

INDUSTRY OVERVIEW

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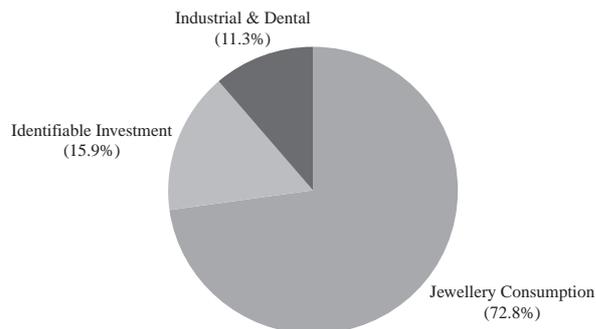
OVERVIEW

Gold is unusual in that it is both a commodity and a monetary asset. As a commodity, gold's most significant purpose is in the fabrication of jewellery, which was responsible for 72.8% of total gold consumption in 2005. Other fabrication uses include production of official coins; use in the dentistry, electronics, and industrial sectors; and in the manufacturing of medals and medallions.

As a monetary asset, gold is held by central banks and other investors as a risk management tool and profit-making investment. In general, investment in gold is driven by geopolitical and economic conditions, including management of risk during economic instability. As a monetary asset, gold is unique in that it is both a tangible asset and liquid investment, providing physical and economic security.

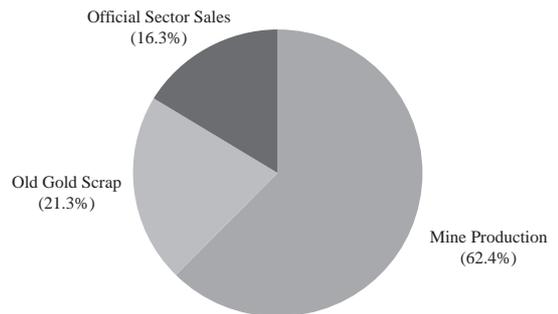
The three principal sources of gold supply are from mine production, recycled scrap and official sector sales. In 2005, 62.4% of gold was supplied from mine production, 21.3% from old gold scrap and 16.3% from official sector sales.

Exhibit 1: End-User Gold Consumption % 2005



Source Gold Survey 2006, GFMS Limited, April 2006

Exhibit 2: Gold Supply % 2005



Source Gold Survey 2006, GFMS Limited, April 2006

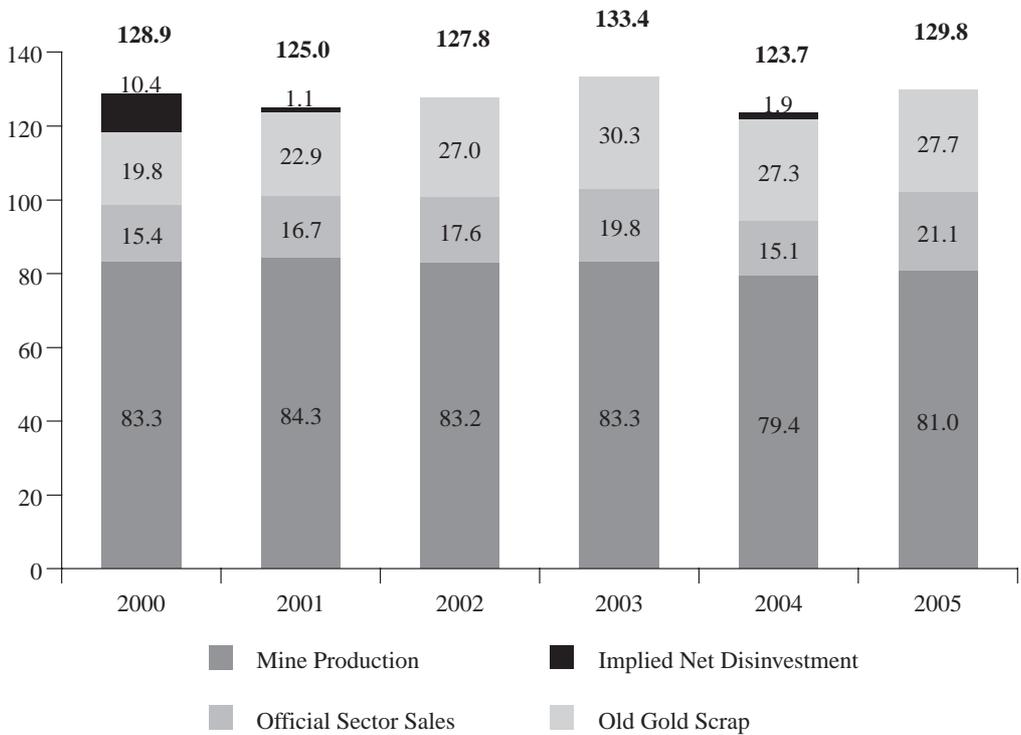
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The spot gold price increased by 23.2% from January 1, 2006 to December 31, 2006, due to strong demand and supportive geopolitical and economic conditions. The gold price was relatively volatile during 2006, with a high of US\$714.80/oz as at May 12, 2006, and a low of US\$516.88/oz as at January 2, 2006.

