

Chairman's Statement



Lu Dongshang
Chairman

To Shareholders,

I am pleased to present the annual report of Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2006 on behalf of the board of directors (the "Board") of the Company. I would also like to express our kind regards to all shareholders (the "Shareholders") of the Company on behalf of the Board and all staff members.

The Group has experienced a breakthrough in 2006. On 8 December, the Group successfully listed on the Main Board of the Stock Exchange and issued 172,800,000 H shares of overseas-listed foreign shares through initial public offering. On 19 December 2006, the over-allotment option was exercised and 25,915,000 new H shares were allotted. After exercising the over-allotment option, the total number of new shares issued

increased to 198,715,000 shares. The total number of H shares is 218,586,500 shares, of which 19,871,500 overseas-listed foreign shares are held by the National Social Security Fund Council (the "NSSF Council") of the PRC, and the proceeds raised net of issue expenses amounted to approximately HK\$2,400,000,000. The issuance of H shares helps the Company to enter the international capital market, further optimize our shareholding structure and expand and initiate our financing ability.

I am pleased to report to our Shareholders that the Group has experienced a rapid development in 2006. We have broken the records of gold production and various operational results. We achieved an aggregate gold production of approximately 15,648 kg (approximately 503,095 ozs), representing an increase of approximately 25.4% as compared to the corresponding period in the previous year, which included approximately 6,271 kg (approximately 201,617 ozs) of mine-produced gold and approximately 9,377 kg (approximately 301,478 ozs) of smelting and processing gold. In accordance with the Hong Kong Financial Reporting Standards (the "HKFRS"), the annual sales revenue amounted to RMB1,164,415,000, representing an increase of 34.2% as compared to the prior year. The profit attributable to Shareholders amounted to RMB351,190,000, representing an increase of 115.6% as compared to the prior year. Earnings per share amounted to RMB0.54 (before interest income arising from share application funds) and RMB0.65 (after interest income arising from share application funds) respectively in 2006.

The dividend policy adopted by the Company includes regular payment of cash dividend to our Shareholders. As a result, the Board recommends to implement a positive bonus policy at the annual general meeting. The Board proposes payment of final dividend of RMB0.15 for the year 2006 and the dividend paid out ratio is approximately 31.3%.

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In 2006, the weakening of US dollar has triggered the bullish metal commodities market. The average spot price of international gold in 2006 was US\$603.46 per ounce (based on afternoon fix price of London Gold Market), representing an increase of approximately 35.69% from the average price of US\$444.74 per ounce in 2005. The opening price was US\$530 per ounce, and the closing price was US\$632 per ounce in 2006. The highest price was US\$725 per ounce and the lowest price was US\$524.75 per ounce. The trend of the domestic gold price is basically in line with international market with gold price increasing significantly. On the Shanghai Gold Exchange, the Au9999 gold price recalled a historical high of approximately RMB186.51 per gram in 2006.

2007 is the first year following the listing of the Group. We will focus on exploration, external expansion by acquisitions, expanding technical conversion and enhancing production capacity, and developing scientific research and striving for innovative technology. Meanwhile, we will also put emphasis on production safety and environmental protection.

Looking ahead at our future development, we will focus on gold production and strengthen our presence in pure gold market. To accomplish these purposes, we will place emphasis on two substantial development plans, namely our production scale expansion and external expansion. We will also apply

our IPO proceeds according to the Prospectus to expand our existing production scale and actively expand externally so as to raise our gold production capacity. We will dedicate our exploration work to increase the reserve level and focus on the extension of ore bodies in our existing mines, geological exploration in blanking zone of Zhaoyuan district, development in other areas outside Zhaoyuan City of the PRC and acquisition of advanced exploration projects to increase our gold reserves level. We will at the same time further improve our corporate internal management standard, our scientific development standard, our safety and environmental standard and improve our corporate culture building. We are committed to develop as a top international gold production corporation in the PRC and the world.

As a newly listed company, we understand that in order to gain the confidence of our Shareholders and maintain healthy development in the capital markets, we need to have sound corporate governance, transparency in operation and remarkable results. Under the supervision of the Stock Exchange, we are committed to the highest standards of information disclosure and compliance with the Listing Rules.

I would like to express my gratitude on behalf of the Board to all of our staff for their dedication and our Shareholders for their continual support offered to the Group. We undertake that we will take "maximization of the interests of our Shareholders" as our operational objective like we did before and repay our Shareholders with the best results.

Lu Dongshang

Chairman

22 March 2007



Zhaojin Mining Industry Company Limited was listed on the Main Board of the Stock Exchange on 8 December 2006.