



Z H A O J I N

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1818)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL HIGHLIGHTS

The Group's turnover amounted to RMB1,164,415,000 in 2006, representing an increase of RMB296,728,000, or approximately 34.2% as compared to 2005.

The profit attributable to shareholders amounted to RMB351,190,000 in 2006, representing an increase of RMB188,299,000, or approximately 115.6% as compared to 2005.

The basic earnings per share attributable to ordinary equity holders of the Company amounted to RMB0.54 (before interest income arising from share application funds) and RMB0.65 (after interest income arising from share application funds) respectively in 2006.

The Board recommends payment of final dividend of RMB109,307,250 for the year 2006 or RMB0.15 per share, and the dividend paid out rate is approximately 31.3%.

The board (the "Board") of directors (the "Directors") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the consolidated audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

CONSOLIDATED AUDITED INCOME STATEMENT

		Year ended 31 December	
	Notes	2006 RMB'000	2005 RMB'000
REVENUES	4	1,164,415	867,687
Cost of sales		(541,240)	(428,300)
Gross profit		623,175	439,387
Other revenue and gains	4	16,411	8,891
Selling and distribution costs		(5,669)	(4,795)
Administrative expenses		(143,488)	(139,736)
Other operating expenses		(5,801)	(16,947)
Finance costs	5	(54,346)	(46,107)
Share of loss of an associate		(1,935)	(717)
PROFIT BEFORE INTEREST INCOME ARISING FROM SHARE APPLICATION FUNDS AND TAX	5	428,347	239,976
Interest income arising from share application funds	6	89,403	–
PROFIT BEFORE TAX		517,750	239,976
Income tax expense:			
– On profit before interest income arising from share application funds		(139,216)	(80,283)
– On interest income arising from share application funds		(28,883)	–
Total income tax expense	7	(168,099)	(80,283)
PROFIT FOR THE YEAR		349,651	159,693
Attributable to:			
Equity holders of the Company		351,190	162,891
Minority interests		(1,539)	(3,198)
		349,651	159,693
Dividends	8	167,042	28,505
Basic earnings per share (RMB) attributable to ordinary equity holders of the Company:			
– Before interest income arising from share application funds	9	0.54	0.31
– After interest income arising from share application funds	9	0.65	0.31

CONSOLIDATED AUDITED BALANCE SHEET

		As at 31 December	
		2006	2005
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,177,988	1,022,471
Intangible assets		550,679	587,310
Interest in an associate		14,848	16,783
Long term deposits		4,955	5,129
Land lease prepayments		54,175	48,752
Deferred tax assets		82,836	111,385
		<u>1,885,481</u>	<u>1,791,830</u>
CURRENT ASSETS			
Cash and cash equivalents		2,695,397	138,565
Trade and notes receivables	10	1,193	21,693
Prepayments, deposits and other receivables		50,004	27,095
Inventories		275,483	153,862
		<u>3,022,077</u>	<u>341,215</u>
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	125,400	267,400
Trade payables	12	163,596	74,446
Other payables and accruals		237,266	184,795
Provisions		8,230	8,904
Tax payable		130,458	73,815
		<u>664,950</u>	<u>609,360</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,357,127</u>	<u>(268,145)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,242,608</u>	<u>1,523,685</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	607,790	559,000
Provisions		46,095	47,456
Deferred income		34,107	18,204
Deferred tax liabilities		90,192	93,985
		<u>778,184</u>	<u>718,645</u>
NET ASSETS		<u>3,464,424</u>	<u>805,040</u>
Equity attributable to equity holders of the Company			
Share capital		728,715	530,000
Reserves		2,569,491	216,590
Proposed final dividend		109,307	—
		<u>3,407,513</u>	<u>746,590</u>
Minority interests		<u>56,911</u>	<u>58,450</u>
Total equity		<u>3,464,424</u>	<u>805,040</u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE REORGANISATION AND INFORMATION

The Company was incorporated as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 16 April 2004 to take over and operate certain businesses of mining, ore processing, smelting and selling gold products (the "Relevant Businesses"). Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain wholly-owned subsidiaries of Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise in the PRC.

Pursuant to the restructuring of the Company:

- (i) Zhaojin Group transferred the assets and liabilities of the Relevant Businesses to the Company and in return the Company allotted and issued 291,500,000 shares at par value of RMB1 each to Zhaojin Group.
- (ii) Shanghai Fosun Industrial Investment Co., Ltd., Shanghai Yuyuan Tourist Mart Co., Ltd., Shenzhen Guanxin Industrial Investment Co., Ltd., and Shanghai Lao Miao Gold Co., Ltd. (collectively the "Other Promoters") injected cash into the Company in an aggregate amount of RMB361,517,600 as paid-up capital in consideration for 238,500,000 shares at par value of RMB1.00 each of the Company upon its incorporation.

As a result of the above, 55% and 45% of the share capital of the Company was owned by Zhaojin Group and the Other Promoters respectively.

On 8 December 2006, the Company issued 172,800,000 new H shares to the public at a price of HK\$12.68 per share (equivalent to approximately RMB12.74 per share) and the H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "IPO").

On 19 December 2006, as a result of the over-allotment option as detailed in the Company's prospectus dated 24 November 2006, the Company issued 25,915,000 new H shares to the public at a price of HK\$12.68 per share (equivalent to approximately RMB12.73 per share) and these H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, 19,871,500 H shares converted from certain domestic shares held by Zhaojin Group were transferred to the National Council for the Social Security Fund.

