed rate borrowings as a percentage of total net borrowings		**17%**		41%		**17%**		41%

35 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB11,834,000 (2008: RMB9,446,000). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(d) Commodity price and foreign currency risk

Gold price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold. The international gold market is predominately priced in US dollars which exposes the Group to the risk that fluctuations in RMB/US dollar exchange rates may also have an adverse effect on current or future earnings. The Group is also exposed to certain by-product commodity price risk.

A number of products, including derivatives, are used to manage the gold and copper price risks that arise out of the Group's core business activities. Commodity derivative contracts are entered into with independent futures trading agents and commodity-linked financial instruments are used by the Group to manage these risks. Details of commodity derivative contracts entered by the Group are disclosed in note 26(e) to these financial statements. At 31 December 2009, there is no outstanding gold loan contract (2008: 900kg).

All the revenue-generating operation of the Group are transacted in RMB, which is not freely convertible into foreign currencies. On 1 January 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China (the "PBOC"). However, the unification of the exchange rate does not imply convertibility of RMB into Hong Kong dollars or other foreign currencies. All foreign exchange transactions must take place through the PBOC or other institutions authorised to buy and sell foreign exchange. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with relevant documents.

35 Financial risk management and fair values (continued)

(d) Commodity price and foreign currency risk (continued)

With the authorisation from the PRC government, the PBOC announced that the PRC government reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies on 21 July 2005.

Apart from the above, the Group is exposed to currency risk primarily through bank deposits and other payables that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HKD") and United States dollars ("USD").

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated of the financial statements of foreign operations into the Group's presentation currency.

The Group

	Exposure to foreign currencies (expressed in Renminbi)			
	2009		2008	
	HKD RMB'000	**USD RMB'000**	HKD RMB'000	USD RMB'000
Non-current prepayments	**–**	**–**	–	61,684
Trade and other receivables	**–**	**4,063**	–	–
Cash and cash equivalents	**–**	**47,070**	10,067	178,080
Trade and other payables	**–**	**(102,725)**	–	(135,004)
Non-current other payables	**–**	**(28,945)**	–	(38,314)
Bank loans	**–**	**(371,454)**	–	(205,160)
Overall net exposure	**–**	**(451,991)**	10,067	(138,714)

35 Financial risk management and fair values (continued)

(d) Commodity price and foreign currency risk (continued)

(i) *Exposure to currency risk (continued)*

The Company

	Exposure to foreign currencies (expressed in Renminbi)			
	2009		2008	
	HKD RMB'000	**USD RMB'000**	HKD RMB'000	USD RMB'000
Cash and cash equivalents	**–**	**–**	10,067	–
Amounts due from subsidiaries	**–**	**160,001**	–	74,406
Overall net exposure	**–**	**160,001**	10,067	74,406

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2009		2008	
	Increase/ (decrease) in foreign exchange rates %	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits RMB'000
USD	**3**	**(12,178)**	3	(3,790)
	(3)	**12,178**	(3)	3,790
HKD	**3**	**–**	3	200
	(3)	**–**	(3)	(200)

35 Financial risk management and fair values (continued)

(d) Commodity price and foreign currency risk (continued)

(ii) Sensitivity analysis (continued)

Result of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2008.

(e) Business risk

During the year ended 31 December 2009, the Group's supplies of direct materials from independent third parties for smelting represent 88.0% (2008: 90.6%) of the Group's total direct materials, in which, the top five suppliers in 2009 represent 31.4% (2008: 31.8%) of the Group's total direct materials. Although the Group believes that it maintains good relationships with its suppliers, there can be no assurance that its suppliers will continue to sell to the Group on normal commercial terms as and when needed. In the event that these suppliers ceased to sell to the Group and the Group could not secure other sources of supply, the Group's turnover and profitability will be adversely affected.

The KR has been experiencing political and economic change that has affected, and may continue to affect, the activities of the Group's subsidiary, Full Gold, operating in this environment. The contraction in the capital and credit markets and its impact on the economy of the KR have increased the level of economic uncertainty in the environment. Consequently, operations in the KR involve risks that typically do not exist in other markets. In addition, the subsequent to the year-end date political events have further increased the level of political and economic uncertainty in the environment.

(f) Equity price risk

The objective of equity risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group and the Company are exposed to equity price changes arise from other investments held which are unlisted investments. Unquoted investments are held for long-term strategic purposes. Their performance is assessed at least annually based on the information available to the Group and the Company, together with an assessment of their relevance to the Group's and the Company's long-term strategic plans.

35 Financial risk management and fair values (continued)

(g) Fair value

(i) Financial instruments carried at fair value

The amendments to HKFRS 7, Financial Instruments: Disclosures require disclosures relating to fair value measurements of financial instruments across three levels of a fair value hierarchy. The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2009, the Company and the Group held derivative financial instruments: commodity futures contracts carried at fair value of RMB15,766,000 which is recognised as derivative financial assets and RMB9,844,000 which is recognised as derivative financial liabilities. These derivative financial instruments fall into Level 1 of the fair value hierarchy described above.

