ZHAOJIN

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 2007

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to RMB1,512,273,000 in 2007, representing an increase of RMB347,858,000, or approximately 29.87% as compared to 2006.

The net profits of the Group amounted to RMB375,923,000 in 2007, representing an increase of 30.02% as compared to the net profit (before interest income arising from the share application funds) of RMB289,131,000 of last year, and an increase of 7.51% as compared to the net profit (after interest income arising from the share application funds) of RMB349,651,000 of last year.

The basic earnings per share attributable to ordinary equity holders of the Company amounted to approximately RMB0.53 in 2007.

The Board proposed the payment of a cash dividend of RMB0.25 (including taxation) per share and a bonus issue to all shareholders on the basis of 0.25 bonus share for every share, held by capitalization of retained profits and proposed a separate bonus issue of shares on the basis of 0.75 share for every share by way of capitalization of the capital reserve fund. Further announcement relating to the arrangement for the aforesaid bonus issue will be made by the Company in due course.

The board (the "Board") of directors (the "Directors") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 (the "Year").

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December **2007** *RMB'000*	2006 *RMB'000*
REVENUE	*3, 4*	**1,512,273**	1,164,415
Cost of sales		**(757,452)**	(541,240)
Gross profit		**754,821**	623,175
Other revenue and gains	*4*	**155,031**	16,411
Selling and distribution costs		**(9,581)**	(5,669)
Administrative expenses		**(216,039)**	(143,488)
Other operating expenses		**(105,471)**	(5,801)
Finance costs		**(20,745)**	(54,346)
Share of profit/(loss) of an associate		**1,979**	(1,935)
PROFIT BEFORE INTEREST INCOME ARISING FROM SHARE APPLICATION FUNDS AND TAX		**559,995**	428,347
Interest income arising from share application funds		**–**	89,403
PROFIT BEFORE TAX		**559,995**	517,750
Income tax expense:			
– On profit before interest income arising from share application funds		**(184,072)**	(139,216)
– On interest income arising from share application funds		**–**	(28,883)
Total income tax expense	*5*	**(184,072)**	(168,099)
PROFIT FOR THE YEAR		**375,923**	349,651
Attributable to:			
Equity holders of the Company		**388,447**	351,190
Minority interests		**(12,524)**	(1,539)
		375,923	349,651
Dividends	*6*	**182,179**	167,042
Basic earnings per share (RMB) attributable to ordinary equity holders of the Company:			
– Before interest income arising from share application funds	*7*	**0.53**	0.54
– After interest income arising from share application funds	*7*	**0.53**	0.65

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	As at 31 December 2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,436,135**	1,177,988
Intangible assets		**799,900**	550,679
Interest in an associate		**33,977**	14,848
Long term deposits		**4,637**	4,955
Land lease prepayments		**68,131**	54,175
Other long-term assets	*8*	**409,864**	–
Deferred tax assets		**74,488**	82,836
Total non-current assets		**2,827,132**	1,885,481
CURRENT ASSETS			
Cash and cash equivalents		**1,625,689**	2,695,397
Trade and notes receivables	*9*	**33,216**	1,193
Prepayments and other receivables		**124,788**	50,004
Inventories		**333,440**	275,483
Equity investments at fair value through profit or loss		**30,926**	–
Derivative financial instruments		**38,686**	–
Total current assets		**2,186,745**	3,022,077
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*10*	**352,800**	125,400
Trade payables	*11*	**235,292**	163,596
Other payables and accruals		**238,235**	237,266
Provisions		**10,447**	8,230
Tax payable		**176,810**	130,458
Dividend payable		**16,695**	–
Total current liabilities		**1,030,279**	664,950
NET CURRENT ASSETS		**1,156,466**	2,357,127
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,983,598**	4,242,608

		As at 31 December	
		2007	2006
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*10*	**22,790**	607,790
Provisions		**50,390**	46,095
Deferred income		**31,967**	34,107
Deferred tax liabilities		**125,237**	90,192
Total non-current liabilities		**230,384**	778,184
NET ASSETS		**3,753,214**	3,464,424
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**728,715**	728,715
Reserves		**2,772,591**	2,569,491
Proposed final dividend	*6*	**182,179**	109,307
		3,683,485	3,407,513
Minority interests		**69,729**	56,911
Total equity		**3,753,214**	3,464,424

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE REORGANISATION AND INFORMATION

The Company was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 16 April 2004 to take over and operate certain businesses of mining, processing, smelting and selling gold and silver products.

In December 2006, the Company issued 198.7 million 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"). In addition, the 19.8 million H shares converted from certain domestic shares 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, processing and smelting of gold and the sale of gold products in the PRC. In addition, the Company processes and sells silver 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 Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC. Subsequent to the IPO, the Company does not have a parent or ultimate controlling party. However, Zhaojin Group is in a position to exercise significant influence over the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements are presented in Renminbi ("RMB"), with values rounded to the nearest thousand, and have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except as disclosed below, the adoption of these new and revised standards and interpretations has had no effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
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*

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

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and the extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements-Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has no share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group did not recognise impairment losses in respect of such assets in its interim period, the interpretation has had no impact on the financial position or results of operations of the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. As more than 90% of the revenue 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 over 98% of the assets and all 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 twelve (2006: 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, sulphur 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 concentrates. The source of gold produced in the current year was as follows:

	2007	2006
	kg	*kg*
Own mines	**6,296**	6,271
Purchase and others	**2,082**	988
Tolling	**10,986**	8,389
Total	**19,364**	15,648

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 2007

	Mining *RMB'000*	Smelting *RMB'000*	Inter-segment elimination *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Revenue					
Revenues from external customers	**1,018,892**	**493,381**	**–**	**–**	**1,512,273**
Intersegment revenue	**–**	**6,304**	**(6,304)**	**–**	**–**
Other revenue	**31,922**	**–**	**–**	**123,109**	**155,031**
Total	**1,050,814**	**499,685**	**(6,304)**	**123,109**	**1,667,304**
Segment results	**522,487**	**75,710**	**–**	**(50,594)**	**547,603**
Share of profit of an associate	**1,979**	**–**	**–**	**–**	**1,979**
Interest income					**73,578**
Fair value gain on derivative financial instruments					**38,686**
Gain from disposal of equity investments					**3,818**
Fair value gain on equity investments held for trading					**7,027**
Finance costs					**(20,745)**
Foreign exchange loss					**(91,951)**
Income tax expense					**(184,072)**
Profit for the year					**375,923**
Assets and liabilities					
Segment assets	**2,735,546**	**474,565**	**–**	**1,769,789**	**4,979,900**
Interest in an associate	**33,977**	**–**	**–**	**–**	**33,977**
Total assets					**5,013,877**
Segment liabilities	**311,393**	**254,938**	**–**	**694,332**	**1,260,663**
Other segment information					
Capital expenditure	**187,840**	**69,269**	**–**	**–**	**257,109**
Long term assets through acquisition of subsidiaries/operations	**359,474**	**62,092**	**–**	**–**	**421,566**
Deposit paid for acquisition of subsidiaries and property plant and equipment	**409,864**	**–**	**–**	**–**	**409,864**
Impairment losses reversed in the consolidated income statement	**879**	**–**	**–**	**–**	**879**
Depreciation and amortisation	**112,936**	**14,943**	**–**	**–**	**127,879**

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
Total	956,426	223,594	(6,906)	7,712	1,180,826
Segment results	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)
Profit for the year					349,651
Assets and liabilities					
Segment assets	1,718,119	396,368	–	2,778,223	4,892,710
Interest in an associate	14,848	–	–	–	14,848
Total assets					4,907,558
Segment liabilities	289,853	199,441	–	953,840	1,443,134
Other segment information					
Capital expenditure	218,553	37,439	–	–	255,992
Depreciation and amortisation	108,450	11,599	–	–	120,049
Impairment losses recognised in the consolidated income statement	1,750	–	–	–	1,750

4. REVENUE, OTHER REVENUE AND GAINS

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

	2007	2006
	RMB'000	*RMB'000*
Revenue		
Sale of goods:		
Gold	**1,373,262**	1,105,630
Silver	**61,253**	15,268
Sulphur	**29,918**	6,062
Other by-products	**30,753**	17,534
Rendering of service:		
Processing of gold and silver	**31,479**	31,640
	1,526,665	1,176,134
Less: Government surcharges	**(14,392)**	(11,719)
	1,512,273	1,164,415
Other revenue and gains		
Bank interest income	**73,578**	7,712
Sale of raw materials	**5,197**	3,927
Government grants	**25,251**	2,476
Gain on disposal of items of property, plant and equipment	**631**	166
Fair value gains, net:		
Equity investments at fair value through profit or loss	**10,845**	–
Derivative instruments – transactions not qualifying as hedges	**38,686**	–
Other gains	**843**	2,130
Other revenue and gains	**155,031**	16,411

5. 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 operate.