During the year, the Company and its subsidiaries were principally engaged in the exploration, mining, ore processing and smelting and sale of gold products in the PRC. The registered office of the Company is located at 2 Wenhua Road, Zhaoyuan, Shandong, China.

Prior to the IPO, the parent and ultimate controlling party of the Company was Zhaojin Group, a state-owned enterprise incorporated in the PRC. Subsequent to the IPO, the Company does not have a parent or ultimate controlling party.

2. BASIS OF PREPARATION

The consolidated income statement and the consolidated balance sheet (the "financial statements") do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountants' Report included in Appendix I of the prospectus dated 24 November 2006.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and interpretations (collectively the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

As Zhaojin Group controlled the Relevant Businesses before the Reorganisation and continued to control the Company after the reorganisation, the reorganisation was accounted for as a reorganisation of entities under common control. The assets and liabilities transferred to the Company were stated at their historical amounts in the financial statements.

These financial statements are presented in Renminbi (“RMB”), and all other values are rounded to the nearest thousand and have been prepared under the historical cost convention. The accounting policies adopted in these financial statements are consistent with those applied in the Accountants’ Report included in Appendix I of the Company’s prospectus dated 24 November 2006.

3A. IMPACT OF ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2006. The new HKFRSs are as follows:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Information
HKAS 39 Amendment	Fair Value Option
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HKFRS 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration and Evaluation of Mineral Resources
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HKFRS 6	Exploration for and Evaluation of Mineral Resources

3B. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group’s objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group’s major customers. This standard will supersede HKAS 14 Segment Reporting.

HK(IFRIC) – Int 7, HK(IFRIC) – Int 8, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 10 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006 and 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

4. REVENUES, OTHER REVENUES AND GAINS

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various type of government surcharges, where applicable:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Revenues		
Sale of goods:		
Gold	1,105,630	808,136
Silver	15,268	19,669
Sulphur	6,062	20,686
Other by-products	17,534	8,971
Rendering of services		
Processing gold and silver	31,640	16,982
	<u>1,176,134</u>	<u>874,444</u>
Less:		
Government surcharges	(11,719)	(6,757)
	<u>1,164,415</u>	<u>867,687</u>
Other revenues and gains		
Interest income	7,712	1,448
Sale of raw materials	3,927	4,268
Lease of equipment	–	889
Government grants	2,476	1,116
Gain on disposal of property, plant and equipment	166	506
Other gains	2,130	664
	<u>16,411</u>	<u>8,891</u>

5. PROFIT BEFORE INTEREST INCOME ARISING FROM SHARE APPLICATION FUNDS AND TAX

The Group's profit before interest income arising from share application funds and tax is arrived at after charging the following:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Cost of inventories sold	<u>514,427</u>	<u>418,080</u>
Interest on bank and other borrowings	44,869	44,080
Incremental interest on provisions	2,875	1,959
Bank charges and other finance costs	41	68
Foreign exchange loss	<u>6,561</u>	<u>–</u>
Finance costs	<u>54,346</u>	<u>46,107</u>
Auditors' remuneration	1,100	849
Amortisation of land lease prepayments*	3,456	2,870
Amortisation of mining rights*	21,954	16,705
Depreciation	94,639	64,366
Loss on disposal of property, plant and equipment	892	11,434
Operating lease rentals in respect of:		
– Land	3,611	4,399
– Office	221	310
Provision of debt accounts	1,750	1,447
Provision of inventories	–	180
Staff costs (including directors' emoluments):		
Wages and salaries (including directors' remuneration)	138,683	108,255
Early retirement benefits	3,464	14,765
Defined contribution fund		
– Retirement costs	21,992	16,828
Other staff benefits	<u>19,431</u>	<u>18,548</u>
Total staff costs	<u>183,570</u>	<u>158,396</u>

* The amortisation of land lease prepayments and mining rights for the year are included in "Cost of sales" on the face of the condensed consolidated income statement.

6. INTEREST INCOME ARISING FROM SHARE APPLICATION FUNDS

Interest income arising from share application funds represents one-off interest income received from share application funds during the IPO exercise.

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

PRC corporate income tax ("CIT") has been provided at a rate of 33% (2005: 33%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with accounting principles generally accepted in the PRC, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

The major components of income tax expense for the year are as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Group:		
PRC corporate income tax		
– Charge for the year	143,343	82,582
Deferred tax	24,756	(2,299)
	<u>168,099</u>	<u>80,283</u>

8. DIVIDENDS

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Ordinary:		
2005 final dividend paid of RMB0.1089 per share		
(2005: 2004 final dividend paid of RMB0.0538 per share)	57,735	28,505
Proposed final – RMB0.15 per share	109,307	–
	<u>167,042</u>	<u>28,505</u>

9. EARNINGS PER SHARE

The calculation of the amount of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

A diluted earnings per share for the year has not been disclosed as no diluting events existed during the year.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Earnings:		
Profit attributable to equity holders of the Company		
used in the basic earnings per share calculation	351,190	162,891
Interest income arising from share application funds	(89,403)	–
Tax on interest income arising from share application funds		
and after tax	28,883	–
	<u>290,670</u>	<u>162,891</u>
Profit before interest income arising from share application funds	290,670	162,891
Shares:		
Weighted average number of domestic shares in issue		
during the year used in basic earnings per share calculation	<u>542,214</u>	<u>530,000</u>