35 Financial risk management and fair values (continued)

(g) Fair value (continued)

(ii) All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

(h) Estimation of fair values

(i) ***Forward exchange contracts***

The fair values of commodity futures contracts are marked to market using quoted market prices.

(ii) ***Interest-bearing loans and borrowings***

Fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

36 Business combinations

(a) For the year ended 31 December 2009

(i) Beijing Phuyer Investment Co. Ltd. (Laos)

On 22 February 2009, the Group acquired 87% equity interest in Beijing Phuyer Investment Co. Ltd. (Laos) (北京普悦投資（老撾）有限公司) from Phuyer Investment Beijing Co. Ltd. (北京普悦投資有限公司) for a consideration of USD50,000 (equivalent to RMB341,000). The amount of its assets and liabilities recognised at the acquisition date are RMB2,063,000 and RMB1,722,000 respectively.

The acquired company contributed net loss of RMB2,874,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2009, the Group's revenue and net profit for the year ended 31 December 2009 would have been RMB3,961,670,000 and RMB120,241,000 respectively.

Acquiree's net assets at the acquisition date:

	Recognised fair values on acquisition RMB'000
Cash at bank and in hand	**2,063**
Other payables	**(1,722)**
	341
Minority interests	**(44)**
Net identifiable assets	**297**
Goodwill arising on acquisition *(note 19)*	**44**
Total purchase price consideration	**341**
Satisfied by:	
Cash	**341**
Cash at bank and in hand acquired	**2,063**
Cash consideration paid	**(341)**
Net cash inflow in respect of the acquisition of subsidiary	**1,722**

36 Business combinations (continued)

(a) For the year ended 31 December 2009 (continued)

(ii) Palladex KR Limited Liability Company

On 20 October 2009, the Group acquired 70% equity interest in Palladex KR Limited Liability Company from a third party for a consideration of USD7,700,000 (equivalent to RMB52,649,000) satisfied in cash. The aggregate amount of its assets and liabilities recognised at the acquisition date are RMB110,662,000 and RMB39,142,000 respectively.

The acquired company contributed net loss of RMB847,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2009, the Group's revenue and net profit for the year ended 31 December 2009 would have been RMB3,961,670,000 and RMB119,103,000 respectively.

Acquiree's net assets at the acquisition date:

	Pre-acquisition carrying amount RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment *(note 16)*	472	–	472
Intangible assets *(note 18)*	28,222	81,462	109,684
Trade and other receivable, deposits and prepayments	77	–	77
Cash at bank and in hand	429	–	429
Deferred tax liabilities *(note 24(b)(i))*	–	(8,146)	(8,146)
Trade and other payables	(30,996)	–	(30,996)
	(1,796)	73,316	71,520
Minority interests			(21,456)
Net identifiable assets			50,064
Goodwill arising from acquisition *(note 19)*			2,585
Total purchase consideration			52,649
Satisfied by:			
Cash			52,649
Cash at bank and in hand acquired			429
Cash consideration paid			(52,649)
Net cash outflow in respect of the acquisition of subsidiary			(52,220)

36 Business combinations (continued)

(b) For the year ended 31 December 2008

On 24 March 2008, the Group has acquired the entire equity interest in Lingbao Wason from a third party at a consideration of RMB27,900,000 satisfied in cash. The aggregate amount of its assets and liabilities recognised at the acquisition date are RMB243,487,000 and RMB203,150,000 respectively.

Lingbao Wason contributed revenue of RMB210,507,000 and net loss of RMB5,547,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2008, the Group's revenue and net profit for the year ended 31 December 2008 would have been RMB3,600,815,000 and RMB100,569,000 respectively.

Acquiree's net assets at the acquisition date:

	Pre-acquisition carrying amount RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment *(note 16)*	61,902	2,565	64,467
Construction in progress *(note 17)*	6,083	–	6,083
Lease prepayments *(note 20)*	10,529	3,555	14,084
Inventories	21,955	4,339	26,294
Trade and other receivable, deposits and prepayments	117,766	177	117,943
Cash at bank and in hand	14,616	–	14,616
Deferred tax assets/(liabilities) *(note 24(b)(i))*	2,562	(2,659)	(97)
Bank loans and other loan	(73,800)	–	(73,800)
Trade and other payables	(127,441)	–	(127,441)
Current tax payable	(1,812)	–	(1,812)
Net identifiable assets	32,360	7,977	40,337
Negative goodwill arising from the acquisition *(note 5)*			(12,437)
Total purchase consideration			27,900
Satisfied by:			
Cash			27,900
Cash at bank and in hand acquired			14,616
Cash consideration paid			(27,900)
Net cash outflow in respect of the acquisition of subsidiary			(13,284)

36 Business combinations (continued)

(b) For the year ended 31 December 2008 (continued)

The excess of fair value of net assets acquired over purchase consideration is recognised as negative goodwill in the consolidated income statement. Such negative goodwill was primarily resulted from low purchase consideration which is the highest bidding price in the public auction on 19 March 2008.