SUPPLY OF GOLD

Total gold supply in 2005 increased by 4.9%, due to an increase in official sector sales of 39.9%, an increase in mine production of 2.0%, and an increase in scrap supply of 1.5%. In 2005, mine production provided 62.4% of total supply.

Exhibit 3: Total Gold Supply (Moz)



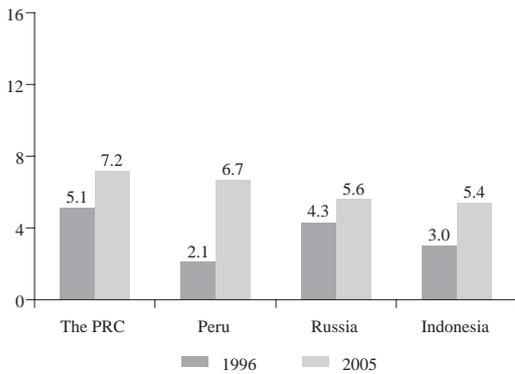
Source: Gold Survey 2006, GFMS Limited, April 2006

MINE PRODUCTION

Global mine production in 2005 was 81.0Moz, an increase of approximately 2.0% from the prior year. In comparison, the compound annual growth rate in global mine production from 1996 to 2005 was 0.7%. The top eight countries by production in 2005 include four “traditional” gold mining countries (South Africa, Australia, United States and Canada), and four “emerging” gold mining countries (the PRC, Peru, Russia and Indonesia). From 1996 to 2005, mine production in the four traditional gold mining countries declined at a compound annual rate of 3.4%, versus compound annual growth of 6.2% for the four emerging gold mining countries.

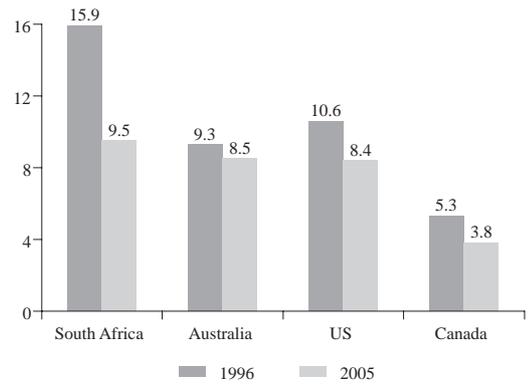
Exhibit 4: Traditional vs Emerging Gold Mining Countries’ Mine Production (Moz)