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	893	21,578
Notes receivable	300	115
	<u>1,193</u>	<u>21,693</u>

The ageing analysis of trade and note receivables is as follows:

	Year ended 31 December	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Outstanding balances due within 90 days	<u>1,193</u>	<u>21,693</u>

Trade and notes receivables are non-interest bearing. The Group has no significant credit risk with customers as all gold and silver sales are made through the Shanghai Gold Exchange, or through physical delivery of gold and silver in settlement of liabilities to concentrate suppliers, or for cash.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured:		
– Bank loans	723,500	824,500
– Other borrowings	9,690	1,900
	<u>733,190</u>	<u>826,400</u>
Repayable:		
– Within one year	125,400	267,400
– In the second year	450,000	439,000
– In the third to fifth years	150,000	120,000
– Over five years	7,790	–
	<u>733,190</u>	<u>826,400</u>
Portion classified as		
– Current	<u>125,400</u>	<u>267,400</u>
– Non-current	<u>607,790</u>	<u>559,000</u>

12. TRADE PAYABLES

	As at 31 December	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	44,211	37,348
Payable under tolling arrangements	119,385	37,098
	<u>163,596</u>	<u>74,446</u>

An ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December	
	2006	2005
	RMB'000	<i>RMB'000</i>
Outstanding balances with ages:		
Within one year	160,466	71,876
Over one year but within two years	1,484	1,480
Over two years but within three years	973	111
Over three years	673	979
	<u>163,596</u>	<u>74,446</u>

The trade payables of the Group are non-interest-bearing and have an average term of 30 to 60 days.

13. CONTINGENT LIABILITIES

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

	As at 31 December	
	2006	2005
	RMB'000	<i>RMB'000</i>
Guarantees provided to bank for loan facilities granted to:		
– Zhaoyuan Jintingling Mining Industry Company Limited, a subsidiary	<u>153,500</u>	<u>128,500</u>

- (b) The Group has received an indemnity from Zhaojin Group in respect of certain State levies for the periods from 24 December 1999 to 8 December 2006 (Listing Date), and in respect of certain government funding arrangements amounting to RMB49.3 million, which pre-dated the Company's formation on 16 April 2004. The Directors are of the opinion that the Group and the Company do not have any financial liability in respect of these arrangements. The cumulative State levies indemnified by Zhaojin Group since 1 January 2003 are as follows:

Group

	Year ended 31 December	
	2006	2005
	RMB'000	<i>RMB'000</i>
Mineral resource compensation levies	<u>45,629</u>	<u>27,925</u>

14. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with related parties:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Nature of relationships/transactions		
(a) Zhaojin Group former parent/ultimate holding company		
Recurring transactions		
Expenses:		
– Payment of rental	221	310
– Payment of ground rent	3,611	3,987
– Gold exchange commission fee	<u>292</u>	<u>206</u>
Non-recurring transactions		
Capital transactions:		
– Purchase of land use rights	605	–
– Purchase of property, plant and equipment	3,120	–
– Disposal of a long-term investment	–	5,850
– Disposal of items of property, plant and equipment	<u>3,020</u>	<u>–</u>
(b) Fellow subsidiaries, subsidiaries of Zhaojin Group		
Recurring transactions		
Revenue:		
– Sales	–	40,008
Expenses:		
– Fees for refining services	2,684	2,188
– Fees for mining construction activities	1,770	6,332
Non-recurring transactions		
Capital transactions:		
– Purchase of property, plant and equipment	484	–
– Purchase of software	<u>270</u>	<u>392</u>
(c) Minority interest holder of a subsidiary, Zhaoyuan Jintingling Mining Company Limited		
Expenses		
– Compensation arising on land usage	2,567	–
– Payment of ground rent	<u>2,818</u>	<u>–</u>

The above transactions were conducted with Zhaojin Group and entities under the control of Zhaojin Group and they were conducted at commercial prices based on market rates, except for the following:

1. In January 2005, the Group acquired interests in an entity and a mining operation from Zhaojin Group, for a total consideration of RMB518.6 million. The acquisition prices were based on independent valuation reports and negotiations between the parties.

2. Part of the Company's chairman emoluments was paid by Zhaojin Group and the details are as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Director's emoluments:		
Salary, allowances and benefits in kind	25	–
Performance related bonus	61	–
	<u>86</u>	<u>–</u>

3. The Company holds an option from Zhaojin Group to purchase certain businesses, if and when certain defects in legal title are remedied. The Company did not pay any consideration for this option. The Directors are of the view that the option does not have any significant value.
- (b) Guarantees granted by Zhaojin Group for securing the Group's bank loans were provided free of charge. The guarantees were withdrawn prior to the initial public offering. Indemnities granted by Zhaojin Group to the Company and the Group are provided free of charge.
- (c) Transactions with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "state-owned enterprises"). During the year, the Group had transactions with state-owned enterprises including, but not limited to, sales of products and purchase of raw materials.

The Directors consider that transactions with other state-owned enterprises are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the state-owned enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

- (d) Outstanding balances with related parties

The Group had outstanding advances receivable/payable from/to related parties at the end of the year. The advances are unsecured, interest-free and have no fixed terms of repayment.

