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 2009

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to approximately RMB2,796,991,000 in 2009, representing an increase of approximately RMB644,260,000, or approximately 29.93% as compared to 2008.

The net profit of the Group amounted to approximately RMB751,333,000 in 2009, representing an increase of approximately 39.62% as compared to 2008.

The basic earnings per share attributable to ordinary equity holders of the Company amounted to approximately RMB0.52 in 2009.

The Board proposed the payment of a cash dividend of RMB0.22 (before taxation) per share to all shareholders.

The board (the "Board") of directors (the "Directors") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 (the "Year").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CONTINUING OPERATIONS			
REVENUE	3,4	**2,796,991**	2,152,731
Cost of sales		**(1,347,704)**	(1,072,814)
Gross profit		**1,449,287**	1,079,917
Other revenue and gains	4	**99,181**	58,185
Selling and distribution costs		**(38,291)**	(19,982)
Administrative expenses		**(381,603)**	(295,952)
Other operating expenses		**(62,136)**	(97,241)
Finance costs		**(23,137)**	(17,260)
Share of profit and loss of an associate		**1,331**	2,672
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	**1,044,632**	710,339
Income tax expense	6	**(264,035)**	(170,734)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**780,597**	539,605
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	7	**(29,264)**	(1,483)
PROFIT FOR THE YEAR		**751,333**	538,122
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of a foreign operation		**(12)**	(2,228)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(12)**	(2,228)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**751,321**	535,894
Profit attributable to:			
Owners of the Company		**754,020**	533,905
Minority interests		**(2,687)**	4,217
		751,333	538,122
Total comprehensive income attributable to:			
Owners of the Company		**754,008**	531,677
Minority interests		**(2,687)**	4,217
		751,321	535,894
Earnings per share (RMB) attributable to ordinary equity holders of the Company	10		
Basic and diluted			
– For profit for the year		**0.52**	0.37
– For profit from continuing operations		**0.54**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,763,461**	2,147,927
Intangible assets		**2,364,514**	1,846,860
Interest in an associate		**37,980**	36,649
Long term deposits		**6,882**	5,866
Land lease prepayments		**131,483**	76,340
Other long term assets	*11*	**164,646**	211,656
Deferred tax assets		**94,924**	79,257
Total non-current assets		**5,563,890**	4,404,555
CURRENT ASSETS			
Cash and cash equivalents		**2,209,396**	688,764
Trade and notes receivables	*12*	**10,797**	35,362
Prepayments and other receivables		**197,556**	218,233
Inventories	*13*	**475,111**	422,228
Equity investments at fair value through profit or loss	*14*	**–**	21,843
Held-to-maturity investments	*15*	**–**	140,000
Pledged deposit	*16*	**59,396**	–
		2,952,256	1,526,430
Assets of a disposal group classified as held for sale	*7, 8*	**65,486**	–
Total current assets		**3,017,742**	1,526,430
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**611,056**	471,190
Trade payables	*17*	**373,295**	205,555
Other payables and accruals		**460,224**	327,182
Provisions		**12,966**	12,445
Tax payable		**66,505**	93,824
		1,524,046	1,110,196
Liabilities directly associated with the assets classified as held for sale	*7, 8*	**26,986**	–
Total current liabilities		**1,551,032**	1,110,196
NET CURRENT ASSETS		**1,466,710**	416,234
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,030,600**	4,820,789
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**57,790**	7,790
Provisions		**62,361**	56,219
Deferred income		**39,969**	49,280
Corporate bond	*18*	**1,488,036**	–
Deferred tax liabilities		**375,027**	298,831
Other long term liability		**40,000**	–
Total non-current liabilities		**2,063,183**	412,120
NET ASSETS		**4,967,417**	4,408,669
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**1,457,430**	1,457,430
Reserves		**2,789,391**	2,356,018
Proposed final dividend	*9*	**320,635**	241,933
		4,567,456	4,055,381
Minority interests		**399,961**	353,288
Total equity		**4,967,417**	4,408,669

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. It is principally engaged in the certain businesses of mining, processing, smelting of gold and the sale of gold, silver and copper concentrate.

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 ("SEHK") (the "IPO"). In addition, 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 and mining, processing and sale of copper products in the PRC. In addition, the Company processed and sold silver in the PRC. The registered office of the Company is located at 299 Jinhui 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 certain equity investments, which have been measured at fair value. Disposal groups and non current assets are stated at the lower of their carrying amounts and fair values less costs to sell.

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 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

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

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in profit or loss in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively.

HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent.

The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investments in subsidiaries, associates or jointly-controlled entities using a deemed cost.

As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation.

As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or results of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between level 1 and level 2 in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosure does not have any impact on the Group as the Group does not hold any financial instruments recognised at fair value.

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group has determined that its operating segments are different from the business segments previously identified under HKAS 14.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group has applied the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The amendments have no significant impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to profit or loss as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers* (adopted from 1 July 2009)

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(n) In October 2008, the HKICPA issued its first improvements to HKFRSs which set out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all amendments from 1 January 2009. While the adoption of some of the amendments results in changes accounting policies, none of these amendments has had a significant financial impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

HKFRS 1 Amendments is to ensure that first-time adopters are not disadvantaged as compared with current HKFRS preparers. First-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with HKFRSs that are included in *Improving Disclosures about Financial Instruments* (Amendments to HKFRS 7). As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant financial impact on the Group.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to *HKAS 7 Statement of Cash Flows,* HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures.*

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting for future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The HKAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group expects to adopt the HKAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

3. OPERATING SEGMENT INFORMATION

Previously, the Group reported information by business segments, namely mining and smelting in accordance with the different operations of the segments. As explained in note 2.2 above, on 1 January 2009, HKFRS 8 Operating Segments became effective. Accordingly, the Group now reports information by the reportable segments set out above, reflecting how senior management monitors the operating results of the Group's operating segments for the purpose of making decisions about resources allocation and performance assessment.

Segment performance is evaluated based on reportable segment profit which is a measure of adjusted profit before tax from continuing operation. Adjusted profit before tax is measured consistently with Group's profit before tax except interest income, finance costs, fair value gains/(losses) that are excluded from such measurement.

As over 99% of the assets of the Group are located in the PRC and over 89% of the sales are sold to the PRC customers, no further geographical or customer service segment information has been presented.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, convertible bonds, tax payable, deferred tax liabilities as these liabilities are managed on a group basis.

Consequently, for management purposes, the Group is organised into four reportable operating segments as follows:

(a) Gold operations segment consists of the operation of Xia Dian, Da Yin Ge Zhuang, He Dong, Jin Ting Ling, Lu Feng, Tuoli Kuo Ge Sha Ye, Sa Re Kuo Bu, Da Xi Gou, Hainan Dong Fang, Liang Dang, Zao Zi Gou, Xin Yuan, FuKang, Can Zhuang gold mines and Jin Chi Ling, Xing Ta smelter complex;

The sources of gold produced are as follows:

	2009	2008
	kg	*kg*
Own mines	**9,269**	7,753
Purchase and others	**2,038**	2,072
Tolling	**8,178**	7,794
Total	**19,485**	17,619

(b) Copper operations segment consists of the operation at Tong Hui copper mines and smelter complex;

(c) The "Others" segment consists of the operation at Gansu Zhaojin, Huabei Zhaojin, Beijing Zhongse, Heilongjiang Zhaojin investment and ancillary activities and Starry greenfield gold mine exploration.