Emerging Gold Mining Countries



Source Gold Survey 2006, GFMS Limited, April 2006

Traditional Gold Mining Countries



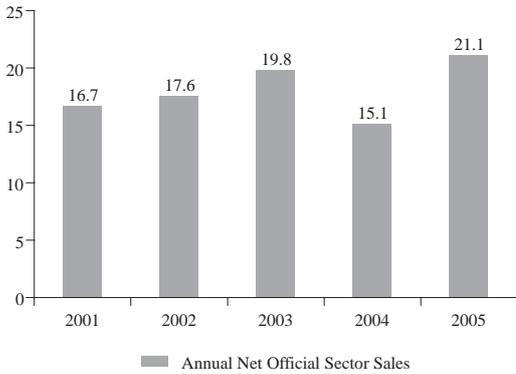
Source Gold Survey 2006, GFMS Limited, April 2006

OTHER SUPPLY FACTORS

In addition to mine production, gold is also supplied by above-ground stocks (i.e. old gold scrap and official sector sales). In 2005, annual net official sector sales increased by 6.0Moz, with total annual net official sector reserve sales of 21.1Moz. This increase in official sector reserve sales was due to higher sales from the Central Bank Gold Agreement signatories, who, by mid-August 2005, had almost depleted the sales quota for the year.

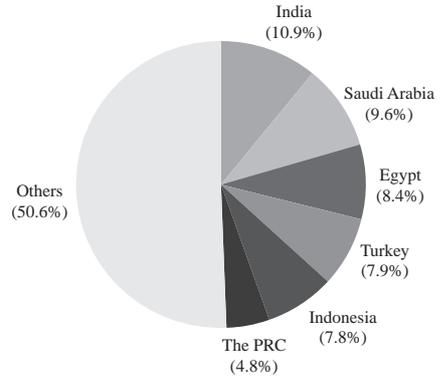
Despite an increase of 17.9% in the gold price during 2005, scrap supply increased only marginally by 1.5%. The largest supplier of gold from fabricated old gold scrap was India, which provided 10.9% of the scrap market. In comparison, whilst the PRC provided 8.9% of total global gold mine production in 2005, it provided only 4.8% of total scrap gold.

Exhibit 5: Net Official Sector Sales (Moz)