PRC corporate income tax ("CIT") has been provided at a rate of 33% (2006: 33%) on the taxable income as reported in the statutory accounts of the companies comprising the Group, which are prepared in accordance with PRC GAAP, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year. During the year, the Group has not incurred any Hong Kong profits tax.

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

	2007	2006
	RMB'000	*RMB'000*
Group:		
PRC corporate income tax		
– Charge for the year	**190,609**	143,343
Deferred tax	**(6,537)**	24,756
	184,072	168,099

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate in the PRC to the income tax expense at the Group's effective income tax rate for the year is as follows:

		2007		2006	
	Notes	*%*	***RMB'000***	*%*	*RMB'000*
Profit before tax			**559,995**		517,750
Statutory tax rate applied to profit before tax		**33.0**	**184,798**	33.0	170,858
Reconciling items:					
Expenses not deductible for tax		**0.2**	**1,021**	0.3	1,803
Tax losses not recognised		**1.4**	**7,924**	–	–
Income not subject to tax		**(1.3)**	**(7,322)**	(0.1)	(620)
Credit for capital expenditure	*(i)*	**(0.5)**	**(3,000)**	(1.0)	(4,934)
Effect on deferred taxes of reduction in tax rate	*(ii)*	**(0.1)**	**(262)**	–	–
Others		**0.2**	**913**	0.2	992
Total tax charge for the year		**32.9**	**184,072**	32.4	168,099

(i) The Company was entitled to an additional tax credit for the purchase of domestically produced plant and machinery.

(ii) During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Accordingly, as at 31 December 2007, deferred tax assets and liabilities have been calculated at the above rate for temporary differences.

(iii) The share of tax attributable to an associate amounting to RMB653,000 (2006: nil) is included in "Share of profit/(loss) of an associate" on the face of the consolidated income statement.

6. DIVIDENDS

	2007	2006
	RMB'000	*RMB'000*
Ordinary:		
2005 final dividend paid of RMB0.11 per share	**–**	57,735
Proposed final – RMB0.25 per share (2006: RMB0.15 per share)	**182,179**	109,307
	182,179	167,042

In addition to the final cash dividend, the Board recommends a bonus issue of share to all shareholders on the basis of 0.25 share for every share held by way of capitalisation of retained profit of RMB182,179,000 to 182,179,000 shares of RMB1 each.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation 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.

Diluted earnings per share for the years ended 31 December 2007 and 2006 have not been disclosed as no diluting events existed during these years.

The calculation of basic earnings per share is based on:

	2007	2006
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to equity holders of the Company used in the basic earnings per share calculation	**388,447**	351,190
Interest income arising from share application funds	**–**	(89,403)
Tax on interest income arising from share application funds	**–**	28,883
Profit before interest income arising from share application funds	**388,447**	290,670

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of RMB403,176,000 (2006: RMB349,283,000) which has been dealt with in the financial statements of the Company.

	2007	2006
	'000 shares	*'000 shares*
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**728,715**	542,214

	2007 *RMB'000*	2006 *RMB'000*
Basic earnings per share attributable to ordinary equity holders of the Company:		
– Before interest income arising from share application funds	**0.53**	0.54
– After interest income arising from share application funds	**0.53**	0.65

8. OTHER LONG TERM ASSETS

	2007 *RMB'000*	2006 *RMB'000*
Deposits paid for the purchase of subsidiaries	**399,981**	–
Advance payment for the purchase of property, plant and equipment	**9,883**	–
Prepayment for long term assets	**409,864**	–

In January 2008, the Company completed Share Transfer Agreements with third parties to acquire a 52% equity interest in Fengningjinlong Mining Limited ("FNJL") and a 51% equity interest in Tonghui Copper Mining Limited ("TCM"), both companies incorporated in PRC, for purchase considerations of RMB346 million and RMB265 million respectively. The purchase considerations for the above acquisitions were determined based on independent valuation reports and negotiations between the parties. As at 31 December 2007, deposits totalling RMB399.9 million had been paid in respect of these acquisitions.

9. TRADE AND NOTES RECEIVABLES

	2007 *RMB'000*	2006 *RMB'000*
Trade receivables	**15,061**	893
Notes receivable	**18,155**	300
	33,216	1,193

Trade and notes receivables are non-interest-bearing. There were no receivables that were past due or impaired. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of the receivables as they have no history of default. In addition, substantially all gold sales are made through the Shanghai Gold Exchange, or through physical delivery of gold and silver in settlement of liabilities to suppliers of gold and silver concentrates, or for cash. The credit term given to other customers is 30 days.

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2007	2006
	RMB'000	*RMB'000*
Unsecured:		
– Bank loans	**365,000**	723,500
– Other borrowings	**10,590**	9,690
	375,590	733,190
Repayable:		
– Within one year	**352,800**	125,400
– In the second year	**15,000**	450,000
– In the third to fifth years	**–**	150,000
– Over five years	**7,790**	7,790
	375,590	733,190
Portion classified as		
– Current	**352,800**	125,400
– Non-current	**22,790**	607,790

Notes:

(a) Effective interest rate and maturity date

An analysis of the effective interest rate per annum and maturity date is as follows:

	2007	2006
(i) Bank loans – fixed rate		
– Effective interest *(%)*	**6.03**	5.47
– Maturity *(Year)*	**2008-2009**	2007-2009
(ii) Other borrowings – fixed rate		
– Effective interest *(%)*	**2.89**	2.76
– Maturity *(Year)*	**2008-2021**	2007-2021

(b) Unutilised limit of bank loans

	2007	2006
	RMB'000	*RMB'000*
Banking facilities:		
– Available	**2,105,200**	1,503,500
– Utilised	**(365,000)**	(723,500)
Unutilised	**1,740,200**	780,000

(c) Corporate guarantee

The following loans of the Group are guaranteed by Zhaojin Group:

	2007	2006
	RMB'000	*RMB'000*
Bank loans	**15,000**	–

The carrying amounts of the Group's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's non-current borrowings are as follows:

	Carrying amounts		**Fair values**	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fixed rate bank loans	**15,000**	600,000	**16,371**	592,340
Other borrowings	**7,790**	7,790	**4,625**	4,775
	22,790	607,790	**20,996**	597,115

The fair values of the above were calculated by discounting the expected future cash flows at prevailing interest rates.

11. TRADE PAYABLES

	2007	2006
	RMB'000	*RMB'000*
Trade payables	**61,632**	44,211
Payable under tolling arrangements	**173,660**	119,385
	235,292	163,596

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

	2007	2006
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within one year	**229,826**	160,466
Over one year but within two years	**1,719**	1,484
Over two years but within three years	**1,260**	973
Over three years	**2,487**	673
	235,292	163,596

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

12. COMMITMENTS

(a) Capital commitments

	2007	2006
	RMB'000	*RMB'000*
Contracted, but not provided for:		
In respect of:		
– Land and buildings	**79,185**	11,141
– Plant and machinery	**18,127**	6,914
– Sulphuric acid plant	**80,000**	–
– Unlisted equity investments in subsidiaries	**207,410**	–
	384,722	18,055
Authorised, but not contracted for:		
In respect of		
– Land and buildings	**200,710**	144,903
– Plant and machinery	**639,940**	51,437
– Exploration and evaluation assets	**136,250**	260,370
	976,900	456,710

(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 one and three years.

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

	2007	2006
	RMB'000	*RMB'000*
Within one year	**2,865**	2,506
In the second to fifth years, inclusive	**2,459**	4,224
Over five years	**–**	790
	5,324	7,520

13. CONTINGENT LIABILITIES

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

	2007	2006
	RMB'000	*RMB'000*
Guarantees provided to bank for loan facilities granted to:		
– Zhaoyuan Jintingling Mining Industry Company Limited, a subsidiary of the Company	**145,000**	153,500

14. RELATED PARTY TRANSACTIONS

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

	2007	2006
	RMB'000	*RMB'000*
Nature of relationships/transactions		
(i) A party can exercise significant influence over the Group, Zhaojin Group		
Recurring transactions		
Expenses:		
– Payment of rental	**52**	221
– Payment of ground rent	**2,300**	3,611
– Gold exchange commission fee	**421**	292
Non-recurring transactions		
Capital transactions:		
– Purchase of subsidiaries	**129,149**	–
– Purchase of land use rights	**–**	605
– Purchase of property, plant and equipment	**8,537**	3,120
– Disposal of items of property, plant and equipment	**–**	3,020
(ii) Subsidiaries of Zhaojin Group		
Recurring transactions		
Expenses:		
– Fees for refining services	**2,700**	2,684
– Fees for mining construction activities	**235**	1,770
– Fees for hotel accommodation	**764**	–
– Office rental	**1,215**	–
Non-recurring transactions		
Capital transactions:		
– Purchase of property, plant and equipment	**369**	484
– Purchase of software	**274**	270
(iii) Minority interest holder of a subsidiary		
Non-recurring transactions		
Expenses:		
– Compensation arising from land usage	**748**	2,567
– Payment of ground rent	**173**	2,818
(iv) Substantial shareholders of the Company, Shanghai Fosun Industrial Technology Development Co., Ltd. ("Shanghai Fosun Technology") and Shanghai Fosun Industrial Investment Co., Ltd. ("Shanghai Fosun")		
Non-recurring transaction		
Capital transaction:		
– Purchase of a subsidiary	**21,000**	–

The above transactions were conducted at commercial prices based on market rates, except for the business combination as disclosed in Note 14 to this announcement. In August 2007, the Group acquired interests in entities from Zhaojin Group at a total consideration of RMB129 million. The acquisition prices were based on independent valuation reports and negotiations between the parties.