The Group's operations by business units is as follows:

Year ended 31 December 2009

	Gold operations *RMB'000*	**Copper operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue				
Revenues from external customers	2,644,821	152,170	–	2,796,991
Other revenue and gains	93,773	5,408	–	99,181
Revenue from continuing operations	2,738,594	157,578	–	2,896,172
Segment results	1,002,053	29,861	(1,318)	1,030,596
Interest income				12,097
Fair value gain on equity investments at fair value through profit or loss				25,774
Finance costs				(23,137)
Foreign exchange loss				(698)
Profit before tax for from continuing operations				1,044,632
Assets and liabilities				
Segment assets	5,507,198	626,300	18,932	6,152,430
Unallocated assets				2,363,716
Assets related to discontinued operations				65,486
Total assets				8,581,632
Segment liabilities	776,527	94,325	7,849	878,701
Unallocated liabilities				2,708,528
Liabilities related to discontinued operations				26,986
Total liabilities				3,614,215
Other segment information				
Capital expenditure	1,501,059	43,909	–	1,544,968
Interest in an associate	37,980	–	–	37,980
Deposit paid for acquisition of subsidiaries and property, plant and equipment	164,646	–	–	164,646
Impairment losses recognised in profit and loss	5,654	–	–	5,654
Share of profit of an associate	1,331	–	–	1,331
Depreciation and amortisation	198,001	35,446	52	233,499
Exploration assets written off	16,821	–	–	16,821

Year ended 31 December 2008

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue				
Revenues from external customers	1,982,042	170,689	–	2,152,731
Other revenue and gains	52,673	5,512	–	58,185
Revenue from continuing operations	2,034,715	176,201	–	2,210,916
Segment results	677,446	54,413	(4,495)	727,364
Interest income				18,608
Fair value loss on equity investments at fair value through profit or loss				(11,796)
Finance costs				(17,260)
Foreign exchange loss				(6,577)
Profit before tax from continuing operations				710,339
Assets and liabilities				
Segment assets	4,427,165	647,267	66,689	5,141,121
Unallocated assets				789,864
Total assets				5,930,985
Segment liabilities	590,725	35,948	20,935	647,608
Unallocated liabilities				874,708
Total liabilities				1,522,316
Other segment information				
Capital expenditure	1,647,458	445,484	4,092	2,097,034
Interest in an associate	36,649	–	–	36,649
Deposit paid for acquisition of subsidiaries and property, plant and equipment	211,656	–	–	211,656
Impairment losses reversed in the consolidated statement of comprehensive income	(389)	–	–	(389)
Share of profit of an associate	2,672	–	–	2,672
Depreciation and amortisation	252,202	13,525	55	265,782
Exploration assets written off	29,107	–	–	29,107

4. REVENUE, OTHER REVENUE AND GAINS

Revenue, which is also the Group's turnover 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:

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Sale of goods:		
Gold	**2,521,057**	1,835,295
Copper concentrate	**158,266**	137,897
Silver	**66,493**	44,866
Sulphur	**13,333**	112,514
Other by-products	**45,157**	14,089
Rendering of service:		
Processing of gold and silver	**18,070**	27,153
	2,822,376	2,171,814
Less:		
Government surcharges	**(25,385)**	(19,083)
Revenue	**2,796,991**	2,152,731
Other revenue and gains		
Bank interest income	**12,097**	18,608
Sale of raw materials	**11,229**	17,027
Government grants	**24,590**	6,757
Gain on disposal of items of property, plant and equipment	**421**	878
Fair value gains, net:		
Equity investments at fair value through profit or loss	**25,774**	–
Excess over the cost of a business combination	**2,979**	–
Gains on held-to-maturity investments	**341**	673
Hotel service fees	**15,046**	12,847
Other gains	**6,704**	1,395
Other revenue and gains	**99,181**	58,185

5. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting) the following:

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories sold	**1,347,704**	1,072,814
Interest on bank and other borrowings	**17,671**	13,842
Interest for a corporate bond	**1,885**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**19,556**	13,842
Incremental interest on provisions	**3,485**	3,260
Bank charges and other finance costs	**96**	158
Finance costs	**23,137**	17,260
Staff costs (including directors' emoluments):		
Wages and salaries (including directors' remuneration)	**258,503**	194,334
Early retirement benefits	**12,825**	18,129
Defined contribution fund:		
– Retirement costs	**34,288**	32,742
Other staff benefits	**31,790**	29,023
Total staff costs	**337,406**	274,228
Foreign exchange loss	**698**	6,577
Auditors' remuneration	**2,550**	2,300
Amortisation of land lease prepayments*	**3,247**	2,368
Amortisation of mining rights*	**57,668**	87,892
Depreciation	**172,584**	157,522
Loss on disposal of property, plant and equipment	**14,815**	1,174
Operating lease rentals in respect of:		
– Land	**6,173**	4,992
– Office	**662**	996
Impairment of/(Reversal of) other receivables	**2,326**	(389)
Exploration assets written off	**16,821**	29,107
Fair value losses, net:		
– Derivative instruments – transactions not qualified as hedges	**–**	38,686
– Equity investments at fair value through profit or loss	**–**	11,796
Loss on disposal of a subsidiary	**–**	15,553

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

6. 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 25% (2008: 25%) 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 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2009	2008
	RMB'000	*RMB'000*
PRC corporate income tax		
– Charge for the year	**290,775**	190,961
Deferred tax	**(26,740)**	(20,227)
	264,035	170,734

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

		2009		2008	
	Note	*%*	***RMB'000***	*%*	*RMB'000*
Profit before tax from continuing operations			**1,044,632**		710,339
Statutory tax rate applied to profit before tax		**25.0**	**261,158**	25.0	177,585
Reconciling items:					
Expenses not deductible for tax		**0.5**	**5,661**	1.1	7,758
Tax losses not recognised	*(i)*	**0.1**	**999**	1.5	11,027
Income not subject to tax		**(0.1)**	**(964)**	(3.2)	(22,828)
Others		**(0.2)**	**(2,819)**	(0.4)	(2,808)
Total tax charge for the year		**25.3**	**264,035**	24.0	170,734

(i) Accumulated unused tax losses of approximately RMB3,996,000 arising from subsidiaries of the Group have not been recognised as deferred tax assets in the financial statements as it is not probable that the subsidiaries will generate future taxable income to utilise the tax benefits. The unused tax losses will expire within five years.