Source Gold Survey 2006, GFMS Limited, April 2006

Exhibit 6: Scrap Supply % Total Market 2005



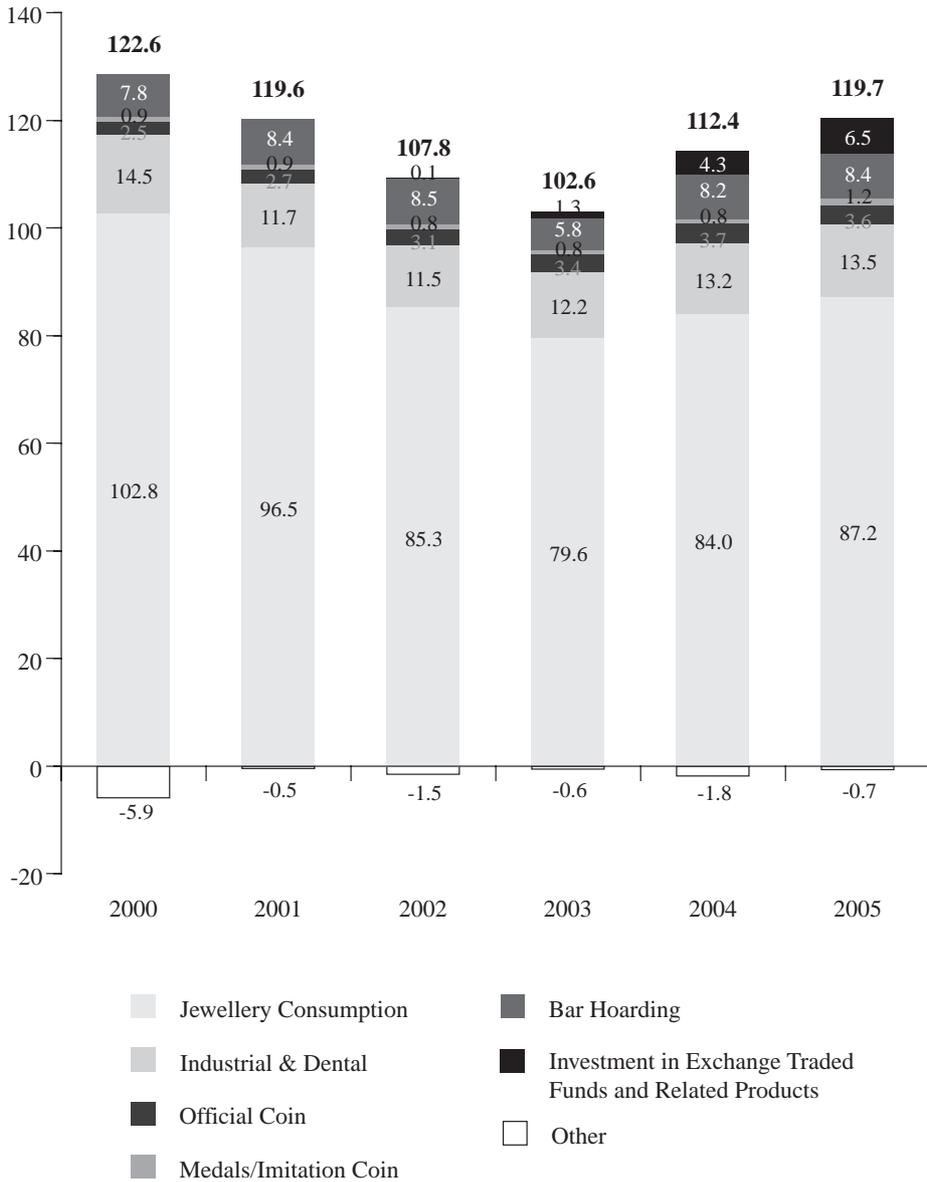
Source Gold Survey 2006, GFMS Limited, April 2006

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DEMAND FOR GOLD

In 2005, world demand for gold rose 6.5% to 119.7Moz, versus 112.4Moz in 2004, as measured by total end-user gold consumption. Demand for jewellery increased by 3.8% to 87.2Moz, which made up 72.8% of total end-user consumption. Investment in exchange traded funds and related products increased 52.6% as investors moved aggressively into gold warrants, following a significant increase in gold price.

Exhibit 7: End-User Gold Consumption (Moz)



Source Gold Survey 2006, GFMS Limited, April 2006

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FABRICATION DEMAND

Fabrication demand represents demand from jewellery consumption, the industrial and dental sectors and production of official coins and medals or imitation coins. In 2005, total fabrication demand rose by 3.7% to 105.5Moz, the highest level recorded since 2001. The rise in gold fabrication was principally driven by demand from developing countries. In 2005, India saw the largest increase in gold fabrication in absolute terms, up 2.5Moz to 22.3Moz. Fabrication manufacturing in Italy, historically a major gold fabrication country, continued to decline in 2005.

Table 1: Top 10 Gold Fabrication Countries (Moz)

	2001	2002	2003	2004	2005	% Growth 2004-05	% CAGR 2001-05
India	22.2	18.0	17.3	19.9	22.3	12.4%	0.1%
Turkey	5.2	5.7	8.4	9.2	9.8	6.3%	16.9%
Italy	15.6	13.6	10.7	10.1	9.1	(9.7%)	(12.5%)
The PRC	6.9	6.6	6.8	7.5	8.3	9.5%	4.5%
United States	7.5	7.4	7.2	7.2	7.1	(1.9%)	(1.5%)
Japan	3.9	4.3	4.9	5.1	5.4	4.6%	8.2%
Saudi Arabia & Yemen .	4.7	3.9	3.5	3.8	4.0	5.6%	(4.0%)
Indonesia	3.4	3.2	2.8	2.9	2.8	(4.7%)	(4.9%)
South Korea	3.3	3.1	2.7	2.6	2.6	(1.1%)	(5.9%)
Malaysia	2.6	2.2	1.8	2.2	2.4	6.6%	(2.4%)
Others	36.3	32.2	12.3	31.1	31.8	2.2%	(3.2%)
Total	111.7	100.1	78.5	101.7	105.5	3.7%	(1.4%)