- (e) Compensation of key management personnel of the Group:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Short term employee benefits	1,687	2,159
Post-employment benefits	–	–
Total compensation paid to key management personnel	<u>1,687</u>	<u>2,159</u>

- (f) Connected transactions

The transactions disclosed above at items (a) through (e) also constitute connected transactions and/or continuing connected transactions as referred to in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

15. COMMITMENTS

(a) Capital commitments

Group

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Contracted, but not provided for:		
In respect of:		
– Land and buildings	11,141	2,558
– Plant and machinery	6,914	24,119
	<u>18,055</u>	<u>26,677</u>
Authorised, but not contracted for:		
In respect of		
– Land and buildings	144,903	258,070
– Plant and machinery	51,437	175,789
– Exploration and evaluation assets	260,370	279,313
	<u>456,710</u>	<u>713,172</u>

The Group's share of its associate's capital commitments which are not included in the above, is as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Contracted, but not provided for	<u>14,085</u>	<u>–</u>

(b) Operating lease commitments

The Group leases certain of its land and offices under operating lease arrangements. Leases for properties are negotiated for terms ranging between two and ten years.

Future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Within one year	2,506	–
In the second to fifth years, inclusive	4,224	–
Over five years	790	–
	<u>7,520</u>	<u>–</u>

16. EVENT SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to balance sheet date, the Company entered into the following foreign currency forward contracts to sell HKD/USD:

Transaction date	Maturity date	Contractual foreign currency	Exchange rate	RMB
29 January 2007	30 March 2007	HKD242,700,000	0.9908	240,467,160
29 January 2007	30 March 2007	HKD230,000,000	0.9908	227,884,000
29 January 2007	30 March 2007	HKD130,820,000	0.9908	129,616,456
29 January 2007	30 March 2007	HKD113,410,000	0.9908	112,366,628
13 February 2007	13 May 2007	HKD38,650,000	0.9855	38,089,575
13 February 2007	14 May 2007	HKD33,480,000	0.9855	32,994,540
13 February 2007	14 May 2007	HKD40,000,000	0.9855	39,420,000
13 February 2007	13 August 2007	HKD33,480,000	0.9807	32,833,836
13 February 2007	13 August 2007	HKD38,650,000	0.9807	37,904,055
13 February 2007	14 August 2007	HKD40,000,000	0.9807	39,228,000
29 January 2007	30 January 2008	USD47,150,000	7.5567	356,298,405
29 January 2007	30 January 2008	USD44,805,735	7.5567	338,583,499
29 January 2007	30 January 2008	USD44,803,441	7.5566	338,561,681

Transaction date	Maturity date	Contractual foreign currency	Exchange rate	USD
29 January 2007	31 January 2007	HKD350,000,000.00	7.8119	44,803,441

17. SEGMENT INFORMATION

As more than 90% of the turnover and profit from operating activities of the Group for the current year are generated from its gold mining and smelting operations in the PRC, and all the assets and the customers of the Group are located in the PRC, no further geographical segment information has been presented.

The mining business segment consists of the operations of five gold mines. Mining segment revenues are measured at the value at which gold is sold into the market. Mining cost of sales includes a processing fee from the smelting business segment.

The smelting business segment consists of the operations of a concentrator and smelter complex. Smelting revenues include: sales of gold, silver and by-products from concentrates purchased from third parties; processing fees earned from the mining business segment; and tolling fees earned from third parties on whose behalf the business segment processes concentrate. The source of gold produced in the current year was as follows:

	Year ended 31 December	
	2006 Kg	2005 Kg
Own mines	6,271	6,188
Purchase and tolling	9,377	6,286
Total	<u>15,648</u>	<u>12,474</u>

Unallocated includes corporate activities, as well as assets, liabilities, revenue and expenses related to financing, investments (other than interests in an associate) and taxation.

Intersegment sales are transacted under negotiated terms.

The Group's operation by business segment is as follows:

Year ended 31 December 2006

	Mining RMB'000	Smelting RMB'000	Inter- segment elimination RMB'000	Unallocated RMB'000	Consolidated RMB'000
Revenue					
Revenues from external customers	949,886	214,529	–	–	1,164,415
Intersegment revenue	–	6,906	(6,906)	–	–
Other revenue	6,540	2,159	–	7,712	16,411
	<u>956,426</u>	<u>223,594</u>	<u>(6,906)</u>	<u>7,712</u>	<u>1,180,826</u>
Total	<u>956,426</u>	<u>223,594</u>	<u>(6,906)</u>	<u>7,712</u>	<u>1,180,826</u>
Segment result	428,110	67,332	–	(18,526)	476,916
Share of loss of an associate	(1,935)	–	–	–	(1,935)
Interest income					7,712
Interest income arising from share application funds	–	–	–	–	89,403
Finance costs	–	–	–	–	(54,346)
Income tax expense	–	–	–	–	(168,099)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net profit for the year					<u>349,651</u>

Analysis of Results

Revenues

For the year ended 31 December 2006, the Group's revenues were RMB1,164,415,000, representing an increase of approximately 34.2% as compared to last year.

For the year ended 31 December 2006, the Group had attained an aggregate gold production of 15,648 kg (approximately 503,095 ozs), representing an increase of approximately 25.4% as compared to last year.

Net Profit

For the year ended 31 December 2006, net profit was RMB349,651,000, representing an increase of approximately 119% as compared to last year.

Earnings per Share

For the year ended 31 December 2006, earnings per share of the Group amounted to RMB0.54 (before interest income arising from share application funds) and RMB0.65 (after interest income from share application funds) respectively.