7. DISCONTINUED OPERATION

In November 2009, the Company resolved to dispose Yunnan Sparton Company Limited ("Sparton"), a wholly-owned subsidiary of Starry Company Limited ("Starry"). Sparton is principally engaged in greenfield gold mine exploration. The Group has decided to cease the greenfield gold mine exploration as the Company intends to focus its resources on mining activities. On 6 January 2010, the Company entered into a sales agreement to dispose its entire interests in Starry, a wholly-owned subsidiary of the Company. The disposal was completed on 6 January 2010 for a consideration of RMB12,000,000 satisfied by cash.

The results of Starry for the year is presented below:

	2009	2008
	RMB'000	*RMB'000*
Expense	**(1,505)**	(2,200)
Profit of the discontinued operation	**(1,505)**	(2,200)
Loss recognised on the remeasurement to fair value	**(28,135)**	–
Loss before tax from the discontinued operation	**(29,640)**	(2,200)
Income tax:		
Related to pre-tax loss	**376**	717
Loss for the year from the discontinued operation	**(29,264)**	(1,483)

The major classes of assets and liabilities of Starry classified as held for sale as at 31 December 2009 is as follows:

	2009	2008
	RMB'000	*RMB'000*
Assets		
Property, plant and equipment	**1,236**	–
Intangible assets	**29,944**	–
Cash and cash equivalents	**162**	–
Prepayments and other receivables	**6**	–
Inventories	**40**	–
Deferred tax assets	**815**	–
Assets classified as held for sale	**32,203**	–
Liabilities		
Other payables and accruals	**(8,061)**	–
Deferred tax liabilities	**(12,142)**	–
Liabilities directly associated with assets classified as held for sale	**(20,203)**	–
Net assets directly associated with the disposal group	**12,000**	–

The net cash flows incurred by Starry is as follows:

	2009 *RMB'000*	2008 *RMB'000*
Operating activities	**269**	(2,414)
Investing activities	**(369)**	(7,434)
Financing activities	**182**	8,645
Net cash inflow/(outflow)	**82**	(1,203)

	2009 *RMB*	2008 *RMB*
Loss per share:		
Basic, from the discontinued operation	**0.020**	0.001

The calculations of basic loss per share from the discontinued operation are based on:

	2009 *RMB'000*	2008 *RMB'000*
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**29,264**	1,483

	2009 *'000*	2008 *'000*
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,457,430**	1,457,430

8. OTHER ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Since December 2009 the Company has been undergoing a negotiation with a third party for the disposal of its 100% equity interest in Fukang Mining Industry Company Limited ("Fukang") as the mining activities in Fukang is not satisfactory. The total consideration proposed is around RMB26,500,000.

The major classes of assets and liabilities of Fukang classified as held for sale as at 31 December 2009 is as follows:

	2009	2008
	RMB'000	*RMB'000*
Assets		
Property, plant and equipment	**6,423**	–
Intangible assets	**22,190**	–
Cash and cash equivalents	**4,553**	–
Inventories	**117**	–
Assets classified as held for sale	**33,283**	–
Liabilities		
Other payables and accruals	**(204)**	–
Deferred income	**(1,500)**	–
Deferred tax liabilities	**(5,079)**	–
Liabilities directly associated with assets classified as held for sale	**(6,783)**	–
Net assets directly associated with the disposal group	**26,500**	–

9. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Ordinary:		
Proposed final – RMB0.22 per share (2008: RMB0.166 per share)	**320,635**	241,933

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.22 per share (before taxation) (2008: RMB0.166 per share (before taxation)).

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

10. EARNINGS PER SHARE

The calculation of basic earnings per share amounts 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.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2009	2008
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to owners of the Company		
From continuing operations	**783,284**	535,388
From a discontinued operation	**(29,264)**	(1,483)
	754,020	533,905

	2009	2008
	'000	*'000*
Shares:		
Weighted average number of ordinary shares in issue during the year	**1,457,430**	1,457,430

11. OTHER LONG TERM ASSETS

	2009	2008
	RMB'000	*RMB'000*
Deposits paid for the purchase of subsidiaries	**114,680**	125,000
Advance payment for the purchase of property, plant and equipment	**49,966**	86,656
Prepayment for long term assets	**164,646**	211,656

During the year, the Company placed deposits amounting to RMB19,680,000 to acquire one exploration right. As at 31 December 2009, the acquisitions have not been completed, pending the completion of due diligence.

12. TRADE AND NOTES RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**3,351**	29,112
Notes receivable	**7,446**	6,250
	10,797	35,362

An ageing analysis of trade and notes receivables, based on the invoice date, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Outstanding balances due within 90 days	**10,797**	35,362

Trade and notes receivables are non-interest-bearing. There were no receivables that were overdue 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 ("SGE"), or through physical delivery of gold and silver in settlement of liabilities to suppliers of gold and silver concentrates, or in the form of cash. The credit term given to other customers is 30 days.

13. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**46,587**	43,186
Work in progress	**374,831**	249,763
Finished goods	**53,850**	129,279
	475,268	422,228
Reclassification to a group of assets held for sale *(note 7, 8)*	**(157)**	–
	475,111	422,228
Included in the above balances are:		
Inventories processed for third parties	**165,673**	127,525

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	RMB'000	*RMB'000*
Hong Kong listed equity investments at fair value	**–**	21,321
A share listed equity investments at fair value	**–**	522
	–	21,843

15. HELD-TO-MATURITY INVESTMENTS

	2009	2008
	RMB'000	*RMB'000*
Held-to-maturity investments	**–**	140,000

In 2008, the Group entered into agreements with creditworthy banks to hold certain investments with fixed periods of repayment ranging from 7 days to 6 months. The investment principals are guaranteed, while the rate of return is floating. The Group redeemed the investment in 2009 upon expiration.

16. PLEDGED DEPOSIT

	2009	2008
	RMB'000	*RMB'000*
Pledged deposit	**59,396**	–

The pledged deposit represents the deposit serving as guarantee for the bank borrowing of a loan dominated in Hong Kong dollars with total amount of HK$67,450,000 in 2009 (2008: Nil).

17. TRADE PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**102,809**	78,030
Payable under tolling arrangements	**270,486**	127,525
	373,295	205,555

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

	2009	2008
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within one year	**357,431**	201,599
Over one year but within two years	**14,160**	2,754
Over two years but within three years	**634**	134
Over three years	**1,070**	1,068
	373,295	205,555

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

18. CORPORATE BOND

On 23 December 2009, the Company issued a domestic corporate bond to the public with par value of RMB1.5 billion. The bond carries interest at a rate of 5% per annum with a term of seven years, which is payable annually in arrears on 23 December each year. The bond is redeemable, at the option of bondholders, at par value on 23 December 2014.