37 Segment reporting

The Group manages its businesses by business lines (production processes, products and services) and geography. On first-time adoption of HKFRS 8, *Operating segments,* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining – PRC – Gold mining and mineral ores processing operations in the People's Republic of China (the "PRC").

Mining – KR – Gold mining and mineral ores processing operations in Kyrgyz Republic ("KR").

Smelting – Gold and other metal smelting and refinery operations carried out in PRC. Raw materials are either sourced externally or within the Group.

Processing – Copper processing operation carried out in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment according to the financial information prepared under PRC GAAP on the following bases:

Segment assets include all tangible, intangible assets, deferred tax assets and current assets with the exception of investments in financial assets and other corporate assets managed by head office. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments and bank and other borrowings managed directly by the segments with the exception of bank borrowings managed by head office.

37 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of goods, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance of the year is set out below.

	Mining – PRC		Mining – KR		Smelting		Processing		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**–**	1,861	**–**	–	**3,767,503**	3,355,479	**199,225**	210,508	**3,966,728**	3,567,848
Inter-segment revenue	**795,235**	513,995	**–**	–	**120,765**	169,606	**–**	–	**916,000**	683,601
Sales tax	**(148)**	(132)	**–**	–	**(4,908)**	(7,829)	**(2)**	(798)	**(5,058)**	(8,759)
Reportable segment revenue	**795,087**	515,724	**–**	–	**3,883,360**	3,517,256	**199,223**	209,710	**4,877,670**	4,242,690
Reportable segment profit/(loss)	**269,663**	94,333	**(35,047)**	(24,945)	**228,261**	261,087	**23,423**	(3,517)	**486,300**	326,958
Interest income from bank deposits	**44**	77	**–**	–	**–**	–	**42**	213	**86**	290
Interest expenses	**(28,256)**	(40,344)	**(4,808)**	–	**(11,542)**	(21,402)	**(4,099)**	(1,860)	**(48,705)**	(63,606)
Depreciation and amortisation for the year	**(149,396)**	(137,400)	**(4,086)**	(557)	**(640)**	(422)	**(11,219)**	(8,243)	**(165,341)**	(146,622)
Impairment losses on:										
– trade and other receivables	**–**	–	**–**	–	**2,376**	2,539	**–**	–	**2,376**	2,539
– purchase deposits	**–**	–	**–**	–	**1,300**	4,726	**–**	–	**1,300**	4,726
– intangible assets	**–**	–	**–**	–	**–**	2,781	**–**	–	**–**	2,781
Reportable segment assets	**1,855,593**	1,607,899	**685,698**	435,761	**1,146,638**	1,031,854	**753,848**	348,195	**4,441,777**	3,423,709
Reportable segment liabilities	**816,014**	798,025	**669,981**	457,252	**232,213**	265,911	**553,403**	161,464	**2,271,611**	1,682,652

37 Segment reporting (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2009 RMB'000	2008 RMB'000
Revenue		
Reportable segment revenue	**4,877,670**	4,242,690
Elimination of inter-segment revenue	**(916,000)**	(683,601)
Consolidated turnover	**3,961,670**	3,559,089
Profit		
Reportable segment profit	**486,300**	326,958
Elimination of inter-segment profits	**(36,513)**	(20,592)
Reportable segment profit derived from the Group's external customers	**449,787**	306,366
Adjustments on depreciation and amortisation from PRC GAAP to HK GAAP	**(31,325)**	(35,964)
Finance costs	**(96,466)**	(107,599)
Unallocated head office and corporate expenses	**(39,522)**	(45,333)
Impairment losses on other receivables and investment deposits	**(110,800)**	–
Negative goodwill arising from business combination *(note 36(b))*	**–**	12,437
Consolidated profit before taxation	**171,674**	129,907
Assets		
Reportable segment assets	**4,441,777**	3,423,709
Elimination of inter-segment receivables	**(105,293)**	(21,769)
Elimination of unrealised profits	**(32,198)**	(17,823)
	4,304,286	3,384,117
Adjustments on property, plant and equipment and intangible assets from PRC GAAP to HK GAAP	**(101,365)**	(70,040)
Investment deposits	**–**	80,000
Other investments	**10,504**	10,504
Cash and cash equivalents managed by head office	**405,331**	502,809
Unallocated head office and corporate expenses	**293,162**	185,429
Consolidated total assets	**4,911,918**	4,092,819