Final Dividend

The Board suggested that the Company to pay the dividends in cash of RMB0.15 for each share, based on the 728,715,000 share capital in issue by the end of 2006, with the payment rate of approximately 31.3% as calculated according to the annual net profit of HKFRS.

For the distribution of dividend, dividend for domestic Shares will be distributed and paid in Renminbi whereas dividend for H Shares will be declared in Renminbi and paid in Hong Kong dollars.

The proposed final dividend is subject to the approval of the Shareholders at the annual general meeting of the Company for the year 2007 (the "AGM") to be held on Tuesday, 22 May 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

For the year ended 31 December 2006, the growth of the world economy and the continuous weakening of US dollar have triggered the bullish metal commodity markets. The continuous upsurge of energy prices alongside impelling influence of the investment fund and geographical political tensions contributed to a bullish gold market in 2006.

The 2006 average price of international spot gold was US\$603.46 per ounce (based on afternoon setting price of London Gold Market), representing an increase of approximately 35.69% from the average price of US\$444.74 per ounce in 2005. The 2006 opening price was US\$530 per ounce, and the closing price was US\$632 per ounce. The highest price was US\$725 per ounce and the lowest price was US\$524.75 per ounce. The trend of domestic gold price is basically in line with international market with gold price upsurging significantly. In Shanghai Gold Exchange, the Au9999 gold price raised to the historical high of approximately RMB186.51/gram.

The average price of gold sold by the Company during the year was approximately RMB154.76 per gram (approximately US\$616.8 per ounce), representing an increase of approximately 31.4% over the previous year.

Industry Position

During the year ended 31 December 2006, the Company maintained its position as the leading gold manufacturer in the PRC, and persisted its business development on gold manufacturing. According to the statistics of the China Gold Association in 2006, the national gold production in the PRC amounted to approximately 240.078 tonnes, including approximately 179.848 tonnes of mine-produced gold, representing an approximately 0.72% growth over last year. The Group produced approximately 15,648 kg (approximately 503,095 ozs) of gold in 2006, including approximately 6,271 kg of mine-produced gold, representing approximately 6.5% of the total gold output in the PRC, and approximately 3.5% of mine-produced gold in the PRC. Gold enterprises in the PRC recorded a total profit of RMB6.1085 billion. Net profits recorded by the Group was RMB350 million, representing approximately 5.7% of the total profit recorded by the gold industry in the PRC.

Business Overview

During the year ended 31 December 2006, the Company produced approximately 15,648 kg (approximately 503,095 ozs) of gold, representing an increase of approximately 25.4% over the previous year, gold smelting and processing of approximately 9,377 kg (approximately 301,478 ozs), representing an increase of approximately 49.2% over the previous year.

During the year ended 31 December 2006, the Group achieved sales of RMB1,164,415,000, representing an increase of approximately 34.2% over the previous year, and achieved a net profit of RMB349,651,000.

As at 31 December 2006, the total assets of the Group amounted to RMB4,907,558,000 representing a growth of approximately 130.1% over the previous year, and net assets amounted to RMB3,464,424,000, representing a growth of approximately 330.3% over the previous year.

Business Review

Significant achievement in construction projects

For the year ended 31 December 2006, the Group regarded projects construction as an important means to improve its profitability and further enlarge its production scale. During the year, the Group had seven construction projects, details of which are set out below:

- Mining and processing expansion project for Xiadian Gold Mine, depth mining and processing renovation project of low grade ores for Dayingezhuang Gold Mine, depth extensions and redevelopment of auxiliary facilities for Jintingling, redevelopment of processing and cyanidation technology for Jinchiling Gold Mine (extension project).
- Depth extension and redevelopment of processing dehydration system for Hedong Gold Mine as planned by the Group, depth extension and improvement of facilities and auxiliaries on surface for Xiadian Gold Mine, development project for Hainan Dongfang Zhaojin Mining Industry Company Limited (“Hainan Dongfang”).
- Currently, Hainan Dongfang has developed a production system comprised of mining, processing, refining auxiliary facilities with approximately 100 tonnes per day, which is running in trial at present.

Increasing capital investment in innovative technologies

During the year, the Group continued to increase investment in technology, enhance the ability of independence and innovation of the Group and accelerate the core competitiveness of the Group’s technology. 18 projects were carried out during the year. With respect to areas relating to geological and technological research, artwork research and development, energy-saving technology, information development, new materials application, progress had been made. In particular:

- For the case of “Research on consolidated technology in respect of recovery by lower middle section of dry-type backfilling” (《幹式充填體下中段礦柱回採綜合技術研究》) of Hedong Gold Mine, the Department of Science & Technology of Shandong Province hosted and called for an conference regarding the assessment of the technology, in June 2006, in which the department and the experts together recognised that the research had reached a premier level throughout the country and overseas.
- The case of hydro-extraction of metallic copper for Jinchiling Gold Mine has completed scientific research experiment, and is currently undergoing small-scale experiment modeling production.
- The “Research and Development of safety inspection system for gold mines” (《黃金礦山安全監測系統研究與開發》) project has its initial design scheme of inspection and alarming system of underground mine completed. The initial stage of investigation and research of “research on mineralization pattern and estimates of in-depth deposits” (《成礦規律研究及深部預測》) had also completed, with success attained by stage.
- Research titled “Research and production of low cost and wear resistant steel-plastic composite filling pipe” (《低成本耐磨鋼塑複合充填管研製》), “Technology of controlling grouting in respect of exceptionally long mine roof bolt” of Dayingezhuang Gold Mine had been completed and commenced manufacturing operations, which had attained ideal results.
- Research on the pattern of pyrite mineralization of Jintingling Gold Mine Xiejiagou mine had also been completed, and was further verified during exploration.