	2009	2008
	RMB'000	*RMB'000*
Par value of a bond issued during the year	**1,500,000**	–
Issuance expense	**(12,000)**	–
Interest expense	**36**	–
Corporate bond at 31 December	**1,488,036**	–

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR

Gold Output

For the year ended 31 December 2009, the Group's total output of gold amounted to 19,484.68 kg (approximately 626,447 ozs), which increased by 10.59% when compared to the last corresponding period. Among which, approximately 11,306.46 kg (approximately 363,511 ozs) of gold was from the Group's mines, representing a rise of approximately 15.08% over last corresponding period, and 8,178.22 kg (approximately 262,936 ozs) of gold was from processed gold after smelting, posting a growth of approximately 4.93% as compared to the previous corresponding period. While the Group's subsidiaries operate in Zhaoyuan developing steadily, the subsidiaries outside Zhaoyuan has also recorded a rapid growth. In 2009, the total gold output of the Group's subsidiaries outside Zhaoyuan amounted to approximately 1,549.40 kg (approximately 49,814 ozs), representing an increase of approximately 47.18% as compared to the previous year.

Revenue

For the year ended 31 December 2009, the Group's revenue was approximately RMB2,796,991,000 (2008: approximately RMB2,152,731,000), representing an increase of approximately 29.93% as compared to the previous year.

Net Profit

For the year ended 31 December 2009, the Group's net profit was approximately RMB751,333,000, (2008: approximately RMB538,122,000), representing an increase of approximately 39.62% as compared to the previous year.

Earnings per Share

For the year ended 31 December 2009, earnings per share attributable to ordinary equity holders of the Company amounted to approximately RMB0.52 (2008:RMB0.37), increased by approximately 40.54% as compared to the previous year.

APPROPRIATION PROPOSED

The Board proposed the payment of a cash dividend of RMB0.22 (before taxation) per share to all shareholders (2008: RMB0.166 before tax).

Regarding the distribution of cash dividend, dividends for shareholders of domestic shares will be declared and paid in Renminbi, whereas dividends for shareholders of H shares will be declared in Renminbi and paid in Hong Kong dollars.

The proposed appropriation proposal for the year is still subject to the approval by the shareholders of the Company at the annual general meeting for the year ended 31 December 2009 ("2009 AGM"), which will be held on Thursday, 3 June 2010.

It is expected that the final dividend for the year ended 31 December 2009 will be paid on or about Monday, 21 June 2010 to the shareholders whose names appear on the register of members of the Company on Thursday, 3 June 2010.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprise (such term shall have the meaning as defined under the PRC Tax Law) whose name appears on the H Shares register of members of the Company on Thursday, 3 June 2010.

In accordance with the PRC Tax Law, the Company has an obligation to withhold for payment the corporate income tax from the payment of the final dividend to non-resident enterprises whose names appear on the H Shares register of members of the Company on Thursday, 3 June 2010. Resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H Shares register of members of the Company do not wish to have the corporate income tax withheld by the Company for payment should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises, on or before 4:30 p.m. on Monday, 3 May 2010. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company will withhold for payment the corporate income tax strictly in accordance with the PRC Tax Law and the requirements of the relevant government authorities. The Company shall not be liable for any dispute relating to the withholding of corporate income tax which arises from any failure to lodge the relevant documents within the prescribed timeframe as mentioned above.

ANALYSIS OF RESULTS

The substantial growth in profit was primarily attributable to the significant increase in gold output of the Group, higher gold selling price and effective costs control.

MARKET OVERVIEW

For the year ended 31 December 2009, the global financial market is substantially volatile. With the background of various kinds of assets substantially fluctuate under global financial crisis, international gold price keeps strong and the function of gold as resisting financial risk is becoming apparent. Since gold owns value preservation ability and can function as an investment tool, as compared with 2008, the price of gold went to a higher level.

On 3 December 2009, the international gold price made the historical record of US$1,226.30 per ounce. The opening price was US$883.30 per ounce while the closing price was US$1,084.00 per ounce in 2009. The average gold price for the Year was US$972.35 per ounce with an 11.51% growth when compared to last year. The trend of domestic gold price increased in line with the international gold price which hit the historical record and kept at a high level. The opening price of the 9995 gold in the Shanghai Gold Exchange was RMB192.60 per gram and reached the highest at RMB285.50 per gram while the closing price was RMB248.00 per gram. The average gold price for the Year was approximately RMB215.35 per gram.

The gold production volume of 2009 in China made a new high record in 2009. The gold production was over 300 tons for the first time, reaching 313.98 tons with an 11.34% growth when compared to last year. This also made our country remaining the No. 1 gold production country globally for three consecutive years. The top five gold production provinces with orders are Shandong, Henan, Jiangxi, Fujian and Yunnan, representing 59.48% of the total production capacity for the whole country.

The average price of gold sold by the Group in the SGE during the Year was approximately RMB221.56 per gram (approximately US$1,009 per ounce, value-added tax included), representing an increase of approximately 14.68% as compared to RMB193.20 per gram (approximately US$879.23 per ounce) in the previous year and was RMB6.21 per gram higher than the average price of gold in the SGE.

BUSINESS REVIEW

Outward Expansion and Acquisitions

During the Year, the Group increased the marketing research on mining industry and persisted on the expansion strategy. Based on the principle of development by professional on-site investigations, scientific findings and standardized operations, the projects of mining ownership was made by a process of development, acquisition and reservation on a batch by batch basis. Also, the Group focused on the existing mines enterprises in three main areas of Shandong, Gansu and Xinjiang, etc., resulting in the integration and acquisition of the external gold resources and forming an industrial base relatively concentrated in the two areas of Gansu and Xinjiang.

The total completed investment for the Year amounted to RMB541,930,000, with additional exploration area amounted to 90.31 km^2 and additional mining rights amounted to 7.4 km^2, while the acquired gold mine production capacity was approximately 1.02 tons per year (approximately 32,794 ozs per year). Outside Zhaoyuan district, the Company acquired Gansu Hezuo Zaozigou Gold Mine Co. Ltd. (甘肅省合作早子溝金礦有限責任公司) ("ZGM"), Tuoli Tianshanze Mining Co., Ltd (托里縣天山澤礦業有限公司) ("Tianshanze Company"), Tuoli Tianyun Gold Mining Co., Ltd (托里縣天蘊黃金礦業有限公司) ("Tianyun Company"), and Tuoli Xinyuan Gold Mining Industry Co. Ltd. (托里縣鑫源黃金礦業有限公司) ("Xinyuan Gold Company"). In Zhaoyuan, the Company had successfully acquired 100% interest in Canzhuang Gold Mine, previously owned by the State, through Shandong Property Right Exchange Center, and one gold exploration right in the Jinshan area, Zhaoyuan City.

During the Year, the Company had entered into comprehensive strategic cooperation agreements with the municipal governments of Touli in Xinjiang, Chongli in Hebei, Fengcheng in Liaoning, laying a solid foundation for its gold resources reorganization and external development in the future.

On 31 December 2009, there were 30 companies and enterprises of the Group within and outside Zhaoyuan district, covering 10 provinces in the major gold production regions nationwide.

Exploration and increasing gold reserves

In 2009, following the master strategic plan of exploration determined by the Group and based on the motto of "prioritizing science, selecting the best from the bests, and making significant breakthrough", geological exploration was fully implemented inside and outside Zhaoyuan. During the Year, the Group has completed investment of approximately RMB73,743,000 in exploration with an accumulated tunneling of 37,811 meters, drilling of 120,513 meters. Remarkable breakthroughs in geological exploration in the deep underground of major metallogenic belt and favourable results of geological exploration were achieved. The target of exploration and increase gold reserves formulated by the Company was also achieved.