In addition, in August 2007, the Group acquired an interest in an entity from substantial shareholders of the Company, Shanghai Fosun Technology and Shanghai Fosun, at a total consideration of RMB21 million. The acquisition prices were based on independent valuation reports and negotiations between the parties.

(b) Guarantees granted by Zhaojin Group for securing the Group's bank loans are disclosed in Note 9 to this announcement. These guarantees were provided free of charge.

(c) Outstanding balances with related parties

The Group had outstanding advances receivable/payable from/to related parties at the end of the year as follows:

A party can exercise significant influence over the Group:

	2007	2006
	RMB'000	*RMB'000*
Other receivables	**7,059**	2,908
Other payables	**252**	–

The advances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2007	2006
	RMB'000	*RMB'000*
Short term employee benefits	**3,998**	1,687
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**3,998**	1,687

(e) During the year, no fees were paid to non-executive directors and supervisors.

(f) Connected transactions

The transactions disclosed in items (a) through to (e) above 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. BUSINESS COMBINATIONS

Acquisitions of subsidiaries during the year are as follows:

(a) On 22 June 2007, the Company entered into agreements with Zhaojin Group and independent third parties. Pursuant to these agreements, the Company conditionally agreed to acquire 100% equity interests in Xixia Zhaojin Mining Company Limited , Tuoli Zhaojin Beijiang Mining Company Limited and Min Tianhao Gold Company Limited for RMB19,539,800, RMB74,300,000 and RMB65,391,800, respectively.

The purchase considerations for the acquisitions were in the form of cash with full settlement on 31 August 2007, acquisition date.

(b) On 28 June 2007, the Group entered into a share transfer agreement with a third party to acquire a 70% equity interest in Kunhe Zhaojin Mining Company for a consideration of RMB6,650,000 satisfied with cash. The acquisition was completed on 30 September 2007.

(c) On 20 November 2006, the Group entered into an equity transfer agreement with third parties for the acquisition of 51% of the issued share capital of Yunnan Sparton Minerals Co., Ltd. (雲南斯帕頓礦業有限公司) ("Yunnan Sparton") at a consideration of RMB24,480,000 satisfied in cash. The transaction was completed on 31 July 2007.

(d) On 22 August 2007, the Company entered into an Equity Transfer Agreement with Shanghai Fosun Technology and Shanghai Fosun to acquire their 95% and 5% equity interests in Xinjiang Xingta Mining Co., Ltd. with purchase considerations of RMB19,858,705 and RMB1,045,195 respectively. The purchase considerations were settled in cash and the acquisitions were completed on 31 August 2007.

(e) On 28 September 2007, the Company entered into an Equity Transfer Agreement with a third party to acquire a 100% equity interest in Fukang Mining Industry with a purchase consideration of RMB27,000,000 satisfied in cash. The acquisition was completed on 30 November 2007.

The fair values of the identifiable assets and liabilities of the above acquisitions as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Previous carrying amounts *RMB'000*	**Fair values on acquisition** *RMB'000*
Property, plant and equipment	108,454	145,761
Intangible assets	65,931	262,377
Land lease prepayments	6,798	13,428
Cash and bank balances	21,229	21,229
Trade receivables	4,279	4,279
Prepayments and other receivables	31,916	31,916
Inventories	18,513	18,513
Deferred income	(5,000)	(5,000)
Interest-bearing bank and other borrowings	(24,900)	(24,900)
Trade payables	(8,545)	(8,545)
Other payables and accruals	(149,520)	(149,520)
Deferred tax liabilities	–	(49,930)
Minority interests	–	(21,342)
	69,155	238,266
Satisfied by:		
Cash		238,266

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisitions is as follows:

	2007 *RMB'000*
Cash consideration	**238,266**
Cash and bank balances acquired	**(21,229)**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**217,037**

Since acquisition, the above subsidiaries contributed RMB27,266,000 to the Group's revenue and RMB6,325,000 to the Group's profit for the year ended 31 December 2007. Had the combinations taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit for the year of the Group would have been RMB1,607,006,607 and RMB572,652,675 respectively.

16. EVENT SUBSEQUENT TO BALANCE SHEET DATE

(a) On 31 January 2008, the Company completed its acquisitions of a 52% equity interest in Fengningjinlong Mining Limited ("FNJL") and a 51% equity interest in Tonghui Copper Mining Limited ("TCM"), both companies incorporated in the PRC at considerations of RMB346 million and RMB265 million respectively. The purchase considerations were fully settled in the form of cash at the date of acquisition.

Given the short period since the acquisitions were completed to the date of approval of these financial statements, it is not practical to disclose, at the acquisition date the fair value for each class of the acquiree's assets, liabilities and contingent liabilities, and the carrying amount of each of these classes immediately before the combination.

(b) On 24 December 2007, the Company entered into the Asset Transfer Agreement at a consideration of RMB56,840,000 to acquire properties from Xinyuan Gold, a wholly-owned subsidiary of the Zhaojin Group. The consideration of RMB56,840,000 was determined after arm's length negotiation between the Company and Xinyuan Gold after taking into account the valuation of the properties as at 31 July 2007 made by an independent PRC valuer. The purchase consideration was paid in cash when the transaction became unconditional on 28 February 2008.

(c) On 10 March 2008, the Board of Directors proposed a final dividend comprises the following:

(i) Payment of cash dividend of RMB0.25 including tax per share amounting to RMB182,179,000; and

(ii) Bonus issue of shares on the basis of 0.25 share for every share held by capitalising current year profit of RMB182,179,000 to share capital of 182,179,000 shares of RMB1 each.

In addition, the Board of Directors proposed another bonus issue of share on the basis of 0.75 share for every share held by capitalisation of capital reserve of RMB546,536,250 to share capital of 546,536,250 shares of RMB1 each.

Analysis of Results

Revenue

For the year ended 31 December 2007, the Group's revenue was RMB1,512,273,000, representing an increase of approximately 29.87% as compared to last year.

For the year ended 31 December 2007, the total output of gold of the Group amounted to approximately 19,364 kg (approximately 622,567 ounces), representing an increase of approximately 23.75% as compared to last year.

Net Profit

For the year ended 31 December 2007, the Group's net profit was RMB375,923,000, representing an increase of 30.02% as compared to the net profit (before interest income arising from the share application funds) of RMB289,131,000 of last year, and an increase of 7.51% as compared to the net profit (after interest income arising from the share application funds) of RMB349,651,000 of last year.

Earnings per Share

For the year ended 31 December 2007, earnings per share attributable to ordinary equity holders of the Company amounted to RMB0.53.

Appropriation Proposal

The Board proposed the payment of a cash dividend of RMB0.25 (including taxation) per share, and a bonus issue to all shareholders on the basis of 0.25 bonus share for every share held by capitalization of retained profits of RMB182,179,000 to share capital of 182,179,000 shares of RMB1 each. In addition, the Board proposed bonus issue of shares on the basis of 0.75 share for every share held by way of capitalization of the capital reserve fund of RMB546,536,250 to share capital of 546,536,250 shares of RMB1 each. Further announcement relating to the arrangement for the aforesaid bonus issue will be made by the Company in due course.

For distribution of cash dividends, dividends for domestic shares will be distributed and paid in Renminbi whereas dividends for H shares will be declared in Renminbi and paid in Hong Kong dollars.

The annual appropriation proposal of the Company is subject to the approval of the shareholders at the annual general meeting of the Company for the year ended 31 December 2007 (the "2007 AGM") to be held on Friday, 16 May 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

For the year ended 31 December 2007, due to the continuous weakening of US dollar, the increase of various energy prices, and the unstable geopolitical situations, the gold price surged up sharply in 2007 to challenge the historical record high which extended the bullish gold market trend.

The average international spot price of gold in 2007 was US$689.89 per ounce (based on afternoon fix price of London Gold Market), representing an increase of approximately 14.32% from the average price of US$603.46 per ounce in 2006. The opening price was US$640.75 per ounce, and the average closing price was US$836.50 per ounce in 2007. The trend of the domestic gold price is basically in line with international gold market trend with gold price increasing significantly as well. On the Shanghai Gold Exchange, the Au9999 gold price reached a new high of approximately RMB202.9 per gram.

The average price of gold sold by the Group during the Year was approximately RMB168.28 per gram (approximately US$689.61 per ounce), representing an increase of approximately 9.56% as compared to last year.