Acknowledgment of results of scientific research

The scientific research of the Group had achieved great success this year and had obtained the First Prize of Shandong Province Scientific Technology (山東省科學技術一等獎) and Second Prize of Shandong Province Scientific Technology; two First Prize of China Gold Association Scientific Technology (黃金協會科學技術一等獎) and two Third Prize of China Gold Association Scientific Technology; two national patents. The Company was regarded as a nationwide gold group which is technologically advanced in terms of gold during the “11th Five-Year Plan”, in which two employees were commented as outstanding contributors of technology, three employees were commented as outstanding technology officer and two employees were commented as outstanding personnel of technological management.

Comprehensive development of geological exploration

During this year, the Group has placed great emphasis on geological exploration, maintained its effort in “proving, defining, exploring” the depth, boundaries and surrounding areas of old mines and scientific research and mining of new areas. The Group had cooperated with China Geosciences University in conducting the project of “Composite Mineralization system and preservation & demonstration of exploration of resources from the connection point of ore zones in Northwest Jiaodong area” (《膠西北複合成礦系統形成與保存及典型礦帶接替資源勘查示範》), which had laid foundations for understanding the mineralization pattern of Zhaoping fault and Jiaojia Wangershan fault. Through the main shafts and no.7 hollow channels, mineralization pattern had been analyzed and comprehensive geological exploration had been undertaken. Satisfactory results had been attained, of which a blind orebody with large-scale orebodies and lengthy (more than 300m) strikes, considerable thickness and high grade. During the year, the Group had invested a total sum of approximately RMB2,800 million in exploration, commenced a 26,264-meter-long underground exploration project and 29,518-meter-long drilling, which increased the amount of ores by 3.19 million tonnes and the amount of metals by 12.54 tonnes.

In order to further increase the reserves of resources of the Group, the Group had increased overseas development. Accordingly, the Group has completed site explorations and inspections of Hebei Province, Liaoning Province.

Financial Review

Revenues

During the year ended 31 December 2006, the Group’s revenue was approximately RMB1,164,415,000, representing an increase of 34.2% as compared to last year. Such increase was attributable primarily to the increase in the sales of gold bullion of approximately 36.8% as a result of the increase in the average selling price and sales volume of gold bullion of 31.4% and 3.7%, respectively.

Cost of sales

During the year ended 31 December 2006, the Group’s cost of sales was RMB541,240,000, representing an increase of approximately 26.4% from RMB428,300,000 in 2005.

Such increase was attributable primarily to the increase of the purchase cost per unit and the cost of raw material as a result of the Group’s higher production capacity, growth in purchases volume and the rise in gold price.

Gross profit and gross profit margin

During the year, the Group’s gross profit and gross profit margin were RMB623,175,000 and approximately 53.5%, representing an increase of approximately 41.8% and approximately 2.9%, respectively, from those of 2005. The increase is mainly resulted from the increase in gold spot price.

Other revenues

During the year, the Group's other revenues were approximately RMB16,411,000, representing an increase of approximately 84.6% from that of the last year. Such changes were attributable primarily to the increase in interest income.

Selling and distribution costs

For the year ended 31 December 2006, the Group's selling and distribution costs was approximately RMB5,669,000, representing an increase of approximately 18.2% from that of the last year. Such increase was in line with the increase in sales.

Administrative and other operating expenses

The Group's administrative and other operating expense was approximately RMB149,289,000, representing a decrease of 4.7% from RMB156,683,000 in 2005. Such increase was attributable primarily to effective cost control of the Group.

Finance costs

For the year ended 31 December 2006, the Group's finance costs was approximately RMB54,346,000, representing an increase of approximately 17.9% from RMB46,107,000 for the year ended 31 December 2005. Such increase was attributable primarily to the unrealised exchange loss of RMB6,651,000. In addition, the increase was also due to the fact that the People's Bank of China raised its benchmark interest rate from approximately 5.76% in 2005 to approximately 6.3% in 2006.

Income tax

The statutory income tax rate in the PRC is approximately 33%. For the year ended 31 December 2006, the effective tax rate (i.e. the total tax expense divided by its profit before tax) payable by the Group was approximately 32.4% which is comparable to the effective tax rate in 2005.

Profit attributable to shareholders of the Company

For the year ended 31 December 2006, the Group's profit attributable to Shareholders was approximately RMB351,190,000, representing an increase of approximately 115.6% from RMB162,891,000 for the year ended 31 December 2005.

The net profit margin for the year ended 31 December 2006 was approximately 30%, representing an increase of approximately 11.6% from approximately 18.4% in 2005.

It is recommended that a dividend of RMB0.15 per share, based on a total of 728,715,000 shares, shall be distributed.

Liquidity and capital resources

The working capital and long-term funding required by the Group primarily comes from its operating cash flows and borrowings, while the Group's capital resources are used in its capital expenditures, operating activities and repayment of borrowings.