37 Segment reporting (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2009 RMB'000	2008 RMB'000
Liabilities		
Reportable segment liabilities	**2,271,611**	1,682,652
Elimination of inter-segment payables	**(105,293)**	(21,769)
	2,166,318	1,660,883
Bank loans managed by head office	**1,850,000**	1,430,000
Loans from head office to reportable segments	**(1,009,161)**	(748,853)
Unallocated head office and corporate expenses	**22,624**	13,995
Consolidated total liabilities	**3,029,781**	2,356,025

38 Immediate and ultimate controlling party

At 31 December 2009, the directors consider the immediate parent and the ultimate controlling party of the Group to be Lingbao State-owned Assets Operation Limited Liability Company, a stated-owned enterprise established in the PRC. This entity does not produce financial statements available for public use.

39 Accounting estimates and judgements

Key sources of estimation uncertainty

Notes 19 and 35(h) contain information about the assumptions and their risk factors relating to valuation of goodwill impairment and fair value of financial assets. Other key sources of estimation uncertainty are as follows:

(i) Reserves estimates

As explained in notes 1(g) and 1(h), mining shafts, mining rights and exploration and evaluation assets are amortised using the units of production method based on the proved and probable mineral reserves.

39 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(i) Reserves estimates (continued)

Engineering estimates of the Group's gold reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There is Chinese system, which is the national standard set by the PRC Government, regarding the engineering criteria that have to be met before estimated gold reserves can be designated as "proved and probable". Proved and probable gold reserve estimates are updated at regular basis and have taken 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 gold 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 loss. Depreciation rates are determined based on estimated proved and probable gold reserve quantity (the denominator) and capitalised costs of mining shafts and mining rights (the numerator). The capitalised cost of mining shafts and mining rights are amortised based on the units of gold produced.

(ii) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, lease prepayments, intangible assets, goodwill and investments in its subsidiaries, recoverable amount of the assets need to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and the amount of operating costs.

In considering the impairment losses that may be required for current receivables, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Despite that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

39 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(iii) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. In estimating the net realisable value, future cashflows need to be determined. One of the key estimates that has to be made is about the future selling price, it is possible that the recent selling price is not indicative of the future selling price. Any increase or decrease in selling price would affect profit or loss in future years.

(iv) Depreciation

Other than the mining shafts, mining rights and evaluation of exploration assets, property, plant and equipment and intangible assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(v) Recognition of deferred tax assets

Deferred tax assets carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(vi) Financial statements of the Group's subsidiary, Full Gold at KR

As discussed in note 35(e), the KR has been experiencing political and economic change that has affected, and may continue to affect, the activities of Full Gold operating in the KR. The financial statements of Full Gold prepared for consolidation purposes reflects management's assessment of the impact of the KR business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

40 Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements,* and HKFRS 8, *Operating segments,* certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), *Business combinations*	1 July 2009
Amendments to HKAS 27, *Consolidated and separate financial statements*	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

Five Years Summary

	Year ended 31 December				
	2009	2008 (restated)	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**2,913,643**	2,237,845	1,533,867	1,266,905	478,915
Net current assets	**721,054**	69,109	311,483	281,385	139,029
Total assets less current liabilities	**3,634,697**	2,306,954	1,845,350	1,548,290	617,944
Non-current liabilities	**1,752,560**	570,160	146,967	4,419	115,824
NET ASSETS	**1,882,137**	1,736,794	1,698,383	1,543,871	502,120
Share capital	**154,050**	154,050	154,050	154,050	100,000
Reserves	**1,678,477**	1,556,831	1,517,996	1,362,163	392,618
Total equity attributable to equity shareholders of the Company	**1,832,527**	1,710,881	1,672,046	1,516,213	492,618
Minority interests	**49,610**	25,913	26,337	27,658	9,502
TOTAL EQUITY	**1,882,137**	1,736,794	1,698,383	1,543,871	502,120
Operating results					
Turnover	**3,961,670**	3,599,089	2,844,560	2,234,975	1,555,704
Profit from operations	**268,140**	237,506	440,611	368,554	247,887
Deficit on revaluation of property, plant and equipment written back	**–**	–	–	–	1,991
Finance costs	**(96,466)**	(107,599)	(101,613)	(31,213)	(23,085)
Profit before taxation	**171,674**	129,907	338,998	337,341	226,793
Income tax	**(51,433)**	(15,483)	(115,669)	(116,509)	(72,017)
Profit for the year	**120,241**	114,424	223,329	220,832	154,776
Attributable to:					
Equity shareholders of the Company	**118,044**	115,610	222,270	219,836	154,584
Minority interests	**2,197**	(1,186)	1,059	996	192
Profit for the year	**120,241**	114,424	223,329	220,832	154,776