Industry Position

For the year ended 31 December 2007, the Group is committed to the pure gold production, and maintained its position as the leading gold producer in the PRC. According to the statistics of the China Gold Association in 2007, the national gold production in the PRC amounted to 236,518 kg (or approximately 7,604,219 ounces) , representing approximately 10.88% growth as compared to last year. The total output of mine-produced gold of the Group amounted to approximately 8,378 kg (or approximately 269,359 ounces) of gold in 2007, representing approximately 3.54% of the total gold output in the PRC.

Business Review

Substantial breakthrough in external exploitation and improvement in the capacity for resource integration

During 2007, leveraging on the Group's funds, management and technology resources, the Company endeavored to implement the external strategy of the "No. 1 Project", actively participating in the integration and competition of gold resources in the PRC, and accomplishing substantial breakthrough in, among others, merger and expansion and mine exploration rights acquisition. The total investment committed by the Group for the Year amounted to RMB920,000,000, with the paid investment amounting to RMB217,037,000 (net of cash effect) and payment of deposits for acquisition amounting to RMB399,981,000. The total acquired area with exploration rights amounted to 659.55 sq.km.; the total acquired area with mining rights amounted to 12.18 sq.km.; and the acquired gold reserves amounted to 5.422 tons.

As at 31 December 2007, there are 15 group companies and enterprises located outside Zhaoyuan City ("Zhaoyuan"), Shandong Province, with business exposures throughout 12 provinces and cities of major gold mine regions in the PRC. In 2007, the total output of gold of the group enterprises located outside Zhaoyuan amounted to 369 kg (or approximately 11,864 ounces), with revenues of RMB56,604,000.

Rapid growth in operating results and further strengthening of its leading position in the industry

During the Year, the following tasks were implemented: firm establishment of the management concept of "scientific development, harmonious development, and leading development"; and the consideration of the results growth as the main assessment standard. Through such tasks, the Group established a reward system linked to the Group's results performance, which led to significant growth of the core business.

For the year ended 31 December 2007, the total output of gold of the Group was 19,364 kg (or approximately 622,567 ounces), representing an approximately 23.75% growth as compared to last year, of which the quantity of mine-produced gold was 8,378 kg (or approximately 269,359 ounces), representing an approximately 15.4% growth as compared to last year; gold smelting and processing amounted to 10,986 kg (or approximately 353,208 ounces), representing an increase of approximately 30.95% as compared to last year; the sales revenue amounted to approximately RMB1,512,273,000, representing an increase of approximately 29.87% as compared to last year; the net profits amounted to RMB375,923,000, representing an increase of 30.02% as compared to the net profit (before interest income arising from the share application funds) of RMB289,131,000 of last year, and an increase of approximately 7.51% as compared to the net profit (after interest income arising from the share application funds) of approximately RMB349,651,000 of last year.

Significant achievement in internal maximization and proven advance in technology and environmental protection

Site exploration and deposit building

During the Year, with the innovative exploration concept and higher exploration contribution, the Group's resource was further enriched. During the Year, the Group increased its gold reserves by 32.86 tons.

For the year ended 31 December 2007, the Group has 48 exploration rights covering an exploration area of 1,004.35 sq.km. in total and 17 mining rights covering an area of 43.59 sq.km. in total. In accordance with the standards issued by the Australasian Joint Ore Reserves Committee ("JORC"), our total gold resources amounted to approximately 211 tons and the gold reserves amounted to 150 tons. The current exploitable gold reserves can support our production for approximately 19 years.

Infrastructure and technology reform

During the Year, the investment in infrastructure and technology reform amounted to RMB259,200,000. A total of 18 infrastructure and technology reform projects were implemented so as to improve and optimize the existing production system and some projects were completed. The investment of Dayinggezhuang Gold Mine (大尹格莊金礦) involved RMB51,610,000, where the aisle construction covers 41,341 sq.m., and 60 and 54 units (sets) of equipments were purchased and installed respectively; while the investment of Xiadian Gold Mine (夏甸金礦) involved RMB63,590,000, where the aisle construction covers 41,887 sq.m., and 90 and 32 units (sets) of equipments were purchased and installed respectively.

Scientific and technological innovation

During the Year, the Group further strengthened the management concept of "science and technology shall deliver efficiency", and was extensively engaged in new technology projects and target-oriented competition. The recovery rates of ore dressing and cyanide increased by 0.05%, which directly increased the economic benefits over RMB1,800,000. The recovery rate of ore dressing in Dayingezhuang Gold Mine (大尹格莊金礦) increased by 0.14% as compared to last year, while the recovery rate of cyanide in Jinchiling Gold Mine (金翅嶺金礦) increased by 0.05% to 98.63% as compared to last year.

During the Year, the Group was awarded a total of thirteen national patents. The "Mid-and-High Thickness Orebody Exploration Technology Research" conducted by Xiadian Gold Mine (夏甸金礦) was awarded First Prize of Shandong Province Science and Technology Progress Award, while both Dayingezhuang Gold Mine (大尹格莊金礦) and Jinchiling Gold Mine (金翅嶺金礦) were awarded Second Prize and Third Prize of Shandong Province Science and Technology Progress Award respectively for their new technologies. The "Research on Adaptive Synchrodrive Disaster Warning Detection and Control Technology" is included as the supported project in the national "11th Five-Year Plan". The "Research on Energy-saving Developments of Existing Electric Machines" is included in the "National Finance Reward Programme on Energy-efficiency Technology for 2007" and "Major Energy-efficiency and Water-saving Model Project in Shandong Province". The "Technological Development Project on Inter-grown Multi-metal Integrated Recovery" is recognized as a key industry special technology development project of the state. The Group was granted government subsidies of approximately RMB10,700,000 in total under the state's policies for supporting the industry.

Low cost and high efficiency

During the Year, through taking strict measures in the three major expenses, namely "electricity bill, excavation cost, and materials", the Group obtained fruitful results in cost management. On comparable basis, the cash costs of gold production in the Group's enterprises within Zhaoyuan reduced by approximately 6.72% as compared to last year. Energy saving and pollutant emission reduction projects reported encouraging results. Total electricity consumption decreased by approximately 1.77% as compared to last year. Electricity saving cut down the bill by approximately RMB5,150,000, representing an increase of approximately 39.63% as compared to last year. Total energy consumption decreased by approximately 1.02% as compared to last year.

Environmental safety

During the Year, the Group placed great emphasis on safety production and environmental protection, further carried out upgrading activities to satisfy the safety standardization, established a professional mine-rescue team and reduced material casualties and environmental pollution incidents. The Company was awarded with the "Corporate Award at the Provincial Safety Production Month 2007" by the Safety Production Committee of the Shandong Province and was recognized as the "Model Enterprise for Safety Culture Establishment". Xiadian Gold Mine (夏甸金礦) is the only non-coal mine Class A enterprise passing the safety assessment in Shandong Province. In addition, enterprises such as, Hedong Gold Mine (河東金礦), Dayingezhuang Gold Mine (大尹格莊金礦), Jinchiling Gold Mine (金翅嶺金礦) and Zhaoyuan Jintingling Mining Industry Company Limited (招遠市金亭嶺礦業有限公司) ("Jintingling Mining") have reached the level of Class B enterprise.

Meanwhile, through collaborative office platform, the Group implemented a company-wide online video broadcasting network to supervise the working site and was able to monitor the site situation via the video system, which further strengthen our safety supervision.

During the Year, Jintingling Mining encountered a water-filling fracture zone with large water gushing during the exploration of certain mines. To ensure the safety production, Jintingling Mine has reduced its production during the year and commenced scientific research activities on safety in order to solve this tough problem and resume its normal production as soon as possible.

Financial Review

Revenue

For the year ended 31 December 2007, the Group's revenue was approximately RMB1,512,273,000 (2006: RMB1,164,415,000), representing an increase of approximately 29.87% as compared to last year (2006: 34.2%). Such increase was primarily attributable to the increase in the sales of gold bullion of approximately 24.21% (2006: 36.8%) as a result of the increase in the average selling price and sales volume of gold bullion of approximately 9.56% (2006: 31.4%) and approximately 13.4% (2006: 3.7%) respectively.

Cost of sales

For the year ended 31 December 2007, the Group's cost of sales was approximately RMB757,452,000, representing an increase of approximately 39.95% (2006: 26.4%) from approximately RMB541,240,000 in 2006. Such increase was primarily attributable to the Group's higher production capacity, growth in purchase volume and the rise in costs of newly acquired mines.

Gross profit and gross profit margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB754,821,000 and approximately 49.91% (2006: 53.51%), representing an increase of approximately 21.13% (2006: 41.82%) and a decrease of 3.61% (2006: an increase of 2.87%), respectively, as compared to last year. The increase in gross profit was primarily attributable to the increase in gold sales and gold price, while the decrease in gross profit margin was attributable to substantial increase in sales of purchased gold which has higher cost as compared to last year.