Net cash inflow/(outflow) from the followings:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Operating activities	540,589	338,817
Investing activities	(244,814)	(657,888)
Financing activities	2,261,057	107,832
	<hr/>	<hr/>
Net cash (inflow/outflow)	<u>2,556,832</u>	<u>(211,239)</u>

Cash flows and working capital

The Group's cash and cash equivalents have increased by approximately RMB2,556,832,000 from approximately RMB138,565,000 as at 31 December 2005 to approximately RMB2,695,397,000 as at 31 December 2006, attributable primarily to the raise of capital from the Company's successful listing in Hong Kong Stock Exchange in December 2006.

Net cash flows from operating activities

The Group's liquidity primarily comes from cash flows generated from its operating activities. Its net cash inflow from operating activities increased from approximately RMB338,817,000 in 2005 to approximately RMB540,589,000 in 2006, representing an increase of approximately 59.6%, which was attributable primarily to the increased sales together with the rise in gold price.

Net cash flow used in investing activities

The net cash flow used in investing activities is mainly affected by its acquisition of properties, plants and equipment, as well as its construction in progress. The net cash flow used in investing activities decreased by 62.8% from approximately RMB657,888,000 in 2005 to approximately RMB244,814,000 in 2006, which was attributable primarily to the Group's cash outflow for over RMB400,000,000 in 2005 for the Group's acquisitions of a subsidiary and a mining operation.

Net cash flow from financing activities

The net cash flow from financing activities is mainly due to the IPO exercise. Its net cash flow from financing activities increased by 1996.8% from approximately RMB107,832,000 in 2005 to approximately RMB2,261,057,000 in 2006, which was attributable primarily to the proceeds received from its successful listing in Hong Kong in December 2006.

Borrowings

As at 31 December 2006, the Group has approximately RMB733,190,000 of outstanding bank and other borrowings, in which approximately RMB125,400,000 shall be repaid within 1 year, approximately RMB450,000,000 shall be repaid after 1 year but within 2 years, approximately RMB150,000,000 shall be repaid after third year but before fifth year and approximately RMB7,790,000 shall be repaid after 5 years. The gearing ratio as at 31 December 2006 was 14.9%, which is calculated by dividing the total borrowings by the total assets.

Market Risks

The Group is exposed to various types of market risks, including fluctuation in gold prices and changes in interest rates, foreign exchange rates and inflation.

Gold price and other commodities' price risk

The Group's revenue and profit are sensitive to fluctuations in the gold prices and prices of other commodities. This is due to the fact that the Group generates substantially all of its revenue and profit from the PRC. The Company do not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of gold and other commodities or for trading purposes. Therefore, fluctuations in the prices of gold and other commodities may have a material effect on the Group's revenue and profit.

Interest rate risk

The Group is exposed to interest rate risk. The Group incurs debt obligation in order to satisfy its ordinary corporate uses, such as its capital expenditures and working capital requirements. Interest rates on the Group's bank loans are subject to adjustments by the lenders in accordance with changes in the PBOC regulations. Increases in the PBOC interest rate will increase the Group's financing costs. In addition, if the Group shall be in any needs of debt financing in the futures, any increases in interest rates will increase the cost of new borrowings.

Foreign exchange risk

All of the Group's transactions are denominated in RMB. As a result, the Group's operating results are affected by international and local gold prices, which in turns are affected by fluctuations in foreign exchange rates. In the past few years, the exchange rate of RMB has been generally stable. RMB is not a freely convertible currency. However, on 31 July 2005, PBOC increased the exchange rate of RMB against U.S. dollar by 2.1%, and the exchange rate of RMB against a basket of currencies might fluctuate. In view of the above circumstances, the PRC government might take further actions and measures on the free trade of RMB. Therefore, fluctuations in exchange rates may have an adverse effect on our net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

Business Outlook

The Group has used its best endeavor to become a premier world-class gold company in China and throughout the world, and shall continue its focus on gold production for the year 2007 and maintain its status in pure gold production, according to which the Group has introduced various strategies including:

Expanding deposits by exploration and be a leader in terms of resources

For the year 2007, the Group plans to establish a site exploration department to reinforce site exploration and deposit building, and to realize "four into one", including collective usage of exploration capital, collective arrangement of exploration projects, collective implementation of exploration construction and collective inspection and adoption of exploration results. Meanwhile, the Group will concentrate four tasks in the following:

1. Exploring mines in existing mines

The focus of exploration in existing mines rests on two wings, two panels and underground in depth.

2. *Geological exploration of spare parts in Zhaoyun District*

The Company possesses 31 exploration licenses in the Zhaoyun District, covering an area of 405 square kilometer. These regions will undergo systematic geological research, with ore pieces classified for scientific research, general survey, detailed inspection and exploration, and with physical exploration, chemical exploration, drilling exploration and underground exploration confirmed, together with research on mineralization in ductile structural zone within Zhaoyun area.

3. *Exploration in other region*

The Company will focus on expanding its exploration to the depth of No.1 and 3 mine sites of Hainan Dongfang, deep geological exploration project of No. 2 vein as well as mine exploration in Xinjiang and Gansu. In addition, we will conduct geological exploration in other potential areas.

4. *Acquisition of advanced exploration projects*

Through acquisitions of exploration rights, the exploration area of the company will increase, which helps to expand reserves in the long run.