Source Gold Survey 2006, GFMS Limited, April 2006

RETAIL DEMAND

In 2005, demand from institutional and high net worth investors pushed gold prices to their highest levels since 1981. This was in part a response to concerns over the strength of the US\$, the US economy and geopolitical uncertainties. In addition to traditional investors such as hedge funds and commodity traders, there has been a growing interest from pension funds and other similar investors. Over-the-counter transactions are the main means for retail investment in gold.

GOLD COMMODITY PRICE

Prior to the 1970s, the gold price was relatively stable. Between the 1970s and 2000, the volatility in the gold price increased, with a significant peak in the late 1970s/early 1980s. Since 2000, there has been a positive trend in the gold price. Key drivers for the gold price in today's market include macro-economic environment, geopolitical environment, monetary policies and cost of extracting gold.

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The average gold price from January 1, 2006 to December 31, 2006 was US\$604.31/oz and during that time period the gold price peaked at US\$714.80/oz as at May 12, 2006. From January 1, 2006 to December 31, 2006, the gold price increased by 23.2%.

Exhibit 8: World Gold Price (US\$/oz)



Source Bloomberg, Golds Index

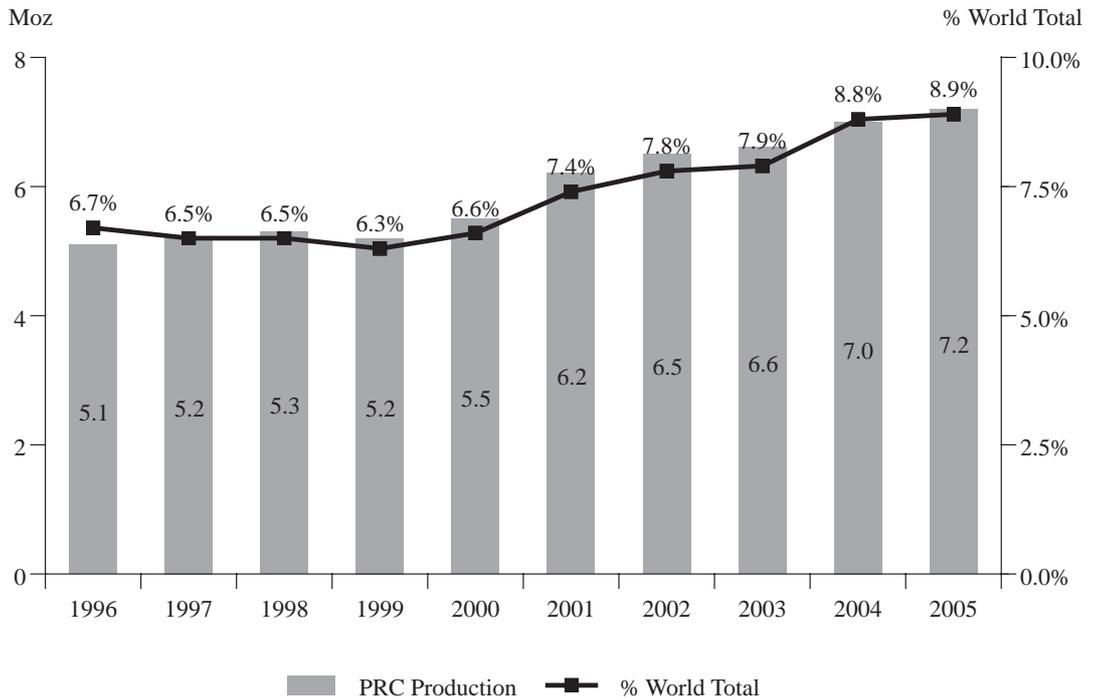
THE PRC GOLD INDUSTRY

Supply and Demand of Gold

The PRC is the world's fourth largest producer of gold and the fourth largest consumer of gold by fabrication demand.