Other revenue and gains

During the Year, the Group's other revenue and gains were approximately RMB155,031,000 (2006: RMB16,411,000), representing an increase of approximately 844.68% (2006: 84.6%) as compared to last year. The increase in other revenue and gains was primarily attributable to interest income, gains arising from the fair value changes of forward foreign exchange contracts and gains from investment securities and government.

Selling and distribution costs

For the year ended 31 December 2007, the Group's selling and distribution costs were approximately RMB9,581,000 (2006: RMB5,669,000), representing an increase of approximately 69.01% (2006: 18.2%) as compared to last year. Such increase was in line with the increase in sales.

Administrative and other operating expenses

The Group's administrative and other operating expenses were approximately RMB321,510,000 in 2007, representing an increase of approximately 115.36% (2006: 4.7%) from approximately RMB149,289,000 in 2006. Such increase was primarily attributable to increase in acquisition and development costs, expansion of the Group's size and increase in exchange losses arising from foreign currency translation.

Finance costs

For the year ended 31 December 2007, the Group's finance costs were approximately RMB20,745,000, representing a decrease of approximately 61.83% (2006: 17.9%) from approximately RMB54,346,000 in 2006. Such decrease was primarily attributable to repayment of bank loans during the Year after financing from the listing of the Company.

Income tax

The statutory income tax rate in the PRC is approximately 33%. For the year ended 31 December 2007, the effective income tax rate (i.e. the total income tax divided by its profit before tax) payable by the Group was approximately 32.9% (2006: 32.4%) which is comparable to the effective tax rate in 2006.

At the Fifth Session of the Tenth National People's Congress held on 16 March 2007, the PRC Enterprise Income Tax Law (the "New EIT Law") was passed and became effective on 1 January 2008. The New EIT Law made substantial changes, including but not limited to standardization of the income tax rate applicable to domestic investment and foreign investment enterprises to 25%.

Profit attributable to shareholders

For the year ended 31 December 2007, the Group's profit attributable to shareholders of the Company was approximately RMB388,447,000, representing an increase of approximately 10.61% (2006: 115.6%) from approximately RMB351,190,000 in 2006.

The net profit margin of the Group for the year ended 31 December 2007 was approximately 24.86% (2006: 30.03%), representing a decrease of approximately 5.17% from 30.03% in 2006.

Appropriation proposal

The Board proposed the payment of a cash dividend of RMB0.25 (including taxation) (2006: RMB0.15) per share, and a bonus issue to all shareholders on the basis of 0.25 bonus share (2006: Nil) for every share held by capitalization of retained profits of RMB182,179,000 to share capital of 182,179,000 shares of RMB1 each. In addition, the Board proposed bonus issue of shares on the basis of 0.75 share (2006: Nil) for every share held by way of capitalization of the capital reserve fund of RMB546,536,250 to share capital of 546,536,250 shares of RMB1 each. Further announcement relating to the arrangement for the aforesaid bonus issue will be made by the Company in due course.

Liquidity and capital resources

The working capital and long-term funding required by the Group mainly come from its cash flows from operation 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	
	2007	2006
	RMB'000	*RMB'000*
Operating activities	**374,613**	540,589
Investing activities	**(859,020)**	(244,814)
Financing activities	**(491,637)**	2,261,057
Effect of foreign exchange rate changes, net	**(93,664)**	–
Net cash (outflow) inflow	**(1,069,708)**	2,556,832

Cash flows and working capital

The Group's cash and cash equivalents have decreased from approximately RMB2,695,397,000 as at 31 December 2006 to approximately RMB1,625,689,000 as at 31 December 2007, primarily attributable to repayment of loans, acquisition of mines and also infrastructure and technology reform.

Net cash flows from operating activities

The Group's current fund primarily comes from cash flows generated from its operating activities. Its net cash inflow from operating activities decreased from approximately RMB540,589,000 in 2006 to approximately RMB374,613,000 in 2007, representing a decrease of approximately 30.7% (2006: 59.6%), which was attributable primarily to the increase in the Group's acquisition costs in 2007, increase in management costs of the Group after expansion and repayment of debts for the newly acquired mining enterprises.

Net cash flows from financing activities

The net cash flows from financing activities decreased from a net inflow of RMB2,261,057,000 in 2006 to a net outflow of RMB491,637,000 in 2007, which was attributable to the cash inflow from the proceeds raised by the listing of the Company of approximately RMB2,500,000,000 in 2006 and the repayment of bank loans in 2007.

Net cash flow used in investing activities

The net cash flow used in investing activities is mainly affected by its acquisition of subsidiaries, properties, plants and equipment, its construction in progress and investment in scientific and technological innovation. The net cash flow used in investing activities increased by approximately 250.89% (2006: 62.8%) from approximately RMB244,814,000 in 2006 to approximately RMB859,020,000 in 2007, which was attributable primarily to the Group's cash outflow of approximately RMB217,037,000 (net of cash effect) for the Group's acquisition of mining as well as infrastructure and technology businesses in 2007 and also outflows such as deposits for acquisition of mines of RMB399,981,000 and investment in scientific and technological innovation of RMB259,200,000.

Borrowings

As at 31 December 2007, the Group had outstanding bank loans and other borrowings of approximately RMB375,590,000 (2006: RMB733,190,000), of which approximately RMB352,800,000 (2006: RMB125,400,000) shall be repaid within 1 year, approximately RMB15,000,000 (2006: RMB450,000,000) shall be repaid in the second year, nil (2006: RMB150,000,000) shall be repaid in the third or fifth year and approximately RMB7,790,000 (2006: RMB7,790,000) shall be repaid after 5 years. The gearing ratio as at 31 December 2007 was approximately 7.49% (2006: 14.9%), which is calculated by dividing the total borrowings by the total assets.

All loans of the Group bear fixed interest rate.

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 prices and other commodities prices risk

The Group's revenue and profit are sensitive to fluctuations in gold prices and prices of other commodities. This is due to the fact that the Group generates all of its revenue and profit from the PRC. The Group does 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's exposure to interest rate risk relates primarily to the Group's cash holdings and interest-bearing bank loans. The Group manages its interest rate exposure from certain cash holdings through placing them into a fixed rate time deposit and manages the exposure from all of its interest-bearing loans through the use of fixed rates.

Foreign exchange risk

All of the Group's transactions are carried out in RMB. The fluctuation of the RMB/USD exchange rate may affect the international and local gold price, which may therefore affect the Group's operating results. In the past few years, the exchange rate of RMB was comparatively stable. RMB is not a freely convertible currency. On 21 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 may 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.

The Group has been monitoring the exchange rate between RMB and Hong Kong dollar closely as the proceeds raised by the Group from the initial public offering are denominated in Hong Kong dollars. Meanwhile, appropriate measures aiming at reducing the risk of fluctuation in exchange rates have been taken to minimize such risks.

Business Outlook

The year of 2008 is the second year for the Group to continue to implement outward expansion and exploration development. The Group will capitalize on the surge of gold price. The Group will strengthen unrelenting efforts on managing resources and innovation and raise our integrated competitiveness so as to maximize the interests of both the Company and its shareholders. Accordingly, we will implement the following tasks:

Resource acquisition remains important above all

The Group continues to focus on the "No.1 Project" for external exploitation and resource acquisition and actively participate in mining resource exploration in western regions of the PRC, especially in Gansu and Xinjiang, with the resource exploration and project expansion. In the pursuit of acquisition, the following acquisition requirements are to be met: reserves volume of over 5 tons, projects with resource volume over 10 tons, large company and site exploration unit as the preferred project cooperating partner, large-scale mineralization belt and well development outlook, stable mining order for investment environment, the high-quality neighboring development and policy environment. The aim is to comprehensively improve the quality and result of external acquisition and merger. In 2008, the Group intends to invest RMB1,120,000,000 to acquire additional area of approximately 320 sq.km. with mining and exploration rights, gold metal resource of 53 tons, as well as gold mine productivity of 3,750 kg per year (approximately 120,565 ounces per year).

Site exploration and deposit building is the key means of resource deposit improvement

In 2008, besides the integration of exploration rights inside and outside Zhaoyuan, the Company intends to embark on aditing projects of 52,830 meters and drilling projects of 150,946 meters on the principles of unified planning, management based on blocks, and step-by-step implementation. In 2008, it is planned that the gold resource reserves will increase by 35 tons respectively. For the mines in Zhaoyuan, the Company plans to invest RMB60,540,000 for gold geologic exploration with the estimated gold reserves of approximately 14.5 tons; for the mines outside Zhaoyuan, the Group intends to contribute approximately RMB76,600,000 for gold geologic exploration with the estimated gold reserves of approximately 15.5 tons; while for the acquired mines, the newly added gold reserves will amount to approximately 5 tons.

