

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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 2010**

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2010, the Group's revenue was approximately RMB4,097,800,000 (2009: approximately RMB2,796,991,000), representing an increase of approximately 46.51% as compared to the previous year.

For the year ended 31 December 2010, the Group's net profit was approximately RMB1,242,161,000 (2009: approximately RMB751,333,000), representing an increase of approximately 65.33% as compared to the previous year.

For the year ended 31 December 2010, earnings per share attributable to ordinary equity holders of the Company amounted to approximately RMB0.82 (2009: RMB0.52), increased by approximately 57.69% as compared to the previous year.

For the year ended 31 December 2010, the Group's profit attributable to the shareholders of the parent was approximately RMB1,201,731,000, representing an increase of approximately 59.38% (2009: approximately 41.23%) from approximately RMB754,020,000 in 2009.

The Board proposed the payment of a cash dividend of RMB0.3 (before taxation) per share (2009: RMB0.22 (before taxation)), the cash dividend payout ratio is approximately 39.94% (2009: approximately 48.44%). The Board also proposed a bonus issue to all shareholders on the basis of 0.5 bonus share for every share (2009: nil), held by capitalization of retained profits, and a separate bonus issue of shares on the basis of 0.5 share for every share (2009: nil) by way of capitalization of the capital reserve fund. Further announcement relating to the arrangement for the aforesaid bonus issue will be made by the Company in due course.

The board of directors (the "Board") of Zhaojin Mining Industry Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 (the "Year").

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	3, 4	4,097,800	2,796,991
Cost of sales	5	<u>(1,786,958)</u>	<u>(1,347,704)</u>
Gross profit		2,310,842	1,449,287
Other revenue and gains	4	123,146	99,181
Selling and distribution costs		(38,220)	(38,291)
Administrative expenses		(546,650)	(381,603)
Other expenses		(108,841)	(62,136)
Finance costs		(92,340)	(23,137)
Share of profit of an associate		<u>3,961</u>	<u>1,331</u>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	5	<b>1,651,898</b>	<b>1,044,632</b>
Income tax expense	7	<u>(409,737)</u>	<u>(264,035)</u>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>1,242,161</b>	<b>780,597</b>
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation		<u>—</u>	<u>(29,264)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>1,242,161</u></b>	<b><u>751,333</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of a foreign operation		<u>(884)</u>	<u>(12)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b><u>(884)</u></b>	<b><u>(12)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>1,241,277</u></b>	<b><u>751,321</u></b>

	<i>Notes</i>	<b>2010</b> <b>RMB'000</b>	2009 <i>RMB'000</i>
Profit attributable to:			
Owners of the parent		<b>1,201,731</b>	754,020
Non-controlling interests		<b>40,430</b>	(2,687)
		<b><u>1,242,161</u></b>	<b><u>751,333</u></b>
Total comprehensive income attributable to:			
Owners of the parent		<b>1,200,847</b>	754,008
Non-controlling interests		<b>40,430</b>	(2,687)
		<b><u>1,241,277</u></b>	<b><u>751,321</u></b>
Earnings per share (RMB) attributable to ordinary equity holders of the parent	6		
Basic			
For profit for the year		<b><u>0.82</u></b>	<b><u>0.52</u></b>
For profit from continuing operations		<b><u>0.82</u></b>	<b><u>0.54</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2010*

	<i>Notes</i>	<b>2010</b> <b>RMB'000</b>	2009 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,691,080</b>	2,763,461
Goodwill		<b>559,197</b>	360,422
Other intangible assets		<b>2,373,730</b>	2,004,092
Interest in an associate		<b>38,735</b>	37,980
Long-term deposits		<b>7,659</b>	6,882
Land lease prepayments		<b>176,045</b>	131,483
Deferred tax assets		<b>119,454</b>	94,924
Other long-term assets		<b>266,046</b>	164,646
Total non-current assets		<b>7,231,946</b>	5,563,890
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<b>781,888</b>	2,209,396
Trade and notes receivables	8	<b>199,189</b>	10,797
Prepayments and other receivables		<b>373,245</b>	197,556
Inventories	9	<b>779,185</b>	475,111
Equity investments at fair value through profit or loss		<b>16,196</b>	–
Pledged deposit		<b>–</b>	59,396
		<b>2,149,703</b>	2,952,256
Assets of a disposal group classified as held for sale		<b>33,284</b>	65,486
Total current assets		<b>2,182,987</b>	3,017,742
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>370,000</b>	611,056
Trade payables	10	<b>446,532</b>	373,295
Other payables and accruals		<b>483,034</b>	460,224
Provisions		<b>16,964</b>	12,966
Tax payable		<b>161,908</b>	66,505
		<b>1,478,438</b>	1,524,046
Liabilities directly associated with the assets classified as held for sale		<b>6,784</b>	26,986
Total current liabilities		<b>1,485,222</b>	1,551,032
<b>NET CURRENT ASSETS</b>		<b>697,765</b>	1,466,710
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,929,711</b>	7,030,600