In 2005, the PRC produced 7.2Moz of gold, up 3.1% from 2004. This increase was above the global average of 2.0%. At the start of 2005, there were over 1,200 identified gold mines and projects in the PRC, with combined proven reserves of approximately 69.3Moz of contained gold. Given the PRC's recent deregulation, participation by foreign mining companies remains at the exploration or development stage. In 2005, supply from recycled scrap was 1.3Moz, an increase of 20.2% compared to 2004. This increase was significantly above the global average of 1.6%.

Exhibit 9: Gold Mine Production in the PRC



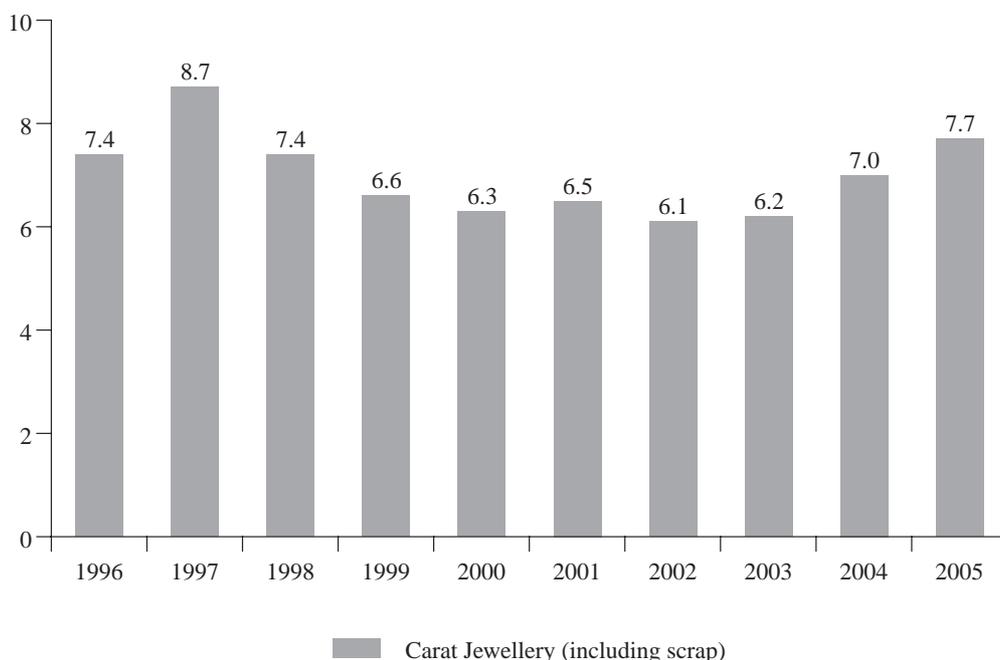
Source Gold Survey 2006, GFMS Limited, April 2006

In 2005, consumer demand from the PRC increased by 8.2% compared to 2004 and accounted for 8.1% of total global consumer demand. The global average increase for the same time period was 5.8%. Consumer demand is gold bought by individuals, and comprises demand for jewellery and net retail investment. Jewellery represented 95% of the PRC's total consumer demand, which grew at 7.7% in 2005, and was driven by continued economic growth and rising incomes.

Gold has had a long standing status in the PRC as a symbol of wealth and is a preferred gift. There has been recent renewed interest in gold, supported by the promotion of gold investment products by Chinese banks as well as increased marketing of 18-carat jewellery targeted at younger consumers in the PRC, e.g. the K-Gold Jewellery Campaign sponsored by the World Gold Council. This campaign was initially focused on Shanghai and Beijing, but has now been extended to other urban areas.