Further strengthening the technology advantages of the Group and reinforcing the infrastructure construction and technology reform

Technology innovation

The Group intends to implement 31 technology innovation research projects. The Company will invest a total of RMB48,080,000 in these projects, of which RMB43,470,000 will be used for the investment in 2008. Research projects will be mainly focused on the difficulties of the production techniques, especially the selection research on gold ore with arsenic and carbon content, research on deep-underground thick orebody recovery techniques and microwave metallurgy technology research. The Company will also cooperate with scientific research institutions to seek technical breakthrough in the fields of safety production and informational construction. Upon the completion of the projects, it is expected that this will bring about economic gains of RMB19,970,000 per year and scientific research will generate gold reserves of over 9 tons and report more than 10 patents, further improving the operation conditions and the neighbouring biological environment, and creating more significant social benefits.

Infrastructure and technology reform

The Group intends to implement a total of 20 infrastructure and technology reform projects. We intend to invest a total of RMB1,453,500,000, of which RMB819,900,000 will be used for the investment in 2008. When the projects are put in production, the ore processing and production capacity will reach 5,950 tons per day; the cyanide smelting capacity will reach 600 tons per day; and economic gains will reach RMB354,960,000 per year.

The enterprises within Zhaoyuan will pay close attention to the low-ore grade mine deep exploration and processing project of Dayingezhuang Gold Mine (大尹格莊金礦), the expansion project of Xiadian Gold Mine (夏甸金礦) with the output of 2,000 tons per day and the multifactor integrated recovery project and the three projects have been planned to complete and put into production within 2008.

The enterprises outside Zhaoyuan will focus on the infrastructure projects, namely, technical improvement project of Xinjiang Xingta Mining Co., Ltd. (新疆星塔礦業有限公司) ("Xingta Mining"), excavation project of Min Tianhao Gold Co., Ltd (岷縣天昊黃金有限責任公司) ("Min Tianhao") and infrastructure project of Gansu Liangdang County Mine Hill (甘肅兩當縣礦山) .

Building environment-friendly mines through reinforcing energy saving, safety and environmental protection.

State industry policies will undergo major adjustments in 2008. The traditional way of mining operation with high waste, high energy consumption, and high pollution would be replaced gradually by the new mining methods encompassing energy saving, pollutant emission reduction and environmental safety. In respect of energy saving, the Group will be engaged in the development and application of new equipments and the promotion and application of energy-saving new facilities.

In respect of safety and environmental issues, the Group will carry out further assessment on risks of safety and environmental protection and raise the employees' awareness on safety and environmental protection. The following technology innovation projects will be implemented step by step: construction of safety production information center, under-well communication and staff positioning system, and sewage system reconstruction, aiming at building the new, modern environment-friendly mines which make use of integrated resource application and ensure environmental safety.

Perfecting the recruitment and reward policy for the preparation of expansion development

The Group will continue to improve mechanism for talent recruitment and training as well as support its staff to build up their career path so as to devise the "Three Gold" policy comprising "Gold Bench, Gold Stair, and Gold Parachute Site". Meanwhile, high regard will be placed on broadening management's vision, introduction and recruitment of the most needed technology and technical talent as well as management talent. In the next two years, the Company plans to recruit 50 people with college degree or above and keep 100 candidates in record. By exploring new way of staff training such as joint courses held with tertiary institutions and commissioned training, the Group is going to train up its staff to prepare for the future tremendous development of the Group. Meanwhile, through strengthening the basic skill training, and organising professional training in 10 areas such as finance, safety environmental protection as well as electrical and mechanical technology in 2008, we plan to comprehensively improve the expertise of our staff.

SIGNIFICANT EVENTS

1. Election of the second session of the Board and supervisory committee

The Company held its first 2007 extraordinary general meeting ("EGM") on 16 April 2007, at which Mr. Lu Dongshang, Mr. Wang Peifu, Mr. Ma Yushan, Mr. Liang Xinjun, Mr. Wu Ping, Mr. Liu Gendong, Mr. Cong Jianmao, Mr. Yan Hongbo, Mr. Ye Tianzhu and Ms. Chen Jinrong were elected as members of the second session of the Board; and Mr. Wang Xiaojie and Mr. Cheng Binghai were elected as two of the three supervisors of the second supervisory committee of the Company (together with Mr. Chu Yushan, the employees' supervisor elected at the meeting of employees' representatives of the Company, form the second supervisory committee of the Company).

The Directors and supervisors were appointed for a term of three years commenced from 16 April 2007 upon the approval of the shareholders obtained at the EGM.

The 2006 annual general meeting ("2006 AGM") of the Company was held on 22 May 2007, at which Mr. Choy Sze Chung Jojo was elected as an independent non-executive Director with a term of three years commencing from 22 May 2007 upon approval of the shareholders obtained at the 2006 AGM.

The resolution announcement for the first EGM for 2007 was set out in the Hong Kong Economic Times and South China Morning Post and published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 17 April 2007.

2. Formation of senior management

The first board meeting of the second session of the Board was held on 16 April 2007, at which Mr. Lu Dongshang was elected as the chairman of the second session of the Board and the legal representative of the Company, Mr. Liang Xinjun was elected as the vice chairman, Mr. Wang Peifu was appointed as the president and the chief executive officer of the Company, Mr. Ma Yushan was appointed as the chief marketing officer, Ms. Yu Huiling was appointed as the chief securities officer, Mr. Xu Yuanjun was appointed as the chief development officer, Mr. Lin Jizhao was appointed as the chief technology officer *(Note 1)*, Mr. Zhang Banglong was appointed as the chief finance officer, Mr. Li Xiuchen was appointed as the deputy general manager, Mr. Shi Wenge was appointed as the deputy general manager, Ms. Yu Huiling was appointed as the secretary to the Board, Mr. Ngai Wai Fung was appointed as the company secretary, and Mr. Lu Dongshang and Mr. Wang Peifu were both appointed as the authorized representatives of the Company.

Meanwhile, members of the respective special committees were designated by the Board:

(1) The strategic committee of the Board comprises executive Director Mr. Lu Dongshang, non-executive Directors Mr. Liang Xinjun and Mr. Liu Gendong, and independent non-executive Directors Mr. Yan Hongbo and Mr. Ye Tianzhu, and Mr. Lu Dongshang was appointed as the chairman of the strategic committee.

(2) The remuneration and appraisal committee of the Board comprises non-executive Director Mr. Liang Xinjun, independent non-executive Directors Mr. Yan Hongbo and Ms. Chen Jinrong, and Mr. Yan Hongbo was appointed as the chairman of the remuneration and appraisal committee.

(3) The nomination committee of the Board comprises non-executive Director Mr. Wu Ping, independent non-executive Directors Mr. Ye Tianzhu and Ms. Chen Jinrong, and Mr. Ye Tianzhu was appointed as the chairman of the nomination committee.

(4) The audit committee of the Board comprises non-executive Director Mr. Liu Gendong, independent non-executive Directors Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo *(Note 2)*, and Ms. Chen Jinrong was appointed as the chairman of the audit committee.

(5) The safety and environmental protection committee of the Board comprises executive Director Mr. Wang Peifu, non-executive Director Mr. Cong Jianmao, independent non-executive Directors Mr. Yan Hongbo and Mr. Ye Tianzhu, and Mr. Yan Hongbo was appointed as the chairman of the safety and environmental protection committee.

The announcement about the Board resolutions was set out in the Hong Kong Economic Times and South China Morning Post and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 17 April 2007.

Notes:

1. Mr. Lin Jizhao passed away due to illness on 8 July 2007.

2. Mr. Choy Sze Chung Jojo was appointed as member of the audit committee at the fourth meeting of the second session of the Board held on 8 August 2007.

3. **Acquisition of Xixia Zhaojin Mining Co., Ltd (西峽招金礦業有限責任公司) ("Xixia Zhaojin"), Tuoli Zhaojin and Min Tianhao**

On 22 June 2007, the Company entered into three agreements with Shandong Zhaojin Group Company Limited (山東招金集團有限公司) ("Zhaojin Group"), where Zhaojin Group is the promoter and controlling shareholder (as defined in the Listing Rules) of the Company and is beneficially interested in approximately 37.3% of the issued shares of the Company. Pursuant to these agreements, the Company conditionally agreed to acquire from Zhaojin Group its 51%, 90%, and 80% equity interests in Xixia Zhaojin, Tuoli Zhaojin and Min Tianhao, respectively, at RMB9,965,300, RMB66,870,000 and RMB52,313,400, respectively. The Company also entered into three agreements with three independent third parties, respectively, to conditionally acquire the remaining 49%, 10% and 20% equity interests in Xixia Zhaojin, Tuoli Zhaojin and Min Tianhao at RMB9,574,500, RMB7,430,000 and RMB13,078,400, respectively. The aforesaid transactions were completed on 31 August 2007.

The aforesaid transactions constituted connected transactions of the Company under the Listing Rules. An announcement and a circular were published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 23 June 2007 and 12 July 2007, respectively, and such transactions were approved by independent shareholders by poll at the EGM held on 28 August 2007. Each of Xixia Zhaojin, Tuoli Zhaojin and Min Tianhao becomes a wholly-owned subsidiary of the Company upon completion of such acquisitions.

A resolution announcement of the EGM was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 28 August 2007.

