

Chairman's Statement

Dear Shareholders,

I am pleased to announce the profit before tax of the Company of approximately RMB337,341,000 for the year ended 31 December 2006, representing a year-on-year growth of 48.7%. Profit attributable to equity shareholders of the Company amounted to RMB219,836,000 representing a year-on-year growth of 42.2%. Earnings per share of the Company was RMB0.29. The expected increase in profit attributable to shareholders of the Group in 2006 was mainly attributed to the advantage over the high selling price of the main products, the increase of production for mines in Xinjiang region and the improvement in technical index etc.

After discussion by the board (the "Board") of directors (the "Directors") of the Company, the Directors recommend the declaration of a final dividend of RMB0.08 per share, the dividend yield is 28%.

Review for the Year 2006

Factors like international geographical politics and economy in 2006 aggregately improved and affected the gold market. The global economy also recorded a relatively steady growth. The international gold price has reached a new record high in the first half of the year, and remained high in the second half of the year. Benefited from (i) the high price of gold, and (ii) the advanced smelting technology and a better indicative control, the Group has recorded a steady successive growth in its results. According to the research conducted by China Gold Association, for the year 2006, the Company's production volume of gold represented approximately 5.8% of the total gold production in the PRC, the Company's production volume of smelted gold represented approximately 14.9% of the total production volume in the PRC, and the profit of the Company represented approximately 3.6% of the total profit earned in the gold industry in the PRC.

1. Focus on Acquisition and Expansion of Resources

During the year 2006, the Company completed the acquisition of various mines in Jiangxi and Inner Mongolia, resulting in an addition of 9 exploration rights covering an area of 144.72 sq.km. and 1 mining right covering an area of 1.68 sq.km. As at 31 December 2006, the Group had an aggregate of 33 exploration and mining rights covering an area of 841.25 sq.km., with remained gold reserves and resources of approximately 108.73 tonnes. Through acquisitions and integration, the Group successfully expanded its mining business to Xinjiang, Jiangxi and Inner Mongolia, where rich gold resources are available and which has further strengthened and reinforced the resource foundation of the Company for its future development.

2. Improved Technologies for Outstanding Results

Such problems as rock tensiled pressure and groundwater leakage at ore veins encountered with the mining works and exploration project have already been resolved, which is a valuable experience for the Company in developing deeper resources. The heap-leaching production in the Xinjiang mine enabled the Company to develop a new line of developing low grade ores while the newly completed waste water treatment facility in the Metallurgical Branch was a new trial for the Company in respect of recycling economy. Besides, the setup of 靈寶黃金天津地院研發中心 (Lingbao Gold Tianjin Geological Research and Development Centre), together with the research on mineralization across the region, has marked the Company's great success in integrating production and research and developing new technologies.

3. **Key Construction Projects on a Steady Move**

A series of exploration and construction projects were implemented in 2006, including the Yinxin Mining Shaft Project - Phase II (峯鑫二期豎井工程), Qiangma Tunnel 14 Mining Shaft Project (槍馬西十四坑豎井工程) and Hongxin's 630 deeper Exploration Project (630深部探礦工程). Hahabe Huatai Gold Limited Liability Company in Xinjiang implemented four exploration shaft projects and an expansion project regarding processing facilities with a capacity of 1,000 tonnes. The expansion of the waste water facility and phase II of the smelter complex project of Gold Metallurgical Branch have also met with success. The implementation of the above projects has reinforced the development potential of the Company and prepared us for a steady improvement in terms of economic efficiency in 2007 as well as the couple years afterwards.

4. **Strengthening Cultural Cultivation and Fostering Corporate Solidarity**

With our mission "to set foot on the mining industry and to produce quality gold", "harmony within the company, society and among staff" as our core value, and "stability, diligence, creation and efficiency" as keynote, the cultivation of our corporate culture in the second half of 2006 has achieved initial success and fostered our solidarity. In the past, smelting accounted for a higher proportion in the Company's businesses. However, with the acquired exploration projects gradually submitting exploration results, together with the facilities and commencement of production of the acquired mines, the proportion of mining business is to increase correspondingly in the coming year.

Business Outlook of the Year 2007

In the first quarter of 2007, the price of gold hovered at high level. Various reasons together will contribute a high price of gold. With the support of the market and price, the business of the Company has been given more room for further expansion. After the acquisition of resources in 2006, the business strategies of the Company in 2007 include:

1. Continuous concern in seeking mineral resources suitable for acquisition, further enhance gold reserves and production of the Company;
2. Streamline of corporate management, continuous dedication in improving operation and enhancing cost control;
3. More employment and training of expertise to be in line with growing scale of the Company, ensuring skilled expertise and various professionals can satisfy the Company's need of development;
4. More scientific strategy, regulated operations, systematic execution, institutionalized management, standard workflow and construction of information reflection, reinforce the execution of the decisions of the Company, and ensure a strategic development of the Company while at the process of the expansion.

The Company will continue to explore more business opportunities proactively and prudently, and by virtue of (i) high gold price; (ii) advanced processing and refining technology and equipment and (iii) highly effective integrated capability of recovering gold, silver, copper and sulphur, the Group believe that the Company will continue to bring stable benefit through investment in the coming years.

Chairman's Statement

Appreciation

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

By order of the Board

Xu Gaoming

Chairman

Hong Kong

24 April 2007