At the end of 2006, the official reserve holding of the PBOC was 19.3Moz of gold, the eighth largest gold reserve holding in the world. However, the percentage share of gold in the PBOC's total foreign reserve falls within the lower quartile among major countries in the world.

Exhibit 10: Carat Jewellery Demand in the PRC (Moz)



Source: Gold Survey 2006, GFMS Limited, April 2006

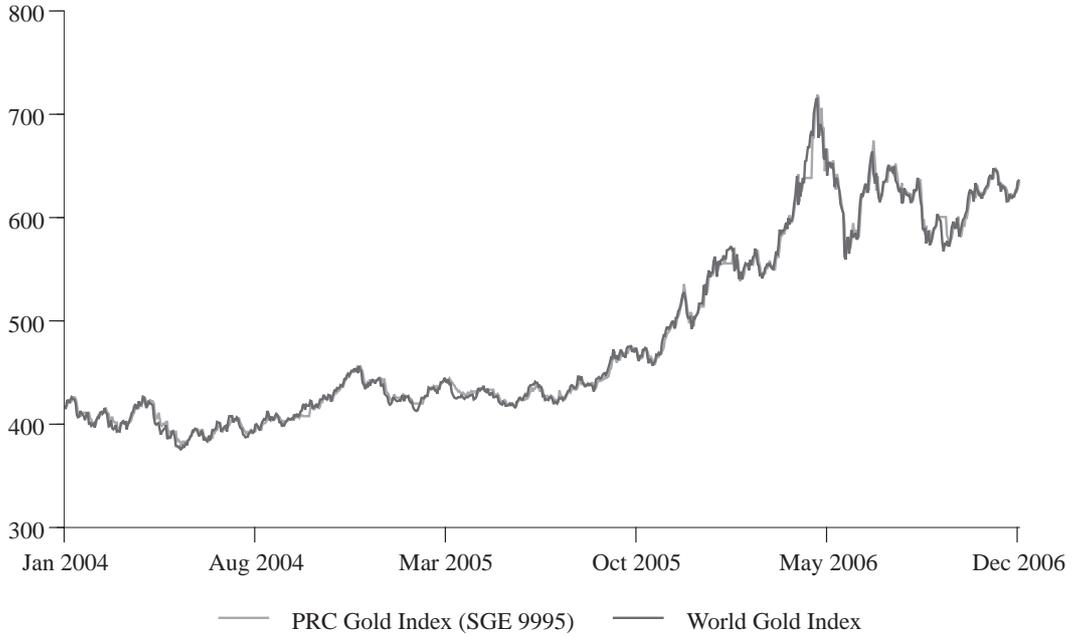
PRC GOLD MARKET DEREGULATION

The PRC gold market has undergone significant reform over the last few years. Prior to the establishment of the Shanghai Gold Exchange, trading in gold was regulated by the PBOC. In November 2001, trial gold trading commenced on the Shanghai Gold Exchange, followed by the official commencement of trading in October 2002. In March 2003, the PBOC removed barriers for the manufacture, distribution and retailing of gold, and in February 2004, the Commercial Banking Law of China was amended to allow all banks to participate in gold trading.

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In October 2002, the Shanghai Gold Exchange commenced operation. It is a platform for trading gold bullion and gold coins. The price of gold traded on the Shanghai Gold Exchange largely converges to the price of gold in the international market.

Exhibit 11: World Gold Price vs the PRC Gold Price (US\$/oz)



Source: Bloomberg, Golds Index and SHG 9995 Index

COMPETITIVE LANDSCAPE

The PRC mining industry is relatively fragmented, with over 1,200 gold mines, many of which are small-scale producers with low ore handling capacity. Based on the 2005 total production of 7.2 Moz, the average annual gold production for a PRC gold mine was less than 6,000 oz. In 2005, the top five gold companies produced 49.8% of total PRC gold production.