4. **Acquisition of Yunnan Sparton**

On 25 July 2007, Sparky International Trade Co., Ltd ("Sparky International"), a wholly-owned subsidiary of the Company, entered in an equity transfer agreement in respect of STARRY LIMITED ("STARRY", a joint stock company incorporated under the laws of the British Virgin Islands with limited liability) with an independent third party in Beijing, pursuant to which Sparky International acquired 100% equity interest in STARRY for a consideration of RMB8,200,000.

On 20 November 2006, STARRY entered into an equity transfer agreement with Yunnan Nuclear Geological Exploration Brigade 201 (雲南省核工業地質201調查隊) ("Exploration Brigade") and Sparton International Resources Inc. (斯帕頓國際資源有限公司) ("Sparton International") for the acquisition of 51% issued share capital of Yunnan Sparton Minerals Co., Ltd.(雲南斯帕頓礦業有限公司) ("Yunnan Sparton") from Exploration Brigade and Sparton International at a consideration of RMB24,480,000. Pursuant to the terms of payment stipulated under the equity transfer agreement, an amount of RMB4,692,000 was paid by STARRY, while RMB19,788,000 remained outstanding. Sparky International would, following the acquisition of STARRY, assume the obligation for the payment of the outstanding amount.

Yunnan Sparton was a sino-foreign co-operative joint venture established by Exploration Brigade and Sparton International on 5 April 2004 and was owned by them as to 20% and 80%, respectively. In November 2006, the shareholding of Yunnan Sparton was changed to: 51% by STARRY, 10% by Exploration Brigade and 39% by Sparton International. Following the acquisition, Sparky International indirectly holds 51% equity interest in Yunnan Sparton.

Yunnan Sparton currently owns eight exploration rights in Luxi City, Yunnan province, with total exploration area of approximately 249 sq.km. The acquisition of Yunnan Sparton was completed on 25 July 2007.

5. Establishment of Subsidiaries

The Company established the wholly-owned subsidiaries, namely, Sparky International, North China Zhaojin Mining Industry Investment Co., Ltd. (華北招金礦業投資有限公司) ("North China Zhaojin", previously known as Beijing Jindu Zhaojin Mining Investment Co., Ltd. (北京金都招金礦業投資有限公司)) and Gansu Zhaojin Mining Investment Co., Ltd. to attend to the acquisition of gold mining rights overseas, in northern, northeastern and the northwestern regions of the PRC. Total investment for the above-said establishment of subsidiaries was RMB159,470,000.

6. Change of Company Secretary and the Principal Place of Business in Hong Kong

On 16 April 2007, the Board announced that Ms. Michelle Feng Harnett ("Ms. Harnett") had ceased to act as the company secretary of the Company with effect from 15 April 2007 due to expiry of the term of her employment contract with the Company.

Ms. Harnett confirmed that she has no disagreement with the Board and there are no circumstances which need to be brought to the attention of the Stock Exchange and the shareholders of the Company.

The Board also announced that Mr. Ngai Wai Fung was appointed as the company secretary of the Company and the principal place of business of the Company in Hong Kong was changed to 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong with effect from 16 April 2007.

The announcement relating to the change of company secretary and change of the principal place of business in Hong Kong was set out in Hong Kong Economic Times and South China Morning Post and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 17 April 2007.

7. Common Directorship

On 10 July 2007, the Board announced that Mr. Lu Dongshang ("Mr. Lu"), a Director of the Company and a director of Zhaojin Group, had tendered his resignation as a director of Zhaojin Group to the government of Zhaoyuan City, Shandong Province, the People's Republic of China ("Zhaoyuan City Government") in January 2007 pursuant to the undertaking given by Mr. Lu to the Company.

The Zhaoyuan City Government considered that the overlap of Mr. Lu as a Director of the Company and a director of Zhaojin Group would not cause any impairment to the interests of the Company and its shareholders, as the competition between the Company and Zhaojin Group had been significantly reduced. Therefore, the resignation of Mr. Lu was not approved.

Each member of the Board (excluding Mr. Lu) considers that since the competition between the Company and Zhaojin Group has been significantly reduced and that Mr. Lu will abstain from voting at the Board meeting of the Company in respect of any matter that may give rise to any potential conflict of interest as a result of his common directorship in the Company and Zhaojin Group, the Board does not have any objection to Mr. Lu remaining as a Director of the Company whilst being a director of Zhaojin Group.

Further information regarding Mr. Lu's common directorship was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 10 July 2007.

8. Acquisition of mining rights and exploration rights

a. On 17 June 2007, the Company and the 1st Geology and Mineral Survey Academy of Gansu Geology and Mineral Survey and Developing Bureau (甘肅省地質礦產勘查開發局第一地質礦產勘查院) (the "1st Geology and Mineral Survey Academy", an independent third party), entered into a cooperative exploration agreement in relation to the cooperative exploration of Xiangtanzi Gold Mine (湘潭子金礦) and Liushaogouduo Metal Mine (柳稍溝多金屬礦) in Liangdang County in Gansu, covering an area of 62.9 sq.km.

   The parties agreed that, during the period of cooperative exploration, the 1st Geology and Mineral Survey Academy shall possess the exploration right and it shall offer geological technology, exploration capacity, exploration right and provide the achieved geological results and shall hold 30% interest in the venture, while the Company shall be responsible for the follow up contribution of RMB15,000,000 as the venture capital and shall hold 70% interest in the venture.

   After the exploration, provided that the parties are satisfied with the result of their joint development, a cooperative joint venture company would be established for mining operation with the ownership structure unchanged. If the mining does not proceed by the parties and the exploration right is to be transferred, the proceeds from the transfer will be attributed to the 1st Geology and Mineral Survey Academy and the Company in the proportion of 30% and 70% in accordance with their respective interests in the company.

b. On 30 June 2007, Min Tianhao entered into a transfer agreement with the 1st Geology and Mineral Survey Academy pursuant to which Min Tianhao acquired (i) the exploration right of the Bao Jiagou Gold Mine (包家溝金礦) located at Bao Jiagou, Maiji District, Tianshui City, Gansu Province, the PRC (中國甘肅省天水市麥積區包家溝) with an area of 12.23 sq.km. at a consideration of RMB1,850,000; and (ii) the exploration right of the Huayuan Dam Gold Mine (花園壩金礦) located at Huayuan Dam, Maiji District, Tianshui City, Gansu Province, the PRC (中國甘肅省天水市麥積區花園壩) with an area of 26.03 sq.km. at a consideration of RMB2,000,000.

   Bao Jiagou Gold Mine (包家溝金礦) is located in the west end of Hua Shishan Gold Mine (花石山金礦) and the periphery of Diao Bazi Gold Mine (吊壩子金礦), a well-known gold mine in Gansu Province, and has good prospects and potential of having gold reserves.

   Huayuan Dam Gold Mine (花園壩金礦) has gold mineralisation and a circled gold body whose ore grades are 4.37 g per ton. The relevant area is an ideal plot for gold exploration.

   The relevant information was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 19 September 2007.

c. On 28 June 2007, Tuoli Zhaojin entered into a transfer agreement with Shanghai Rongxin Copper Industry Company Limited (上海熔鑫銅業有限公司) ("Shanghai Rongxin") to acquire the Sarekuobu Gold Mine (薩熱闊布金礦) at a consideration of RMB6,650,000.

   The Sarekuobu Gold Mine (薩熱闊布金礦) is located in the Sarekuobu area at the northeast of Aletai City, Xinjiang, the PRC. The mining right covers approximately 3 sq.km. with ore processing volume of 150 tons per day. The Company and Tuoli Zhaojin have carried out on-site investigation of the Sarekuobu Gold Mine (薩熱闊布金礦) and the confirmed volume of gold is 3,100 kg. In addition, according to the results of the completed geology study and expected drilling process, the volume of gold under our control is 1,500 kg, and the gold ore grade is 2.7 g per ton.

   After the acquisition of Sarekuobu Gold Mine (薩熱闊布金礦), Aletai Zhaojin Kunhe Mining Industry Co. Ltd. (阿勒泰市招金昆合礦業有限公司) was established with registered capital of RMB10,000,000 in August 2007 to operate the production of the Sarekuobu Gold Mine (薩熱闊布金礦).

   The relevant information was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 25 September 2007.

d. On 19 August 2007, North China Zhaojin, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Beijing Sino Tech Institute of Mineral Exploration Co., Ltd (北京中色地科礦產勘查研究院有限公司) ("Beijing Sino Tech"), an independent third party, to establish a joint venture company Beijing Zhongse Hongxin Mining Technology Co., Ltd. (北京中色鴻鑫礦業科技有限責任公司) ("Beijing Zhongse") for the purposes of exploration and development of Hunan Lijiachong Gold (Tungsten) Mine (湖南省李家沖金(鎢)礦) (a gold mine located at Taoyuan County, Changde City, Hunan Province, with an exploration area of 51.64 sq.km.), Sichuan Dongjiayuan Gold Mine (四川省董家院金礦) (a gold mine located at Chaotian County, Guangyuan, Sichuan Province, with an exploration area of 114.51 sq.km.), and Neimenggu Elunchun Qi Xilingti Autonomous Gold Mine (內蒙古鄂倫春旗西陵梯金礦) (a gold mine located at Neimenggu Autonomous Hulunbeier City, Elunchun Autonomous County, with an exploration area of 65.68 sq.km.).