Expand technical conversion and enhance production capacity

As disclosed in the prospectus, the Group will apply RMB500,000,000 of the proceeds raised from its listing for expansion of Dayingezhuang Gold Mine and Xiadian Gold Mine, which will commence production after expansion. Among which:

- As planned, a project of expanding Dayingezhuang, while 8,300 meters, 4,300 meters and 21,000 meters will be extracted for the tunneling project by auxiliary shaft, for main roadways and conveyor roadways respectively, and selection of mining and processing facilities as well as purchasing will be completed in 2007.
- As planned, a project of expanding Xiadian Gold Mine, while 400m will be extracted for shaft excavations, with installations of equipments of shaft towers, renovations of processing plants and civil engineering construction of surface auxiliary facilities will be completed in 2007.

After completion of these two projects, the ore processing capability per day of two mines will increase by approximately 1,000 tonnes, while the ore processing capability of the Group will reach 11,000 tonnes.

The Group will conduct 20 substantial technical advancement projects with planned investment in the aggregate sum of RMB45 million for 2007, mainly in advancement of production systems.

External expansion by acquisitions

The Group will fasten its pace of acquisitions and gradually invests capital raised amounting to RMB500 million in acquisitions of gold mines as mentioned in the prospectus. A leading team of external development will be established in charge of external development and the general manager will be appointed as the team leader. In pursuit of major breakthrough, the Group will establish development office in the northeast, northwest and southwest regions of the PRC.

Developing scientific research and strive for innovative technology

- The main focus of the Group will revolve around three aspects, including technological breakthrough, technological research and development as well as advancement in equipments, and develops mechanization, auto-mechanism, information reinforcement and modernization of new gold mines. In order to achieve these goals, the Company will construct a Zhaojin mining industry technological centre (招金礦業技術中心), beneath which will have a experiment reasearch laboratory and a chemical laboratory. An incentive policy and innovative mapping will be formulated.

- The Group plans to invest RMB47 million in conducting 30 new technological advancement projects. Emphasis will be placed on promoting software of three-dimensional geological survey and lay solid foundations for qualified mines by adjusting the cutoff grades, minimum cost and profit targets according to fluctuations of gold price and provide information platforms for deployment and guidance of dynamic production.

Saving energy with production safety

The Group will continue to reinforce its management of safety production and ensure effective operations of its risk analysis and control system, the emergency support system and the management and review system. An information platform in respect of safety management will be established, together with development of safety management software system and personnel positioning system, as well as upgrades and implementation of auto-reformation of shaft ventilation and water discharge, and reinforcement of technological guarantee level of safety production.

The Group will conduct research on energy-saving redevelopment of the system of electric machines, construct energy-saving network, foster mine mechanizations. For mines suitable for mechanic operations, the group will foster promotion and application of mechanic equipment, improve production equipment for mines and increase the rate of mechanization to 90% above.

The Group will maintain its effort in environmental protection with safety, adhere to safety production, improve procedures of operations and the code system, promote educational training, increase capital investment in management of hidden troubles, highlight emphasized aspects, key devices and safety production of critical segment. The Group will strive to construct a harmonious corporation, by reinforcing management of polluting source and hidden problems of environmental protection.

PRE-EMPTIVE RIGHTS

There is no provision or regulation regarding pre-emptive rights under the Company's articles of association or PRC Law, so that the Company does not have to issue pre-emptive rights of new shares to the existing shareholders according to their respective proportions of shareholding.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with all the provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions on Corporate Governance Practices set out in Appendix 14 of the Listing Rules by the Company during any time of the year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding Director's Securities dealings. The Board is pleased to confirm, after making specific enquiries with the Directors, that all Directors have fully complied with the code provisions of Model Code during the year.

AUDIT COMMITTEE OF THE BOARD

The Company established its Audit Committee on 16 October 2004. The Audit Committee comprises two non-executive Directors and three independent non-executive Directors, namely Mr. Wu Ping, Mr. Liu Gendong, Mr. Yan Hongbo, Mr. Ng Ming Wah, Charles and Mr. Li Dingan.

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2006 and is of the view that they are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 April 2007 to 22 May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all transfer instrument accompanied by the relevant share certificates must be lodged with the Company's H Share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (or the registered office of the Company) for H Share shareholders, (or at 2 Wenhua Road, Zhaoyuan City, Shandong, PRC for Domestic Shares shareholders) for registration no later than 4:30 p.m. on 20 April 2007.

ANNUAL REPORT AND ANNUAL GENERAL MEETING

The AGM will be held on 22 May 2007. Notice of the AGM detailing the closure of register of members and the dividend entitlement date will be announced separately. The Company's annual report for the year ended 31 December 2006 and the notice of AGM will be posted to its Shareholders as soon as possible.

Notes:

1. This annual results announcement will be published on the Company's website: <http://www.zhaojin.com.cn> and the web-site of The Stock Exchange of Hong Kong Limited.
2. As at the date of this announcement, the Board comprises of nine members: Mr. Lu Dongshan as chairman; Mr. Wang Peifu, Mr. Ma Yushang as Executive Directors; Mr. Guo Guangchang, Mr Wu Ping, Mr. Liu Gendong and Mr. Cong Jianmao as Non-executive Director; and Mr. Zhai Yusheng, Mr. Yan Hongbo, Mr. Ng Ming Wah, Charles and Mr. Li Dingan as independent Non-executive Directors.

By order of the Board
Zhaojin Mining Industry Company Limited*
Lu Dongshang
Chairman

Zhaoyuan, the PRC, 22 March 2007

* *For identification purposes only*

“Please also refer to the published version of this announcement in South China Morning Post”