Inside Zhaoyuan: Geological explorations in Zhaoping fault-line area and Wang'er Mountain fault-line area with focuses on the gold mines of Dayingezhuang Gold Mine, Xiadian Gold Mine, Hedong Gold Mine, etc. were commenced, attaining substantial breakthroughs in deep and extra deep underground exploration in the major metallogenic belt inside Zhaoyuan.

Outside Zhaoyuan: Geological explorations in Minli fault-line area and Hatu metallogenic belt with focuses on ZGM, Minxian Tianhao Gold Co., Ltd. and Tuoli Zhaojin Beijiang Mining Co., Ltd. ("Zhaojin Beijiang") were conducted, attaining another new breakthrough in the major metallogenic belt outside Zhaoyuan. The total gold mining resources volume of the enterprises outside Zhaoyuan amounted to 72.94 tons (approximately 2,345,075 ozs) and the gold minable reserves amounted to 27.88 tons (approximately 896,363 ozs), accounting for approximately 21.59% and approximately 12.75% of the Group's total volume, respectively, and signifying that the enterprises outside Zhaoyuan are developing as a major alternative resources base of the Group and another key resources support for the Group's development.

On 31 December 2009, the Group owned a total of 71 exploration rights with an exploration area of approximately 1,345.31 km^2, and a total of 28 mining rights with a mining area of approximately 61.01 km^2.

In accordance with the standards issued by the Joint Ore Reserves Committee ("JORC") in Australia, the total gold mining resources volume of the Group as at 31 December 2009 amounted to 337.8 tons (approximately 10,860,520 ozs) and the gold minable reserves amounted to 218.6 tons (approximately 7,028,152 ozs), representing a substantial increase of 84.7 tons (approximately 2,723,168 ozs) or 33.49% and 53.3 tons (approximately 1,713,634 ozs) or 32.25%, respectively, as compared to the previous year.

Capital market financing

During the Year, the Company actively explored new paths of capital market financing and continuing to broaden the financing channels to ensure the work of financing reaching a breakthrough in progress. In 2009, the Company successfully issued corporate bonds of RMB1,500,000,000 in the PRC. The issuance dedicated a low interest rate of 5% per annum with an issuance expense rate of 0.8%. The corporate bonds were listed in the Shanghai Stock Exchange. Through the issuance of corporate bonds for financing, the capital capacity of the Company was enhanced and the progress of using the capital market inside and outside the region was uplifted. The Company realized the goal of leaping over in development by using the capital market adequately.

Infrastructure and technology reform

During the Year, the Group accelerated the speed of and increased effective investment in the projects and constructions for infrastructure and technology reform, resulting in an actual completed investment of RMB497,000,000. Improvement projects for the processing production system of Zhaojin Beijiang and Hainan Dongfang were completed as scheduled. Special infrastructure projects in respect of the exploration of deep underground of Dayingezhuang Gold Mine, the comprehensive resources utilization of 600 tons per day of Jinchiling Gold Mine and the upgrading of the mining and processing production system of Tonghui Copper Mining were all completed earlier than the progress schedule. Especially, the earlier operation of the mining and processing expansion project of 1,000 tons per day constructed by Zhaojin Beijiang has further enlarged the Group's production capacity, which casts a foundation for realizing target of annual production capacity.

Currently, the mining capacity of the Company reaches 12,000 tons per day and the processing capacity attained at 14,600 tons per day.

Technological innovation

The Group has emphasized on the innovation and the research and development on technology. Standards for all types of processing techniques have maintained technology advantage in the gold industry.

During the Year, the accumulated technological investments of the Group amounted to approximately RMB43,460,000. The Group has implemented 55 new scientific research and technological innovation projects in total, two of which have reached international advanced standard, reflecting an outstanding technology results. The Group has been awarded with 1 Second Prize and 1 Third Prize of Science and Technology Progress Award by the Department of Science and Technology, Shandong Province, and 2 First Prize of Scientific Technology from the China Gold Association. In addition, 4 Awards of Excellent Results had been presented by Shandong Economic and Trade Committee and 18 state patents had been obtained.

During the Year, applications with the provincial enterprise technology centre and provincial gold engineering and technology centre were completed and approvals were issued successfully. Project for "Critical Technology Study on Monitoring, Warning and Management of Severe Disaster of Non-Coal Mine" (《非煤礦山重大災害監測、預警和管理關鍵技術研究》) was successfully examined and accepted by Department of Science and Technology, Shandong Province, bringing a further advancement in informatization, digitalization and safety of production.

Production safety and environmental protection

During the Year, the Group fully dedicated to the infrastructure projects, strengthened the site control, conducted the "Year of Safety Production", activated the "Three Actions" on law enforcement, management and education for production safety, and renewed the safety management, as well as implemented the environmental responsibilities to all levels. For the Year, the Group entirely avoided severe casualties, fires, explosions, traffic, toxication and environmental pollution incidents. Besides, the Group was honored with the "Excellent Award for Contest of National Occupation Safety and Health Knowledge", the "Top 10 Model Enterprise of Shandong Cyclical Economy Scientific Management in 2009", and has been selected into the record of database of the "Excellent Organization Award for National Environmental Protection".

Corporate social responsibility

The Company has practically taken its responsibilities as a "corporate citizen" by emphasizing on the construction of community relations, and has actively participated in the education development in the rural and depressed area and charity works in the society. During the Year, the Company contributed RMB2,000,000 (2008: RMB2,000,000) to the education development in Gansu province, PRC. All donations were used to renovations of school buildings in the phase of volunteer education in the depressed area of the Gansu province.

The Company also donated RMB1,000,000 to an elderly home in Biguo township, Zhaoyuan City, for enhancing the living facilities of the elderly home and bringing a comfortable environment for the retirements of the elderly.

During the Year, the Company has been awarded the honour of "China Integrity Enterprise 2009", "China Brand Industry Contribution Award 2009", "National Abiding by Contracts and Keeping Promises Enterprise", "Shandong Province Model Enterprise of Integrity" , "Shandong Province Integrity Enterprise", "Creditworthiness Certificate Grade AAA in Shandong Province" and "Creditworthiness Certificate Grade AAA Agricultural Bank of China, Shandong Province Branch" etc.

FINANCIAL ANALYSIS

Revenue

For the year ended 31 December 2009, the Group's revenue was approximately RMB2,796,991,000 (2008: RMB2,152,731,000), representing an increase of approximately 29.93% (2008: approximately 42.35%) as compared to last year. Such increase was primarily attributable to a substantial increase in the gold output and higher gold selling price.

Cost of Sales

For the year ended 31 December 2009, the Group's cost of sales was approximately RMB1,347,704,000, representing an increase of approximately 25.62% (2008: approximately 41.63%) from approximately RMB1,072,814,000 in 2008. Such increase was primarily attributable to the higher volume of gold sales during the Year.