   North China Zhaojin and Beijing Sino Tech hold 90% and 10% of the issued share capital of Beijing Zhongse, respectively.

   The relevant information was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 4 October 2007.

e. On 22 August 2007, the Group entered into (i) an equity transfer agreement in respect of an acquisition of 95% equity interest in Xingta Mining from Shanghai Fosun Industrial Technology Development Co., Ltd (上海復星工業技術發展有限公司) ("Shanghai Fosun Technology") at RMB19,858,705; and (ii) an equity transfer agreement in respect of an acquisition of 5% equity interest in Xingta Mining from Shanghai Fosun Industrial Investment Co., Ltd. (上海復星產業投資有限公司) ("Shanghai Fosun") at RMB1,045,195. The consideration for the acquisitions had been determined after arm's length negotiation and after taking into account the valuation of the net asset value of

Xingta Mining as at 31 December 2006 made by China Assets Appraisal Company Limited (中資資產評估有限公司) ("China Assets Appraisal"), an independent firm of valuers in the PRC, and the current financial condition of Xingta Mining.

Shanghai Fosun is the promoter and substantial shareholder of the Company and Shanghai Fosun Technology is a subsidiary of Shanghai Fosun. Shanghai Fosun and Shanghai Fosun Technology are therefore connected persons of the Company. The aforesaid transactions constituted connected transactions of the Company under the Listing Rules.

The relevant information about Xingta Mining was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 22 August 2007.

f. On 28 September 2007, the Company entered into an equity transfer agreement with third parties independent of the Company to acquire 100% equity interest in Fukang Mining Industry Company Limited (富康礦業有限責任公司) ("Fukang Mining") at a consideration of RMB27,000,000.

Fukang Mining possesses one mining right and one exploration right, one productive mine hill and one ore processing plant with mining and ore processing capacity of 100-150 tons per day and three mining brigades. The verified multi-ore resource reserves are as follows: ore reserves are 164,671 tons, gold metal reserves are 1,355.92 kg and its average grade is 8.23 g per ton.

The relevant information was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 12 October 2007.

g. On 2 January 2008, the Company entered into an equity transfer agreement with two vendors, being independent third parties to the Company. Pursuant to the equity transfer agreement, the Company agreed to conditionally acquire 52% equity interests in Fengning Jinlong Mining Limited (豐寧金龍黃金工業有限公司) ("Fengning Jinlong") at a total cash consideration of RMB310,000,000. The Company agreed to the additional conditions provided in the equity transfer agreement, which are settlement of certain debts of approximately RMB23,000,000 for the vendors, resource certification fees of approximately RMB5,000,000, taxes of approximately RMB5,000,000 and audit and valuation fees of approximately RMB3,000,000 incurred by the vendors in respect to the acquisition. The consideration for the acquisition will be satisfied in cash from the proceeds raised by the listing.

Fengning Jinlong is based in Fengning Manchu Autonomous County in Hebei Province of the PRC. It has three mining areas. The total areas with mining rights and exploration rights amount to approximately 1.1693 sq.km. and approximately 19.41 sq.km. respectively. The gold reserves amount to approximately 21 tons. Fengning Jinlong is principally engaged in mining, processing and/or smelting of gold.

Fengning Jinlong possesses one processing mill, which processes approximately 800 tons of ores a day, and one smelting plant, which daily processing capacity is approximately 200 tons. The ores are processed to the end product of gold concentrates and finished gold.

The acquisition does not constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, nor a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

h. On 1 January 2008, the Company and an independent third party entered into an equity transfer agreement to acquire 51% equity interests in Xinjiang Tonghui Copper Co., Ltd. (新疆銅輝礦業有限責任公司) ("Tonghui Copper"). Tonghui Copper is a company established in the PRC. The consideration for the acquisition was RMB265,000,000 under the equity agreement, which will be satisfied in cash from the proceeds raised by the listing. The Company paid RMB53,600,000 as a deposit on 31 December 2007.

   Tonghui Copper located at the southwestern region of Xinjiang Uygur Autonomous possesses four mining rights with mining areas of 9.26 sq.km. Tonghui Copper is principally engaged in development and processing of gold and copper.

   The acquisition does not constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, nor a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

9. Lease of office building

On 31 August 2007, the Company entered into a leasing agreement (the "Xinyuan Leasing Agreement") with Xinyuan Gold Technology Development Co., Ltd. (招遠市欣源黃金科技發展有限公司) ("Xinyuan Gold"), a wholly-owned subsidiary of the Zhaojin Group, for leasing the premises with a total leasing area of approximately 5,965 sq.m. located at No.299 Jinhui Road, Zhaoyuan City, Shandong Province (the "Property") for a period of one year commencing from 1 September 2007 to 31 August 2008.

The rent payable by the Company to Xinyuan Gold is determined with reference to the market rent of comparable properties in the market together with the total rental gross floor area under the Xinyuan Leasing Agreement, which was RMB2,430,000 for the period from 1 September 2007 to 31 August 2008.

Zhaojin Group is one of the promoters and controlling shareholders of the Company. Xinyuan Gold is therefore a connected person of the Company. The aforesaid transaction constituted a continuing connected transaction of the Company under the Listing Rules.

The relevant information was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 31 August 2007.

On 24 December 2007, an asset transfer agreement was entered into between the Company and Xinyuan Gold to acquire from Xinyuan Gold the land use rights of the Property with a total site area of approximately 16,173 sq.m. and the building erected thereon with a total gross floor area of approximately 13,717.52 sq.m. More details are set out in the paragraph headed "11. The property to be acquired" below. The leasing agreement was therefore terminated on 24 December 2007.

10. Change of the secretary to the Board

Ms. Yu Huiling has tendered her resignation as secretary to the Board due to personal reasons with effect from 19 December 2007. Ms. Yu Huiling has confirmed to the Board that there are no matters relating to her resignation that need to be brought to the attention of the Stock Exchange and the shareholders of the Company, and there is no disagreement between Ms. Yu Huiling and the Board.

Mr. Wang Ligang has been appointed as secretary to the Board with effect from 19 December 2007.

The relevant information was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 19 December 2007.

11. The property to be acquired

On 24 December 2007, an asset transfer agreement was entered into between the Company and Xinyuan Gold to acquire from Xinyuan Gold the land use rights of the Property with a total site area of approximately 16,173 sq.m. and the building erected thereon with a total gross floor area of approximately 13,717.52 sq.m. for a consideration of RMB56,840,000, which has been determined in an arm's length negotiation between the Company and Xinyuan Gold after taking into account the valuation of the Property as at 31 July 2007 made by China Assets Appraisal.

The relevant information was published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn on 24 December 2007.

PRE-EMPTIVE RIGHTS

There is no provision or regulation for pre-emptive rights under the Company's articles of association or the PRC Laws which requires the Company to issue 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, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to 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 of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules by the Company during any time of the Year.

COMPLIANCE WITH THE 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 Issuers set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Board is pleased to confirm, after making specific enquiries with all Directors, that all Directors have fully complied with standards required according to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules during the Year.

AUDIT COMMITTEE

The Company established its audit committee on 16 October 2004. The audit committee comprises one non-executive Director, namely Mr. Liu Gendong, and three independent non-executive Directors, namely Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo.

The audit committee has adopted a written terms of reference which is in compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. The audit committee is primarily responsible for the matters concerning the internal controls and financial reporting. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed on the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the year ended 31 December 2007.

The audit committee is of the view that the Group's audited annual results for the year ended 31 December 2007 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 17 April 2008 to 16 May 2008, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the final dividend, all transfer instruments 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 for H share shareholders, or the registered office of the Company at 2 Wenhua Road, Zhaoyuan City, Shandong Province, the PRC for domestic share shareholders for registration no later than 4:30 p.m. on 16 April 2008.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2007 AGM will be held on 16 May 2008. The notice of 2007 AGM will be posted to its shareholders as soon as possible. The Group's annual report for the year ended 31 December 2007 will be posted to its shareholders in due course.

Notes:

1. This annual results announcement will be published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company's website (http://www.zhaojin.com.cn).

2. As at the date of this announcement, the Board comprises:
   Executive Directors: Mr. Lu Dongshang, Mr. Wang Peifu and Mr. Ma Yushan
   Non-executive Directors: Mr. Liang Xinjun, Mr. Wu Ping, Mr. Liu Gendong and Mr. Cong Jianmao
   Independent non-executive Directors: Mr. Yan Hongbo, Mr. Ye Tianzhu, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo

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

Zhaoyuan, the PRC, 10 March 2008

* *For identification purposes only*