Gross Profit and Gross Profit Margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB1,449,287,000 (2008: RMB1,079,917,000) and approximately 51.82% (2008: approximately 50.16%), representing an increase of approximately 34.20% (2008: approximately 43.07%) and an increase of approximately 1.66% (2008: approximately 0.25%), respectively, as compared to the previous year. The increase in gross profit was primarily attributable to the increases in sales of gold, while the increase in the gross profit margin was primarily because the costs maintained at the level of 2008, while the price of sales of gold maintained at higher level during the Year.

Other Revenue and Gains

During the Year, the Group's other revenue and gains were approximately RMB99,181,000 (2008: approximately RMB58,185,000), representing an increase of approximately 70.46% from the previous year. The increase in the other revenue and gains was primarily attributable to the increase in policy-related subsidies and gains from disposal of equity investment at fair value through profit or loss.

Selling and Distribution Costs

For the year ended 31 December 2009, the Group's selling and distribution costs were approximately RMB38,291,000 (2008: approximately RMB19,982,000), representing an increase of approximately 91.63% (2008: approximately 108.56%) as compared to the previous year. Such increase was primarily attributable to the increase in sales of gold which further led to the increase of cost in gold refinery.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses were approximately RMB443,739,000 in 2009 (2008: approximately RMB393,193,000), representing an increase of approximately 12.86% from 2008. Such increase was primarily attributable to the expansion of the business.

Finance Costs

For the year ended 31 December 2009, the Group's finance costs were approximately RMB23,137,000 (2008: approximately RMB17,260,000), representing an increase of approximately 34.05% (2008: decreased by approximately 16.8%) from 2008. Such increase was primarily attributable to the increase in temporary borrowings of the Group.

Income Tax

The income tax expenses increased by approximately RMB93,301,000 when compared with the previous year. It is primarily attributable to the increase in sales margin. During the Year, income tax of corporate inside PRC has been provided at a rate of 25% (2008: 25%) on the taxable income. Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. The Group has not incurred any Hong Kong profits tax during the Year. The effective tax rate of the Group is 25.3% during the Year (2008: 24.0%).

Profit Attributable to Shareholders

For the year ended 31 December 2009, the Group's profit attributable to the shareholders of the Company was approximately RMB754,020,000, representing an increase of approximately 41.23% (2008: approximately 37.45%) from approximately RMB533,905,000 in 2008.

The net profit margin of the Group for the year ended 31 December 2009 was approximately 26.86% (2008: approximately 25.00%), representing a slight increase from 2008.

Liquidity and Capital Resources

The working capital funding of the Group mainly comes from its cash flows from operations and borrowings, while the Group's capital resources are mainly used to fund its capital expenditures, operations and repayment of borrowings.

Net cash inflow/(outflow) from the followings:

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Operating activities	**952,140**	518,386
Investing activities	**(822,896)**	(1,316,819)
Financing activities	**1,396,801**	(129,690)
Effect of foreign exchange rate changes, net	**(698)**	(8,802)
Net cash inflow/(outflow)	**1,525,347**	(936,925)

Cash Flows and Working Capital

The Group's cash and cash equivalents have increased from approximately RMB688,764,000 as at 31 December 2008 to approximately RMB2,214,111,000 as at 31 December 2009, of which, RMB4,715,000 was reclassified as the assets of disposal groups held for sale. The increase was primarily attributable to the issuance of RMB1,500,000,000 corporate bonds by the Company during the Year.

At the balance sheet date, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB20,712,672 (2008: RMB23,737) and those denominated in United States dollars amounted to RMB24,586,269 (2008: RMB5,751,501). All other cash and cash equivalents held by the Group are denominated in RMB.

Net Cash Flows from Operating Activities

The Group's net cash inflow from operating activities increased from approximately RMB518,386,000 in 2008 to approximately RMB952,140,000 in 2009, representing an increase of approximately 83.67%, which was attributable primarily to the higher revenue generated from the sale of gold.

Net Cash Flows used in Investing Activities

The net cash flow from investing activities is mainly affected by the Group's acquisition of subsidiaries, properties, plant and equipment, mining rights and exploration rights/assets, held-to-maturity investments and equity investments at fair value through profit or loss. The net cash flow used in investing activities decreased by approximately 37.5% from approximately RMB1,316,819,000 in 2008 to approximately RMB822,896,000 in 2009, which was attributable primarily to the redemption of held-to-maturity investments and the disposal of equity investments at fair value through profit or loss by the Group during the Year.

Net Cash Flows from Financing Activities

The net cash flows used in financing activities increased from a net outflow of approximately RMB129,690,000 in 2008 to a net inflow of approximately RMB1,396,801,000 in 2009, which was attributable to the issuance of RMB1,500,000,000 corporate bonds by the Company during the Year.

Borrowings

On 31 December 2009, the Group had outstanding bank loans and other borrowings of RMB668,846,000 (2008: RMB478,980,000), of which RMB611,056,000 (2008: RMB471,190,000) shall be repaid within one year, RMB50,000,000 (2008: RMB nil) shall be repaid within the two to five year and RMB7,790,000 (2008: RMB7,790,000) shall be repaid after 5 years. As at 31 December 2009, the Group had cash balances in excess of its borrowings, and hence had no gearing on a net basis.

All loans of the Group bear fixed interest rates and denominated in RMB.

Market Risks

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

Gold Prices and Other Commodities Prices Risks

The Group's exposure to price risk relates principally to the market price fluctuation on gold, silver and copper which can affect the Group's results of operations. In addition, the Group enters into contracts for the processing of gold and silver concentrates with the liabilities settled through physical delivery of predetermined quantities of gold and silver. Price fluctuations affected the RMB denominated amounts of these liabilities. The Group's policy is to manage price risk exposure in relation to the tolling liabilities by holding physical inventories of gold and silver with which to settle them.

During the Year, the Group entered into AU(T+D) agreements, which substantially are forward commodity contracts, with the Shanghai Gold Exchange to hedge potential price fluctuations of gold for trading purpose. Under those agreements, the Company could forward buy or sell gold at current day's price by depositing 10% of the total transaction amount. Subsequently, it can complete the deal by either physically delivering the gold or entering into an offsetting agreement. There is no restriction imposed on the settlement period.

The price range of the forward commodity contracts is closely monitored by management. On 31 December 2009, all of the forward commodity contracts of the Group were settled and accordingly, a reasonably possible change of 10% in commodity price would have no material impact on the Group's and Company's profit and equity for the Year.

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 appropriate short term deposits with a mixture of variable and fixed rates and manages the exposure from all of its interest-bearing loans through the use of fixed rates.

The Group had not used any interest rate swaps to hedge its exposure to interest rate risk during the Year.

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. 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 no hedging activities during the Year.

BUSINESS OUTLOOK

In 2010, the Group will keep preserving its industrial dominance in pure gold and will pursue to maximize the interests and benefits of both the Group and its shareholders by broadening its development horizon, revamping its industrial structure, optimizing its management, and challenging a higher goal.

Engagement in active outward expansion

The Group will continuously engage in its prudent outward expansion policy, and will adopt an active but practical and cautious manner in its move of outward expansion. Riding on the opportunities of the integration of national mineral resources and based on the two main production bases in Xinjiang and Gansu, it is expected that the consolidation of regional resources and the improvement of the industries will be achieved by the driving force from centrifugal effect. Besides, development in the key gold mine areas will be strengthened in order to create two new production bases in the northeastern and southwestern regions.

In 2010, the Group intends to acquire gold mining resources volume of 20 tons (approximately 643,015 ozs) and gold mine production capacity of approximately 1.5 tons per year (approximately 48,226 ozs per year).

Strengthening management of enterprises outside Zhaoyuan

The cost control of the Group's enterprises located outside Zhaoyuan will be one of the key focuses of the Group's management in 2010. On the one hand, the Group aims to further expand the scale production of those enterprises by intensifying the level of mechanization and the content of processing technique as well as minimizing the costs, based on the advantages of scale production and technology. Thus, the management costs of these enterprises will have to be lowered practically for gaining a significant cost reduction. On the other hand, the Group will exercise assistance activities among these enterprises on an equivalent level basis for empowering their management quality and spurring their development pace.

Empowering exploration and increasing gold reserves

The Group will concentrate on the geological exploration and the increase of reserves in 2010. Under the principle of "prioritizing science, integrating tunnel & dri11 exploration", affiliated with "in-depth exploration and cutting-edge experiment", the Group intends to conduct the geological exploration in the major mining areas inside and outside Zhaoyuan and the possible metallogenic belts peripherally. Explorations inside and outside Zhaoyuan will primarily concentrate on Xiadian Gold Mine and ZGM, respectively, with the supplement of focuses on Dayingezhuang Gold Mine and Zhaojin Beijiang. It is anticipated that breakthroughs in technology research and new mining sites will be achieved, and the exploration and increase of reserves of other enterprises will see a leap and bound.

In 2010, the Group intends to invest RMB100,000,000 to explore mineral resources and is expected to achieve additional gold mining resources volume of 38 tons (approximately 1,221,728 ozs) or above.

Accelerating infrastructure and technology reform and technology innovation

The Group will enhance the technology and infrastructure reformation and uplift enterprises improvement and upgrading. In 2010, the core of infrastructure and technology reform will lie on the production and capacity expansion and the activities of "Optimization of Special Construction Year" will be launched. The Group also has 32 planned reformation and construction projects with an investment of RMB659,900,000. Following the completion and commencement of these projects, mining capacity of the Group will be increased by 3,000 tons per day and the ore processing capacity of the Group will be increased by 3,700 tons per day. On the front of technology reform, upon the establishment of National Enterprise Technology Centre, the Group will be committed to develop the platforms for research and development, application and transformation of new achievements, in order to uplift technological upgrades and competitiveness strengthening. The Group currently has 37 planned technology innovation research projects with an investment of RMB54,600,000, to further improve the standard of technology research and exploring, mining, processing, cyaniding and smelting of the production process.

Building a Green Mining Enterprise

In the year 2010, the Group will dedicate to build a green mining industry focusing in safety, efficiency, energy-saving, low consumption, and cyclical development. The Group will commit to five tasks, namely the standards compliance and upgrading by the implementation of safety standardization, the operation of safety environment management and system, the research and application of safety technology, the management of contingent rescue and the cultivation of safety culture, in order to commence the building of a green mining enterprise and to implement the enhancement of the safety and environmental pursuits.

ACQUISITIONS

1. On 19 January 2009, the Company entered into an equity transfer agreement with three independent third parties to acquire 52% equity interest in ZGM. The Company successfully bidded for 52% equity interest in ZGM at a price of RMB55,000,000 in a public tender in the PRC on 21 November 2008. Such acquisition was completed on 9 April 2009.

   ZGM is based in Gannan Tibetan Autonomous Prefecture in Gansu Province and is engaged in exploitation of gold mines and associated mineral resources, processing and sales of mineral products. As at 31 December 2009, ZGM owned one gold mining right with an area of 2.53 km^2, and gold minable reserves of approximately 10,834 kg (approximately 348,321 ozs) with an average grade of 4.14 g/ton, and the production scale was 72,000 tons/year and the mining method adopted was underground mining. A good prospect of finding mine reserves at the depth and periphery of the ZGM is expected.

   By acquiring 52% equity interest in ZGM, the Company has an opportunity to increase its investment in the gold mine resources in Gansu Province, which is strategically important in terms of further consolidating the gold resources in the area of Gannan and the periphery of Qinghai and Ningxia. It will also help the Company to generate more returns from the investment in ZGM.

   The acquisition does not constitute any connected transaction for the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), nor does it constitute any notifiable transaction for the Company under Chapter 14 of the Listing Rules.

2. On 18 February 2009, Zhaojin Beijiang, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with four vendors (being independent third parties) to acquire 100% equity interest in Tianshanze Company at a consideration of RMB10,000,000.

   Tianshanze Company is based in the south-eastern area of Tuoli, Xinjiang and is engaged in the mining, ore processing and sale of gold and copper. As at 31 December 2009, Tianshanze Company owned one gold mining right with an area of 0.1009 km^2, and the gold minable reserves were approximately 232.5 kg (approximately 7,475 ozs) with an average grade of 22 g/ton.

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

3. On 18 February 2009, Zhaojin Beijiang, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with four vendors (being independent third parties) to acquire 100% equity interest in Tianyun Company at a consideration of RMB20,000,000.

   Tianyun Company is based in the south-eastern area of Tuoli, Xinjiang and is engaged in the processing and sale of gold. As at 31 December 2009, Tianyun Company owned one gold mining right with an area of approximately 0.1777 km^2 and one exploration right with an exploration area of 4.82 km^2 and the gold minable reserves were 491 kg (approximately 15,786 ozs) with an average grade of 9.97 g/ton. Tianyun Company owns two production areas, each with mine processing plant with capacities of 120 tons/day and 300 tons/day, respectively. The processing method adopted is flotation and the primary product is gold concentrates.

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

4. On 28 June 2009, Zhaojin Beijiang, a wholly-owned subsidiary of the Company, entered into a share capital enlargement agreement with independent third parties to acquire the shares of Xinyuan Gold Company at a consideration of RMB26,720,000. After the increase in share capital of Xinyuan Gold Company, Zhaojin Beijiang owned 80% equity interest of Xinyuan Gold Company and became its controlling shareholder and beneficial controller.

   This acquisition was completed on 7 July 2009. The mining area of Xinyuan Gold Company is based in Ha Tu Shan in Western Junggar in Tuoli County of Tacheng area, Xinjiang. Xinyuan Gold Company is engaged in the processing and sale of gold. As at 31 December 2009, Xinyuan Gold Company owns two mining rights and one exploration right. The mining rights cover a total area of approximately 0.3054 km^2, while the exploration right covers a total area of approximately 0.41 km^2. The gold mining resources volume (contained ore) was 267,389 tons. The gold minable reserves were 2,164 kg (approximately 69,574 ozs) with an average grade of 5.37 g/ton.

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

5. On 15 December 2009, the Company obtained 100% state-owned property rights of Canzhuang Gold Mine through bidding at the consideration of RMB426,610,000 from Shandong Property Right Exchange Center. Canzhuang Gold Mine is located inside "Gold Capital of the PRC" – Zhaoyuan City, Shandong Province, and is one of the 100 largest non-ferrous metal mining enterprises in the PRC. As at 31 December 2009, the gold mining resources volume of Canzhuang Gold Mine amounted to approximately 20,105 kg (approximately 646,391 ozs), with an average grade over 4.21 g/ton, and a minable gold reserve of 9,098 kg (approximately 292,507 ozs). The gold mine currently possesses four mining rights (two of which are in the progress of application for ownership) covering an mining area of approximately 3.17 km^2 and twelve exploration rights with an exploration area of approximately 71.92 km^2. With the abundant gold resources and excellent mineralizing conditions of Canzhuang Gold Mine, the acquisition will facilitate the expansion of the Company in respect of the gold mining area in Zhaoyuan region and, through the utilization of the current ore processing capacity, reduce mining cost, further improving the profitability and competitiveness of the Company.

The transfer constitutes a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further details were set out in the announcement of the Company dated 14 December 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

SIGNIFICANT EVENTS

1. On 15 May 2009, the 2008 annual general meeting reviewed and passed, among other things, the following resolutions:

   (1) The Company's profit distribution proposal for the year ended 31 December 2008 of a cash dividend of RMB0.166 (before taxation) per share to all shareholders. On 18 June 2009, the Company distributed the cash dividend of year 2008 of RMB0.166 (before taxation) per share to all shareholders;

   (2) Amendments to Articles 3.5 and 8.9 of the Articles of Association. Such amendments related to alterations of shareholding structure and despatch of corporate communications and news of the Company by way of electronic means;

   (3) Authorizing the Board to the issue of the corporate bonds in the PRC with an aggregate principal amount of not more than RMB1.5 billion to satisfy the medium-to-long-term financing requirements by the Group, in order to perfect the capital structure of the Company and to enhance the cash flow of the Company;

   (4) Authorizing the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of each class of the issued Domestic Shares and H Shares as at the date of passing such resolution; and

   (5) Authorizing the Board to repurchase up to a maximum of 10% of the aggregate nominal value of the issued H Shares of the Company as at the date of passing such resolution.

   Further details were set out in the announcement of the Company dated 15 May 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

2. On 15 May 2009, the domestic shares class meeting and H shares class meeting respectively reviewed the following proposals:

   (1) Authorizing the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of each class of the issued Domestic Shares and H Shares at the date of passing such resolution; and

   (2) Authorizing the Board to repurchase up to a maximum of 10% of the aggregate nominal value of the issued H Shares of the Company as at the date of passing such resolution.

   Both proposals were approved at the domestic shares class meeting. The proposal set out in 2.(2) above was approved at the H shares class meeting, yet the proposal set out in 2.(1) above was not approved at the H shares class meeting.

   Relevant details were set out in the announcement of the Company dated 15 May 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

3. The Board decided to adjust the remaining proceeds received by the Company from the Global Offering of approximately HK$526,000,000 for other purposes to carry out acquisition of domestic and overseas gold mines. The Board considers the above adjustment to the intended use of the net proceeds received by the Company from the Global Offering is in the best interest of the Company and its shareholders as a whole. The readjustment was passed by way of ordinary resolution at the second extraordinary general meeting of 2009.

   Relevant details were set out in the announcement of the Company dated 10 July 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

4. On 25 February 2009, Zhaojin Beijiang, a wholly-owned subsidiary of the Company, established a wholly-owned subsidiary, Hami Zhaojin Taihe Mining Industry Company Limited (哈密市招金泰合礦業有限公司) ("Zhaojin Taihe"), in the Hami City of Xinjiang, with a registered capital of RMB20,000,000. The purpose of establishing Zhaojin Taihe is to ensure the Group's extensive and long-term development in Xinjiang's mining industry, the ability to obtain advantageous resource and mines with high potential, and to guarantee a smooth progress in exploring new mines in Hami City.

5. On 9 October 2009, the Company established a wholly-owned subsidiary, Zhaoyuan Zhaojin Guihe Technical Company Limited (招遠市招金貴合科技有限公司) ("Zhaojin Guihe"), with a registered capital of RMB50,000,000. The purpose of establishing Zhaojin Guihe is to respond to the country's policy of expediting the development of cyclical economy, mainly in processing the waste residue in the Jinchiling gold mine and recycling the residual of gold, silver, copper, lead and zinc in the waste residue, also for further strengthening of the capability of mining technology research and experiment of the Company and at the same time, acquiring more returns from the by-production of sulphur and carbon powder, etc.

6. In order to further improve the Company's governance structure, and link interests of shareholders, the interests of the Company and the interests of operators closely together, the Board resolved on 21 December 2009 to propose to the Shareholders to adopt the Share Appreciation Rights Plan. It was intended to enhance the ability of the Company to attract, inspire and retain senior management and core talents through long-term incentive mechanisms. It also inspired the staff to do their best for the results and create more values for the Company and shareholders.

   The Share Appreciation Rights Plan has been considered and approval by the Board, and it still subject to the review and approval by the State-owned Assets Supervisory Authorities and the approval by the Shareholders at the general meeting.

   Relevant details were set out in the announcement of the Company dated 28 December 2009 published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhaojin.com.cn.

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 code 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 at any time during the Year.

COMPLIANCE WITH THE MODEL CODE FOR 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 and Supervisors.

The Board is pleased to confirm, after making specific enquiries with all Directors and Supervisors, that all Directors and Supervisors 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 audit committee of the third session of the Board of the Company comprises one non-executive Director, namely Mr. Chen Guoping, and two independent non-executive Directors, namely Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. The Chairman of the Committee is Ms. Chen Jinrong.

The audit committee has reviewed the Group's consolidated annual results for the year ended 31 December 2009, and is of the view that the Group's consolidated annual results for the year ended 31 December 2009 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

In order to determine the H share shareholders who are entitled to attend the 2009 AGM and receive the final dividend for the year ended 31 December 2009, the H share registrar and transfer office will be closed from 4 May 2010 to 3 June 2010, both days inclusive, during which period no transfer of shares will be registered.

For qualifying to attend and vote at the 2009 AGM and receive the final dividend, H share shareholders whose transfer have not been registered must lodge all transfer instruments accompanied by the relevant share certificates 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 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC for domestic share shareholders for registration at or before 4:30 p.m. on Monday, 3 May 2010.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2009 AGM will be held on Thursday, 3 June 2010. The notice of 2009 AGM will be posted to the shareholders as soon as possible. The Group's annual report for the year ended 31 December 2009 will be posted to the 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 and Mr. Wang Peifu
   Non-executive Directors: Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Weng Zhanbin, Mr. Wu Zhongqing and Mr. Chen Guoping
   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, 26 March 2010

* *For identification purposes only*