	<i>Notes</i>	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>70,762</b>	57,790
Provisions		<b>67,782</b>	62,361
Deferred income		<b>33,997</b>	39,969
Corporate bond		<b>1,489,504</b>	1,488,036
Deferred tax liabilities		<b>457,022</b>	375,027
Other long-term liability		<b>35,000</b>	40,000
		<hr/>	<hr/>
Total non-current liabilities		<b>2,154,067</b>	2,063,183
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>5,775,644</b>	4,967,417
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued share capital		<b>1,457,430</b>	1,457,430
Reserves		<b>3,492,676</b>	2,789,391
Proposed final dividend		<b>437,229</b>	320,635
		<hr/>	<hr/>
		<b>5,387,335</b>	4,567,456
Minority interests		<b>388,309</b>	399,961
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>5,775,644</b>	4,967,417
		<hr/> <hr/>	<hr/> <hr/>

**STATEMENT OF FINANCIAL POSITION***31 December 2010*

	<i>Notes</i>	<b>2010</b> <b>RMB'000</b>	2009 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,706,108</b>	1,166,167
Goodwill		<b>84,333</b>	–
Other intangible assets		<b>929,069</b>	545,637
Interest in an associate		<b>34,650</b>	34,650
Interests in subsidiaries		<b>2,558,687</b>	2,172,900
Loans receivable		<b>341,600</b>	783,985
Long-term deposits		<b>7,662</b>	6,880
Land lease prepayments		<b>70,753</b>	57,781
Deferred tax assets		<b>7,017</b>	3,399
Other long-term assets		<b>193,336</b>	152,187
Total non-current assets		<b>5,933,215</b>	4,923,586
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<b>500,850</b>	1,914,623
Trade and notes receivables	8	<b>6,469</b>	3,144
Prepayments and other receivables		<b>535,352</b>	208,236
Inventories	9	<b>443,033</b>	318,110
Loans receivable		<b>805,705</b>	61,670
Pledged deposit		<b>–</b>	59,396
Total current assets		<b>2,291,409</b>	2,565,179
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>250,000</b>	566,996
Trade payables	10	<b>325,840</b>	301,164
Other payables and accruals		<b>291,359</b>	179,771
Provisions		<b>15,419</b>	11,514
Tax payable		<b>102,049</b>	50,787
Total current liabilities		<b>984,667</b>	1,110,232
<b>NET CURRENT ASSETS</b>		<b>1,306,742</b>	1,454,947
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,239,957</b>	6,378,533

	<i>Notes</i>	<b>2010</b> <b>RMB'000</b>	2009 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		8,732	7,790
Provisions		60,757	48,983
Deferred income		32,705	26,169
Corporate bond		1,489,504	1,488,036
Deferred tax liabilities		95,548	—
		<u>1,687,246</u>	<u>1,570,978</u>
Total non-current liabilities		<u>1,687,246</u>	<u>1,570,978</u>
<b>NET ASSETS</b>			
		<u>5,552,711</u>	<u>4,807,555</u>
<b>EQUITY</b>			
Issued share capital		1,457,430	1,457,430
Reserves		3,658,052	3,029,490
Proposed final dividend		437,229	320,635
		<u>5,552,711</u>	<u>4,807,555</u>
<b>TOTAL EQUITY</b>		<u>5,552,711</u>	<u>4,807,555</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2010

## 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 businesses of the mining, processing, smelting of gold and the sale of gold, silver and copper products.

In December 2006, the Company issued 198.7 million 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, smelting of gold, 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. They have been prepared under the historical cost convention, except for certain equity investments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB"), with values rounded to the nearest thousand.

### **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 2010. 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.

Non-controlling 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 non-controlling 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 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments in <i>Improvements to HKFRSs issued in October 2008</i>	<i>Amendments to HKFRS 5 Non-current Assets Held included for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4	<i>Amendment to HK Interpretation 4 Leases – Amendment Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009) (*Include other standards as appropriate*), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

- (a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes 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. Consequential amendments were made to various standards, including, but not limited 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 changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 7 Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- *HKAS 17 Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.
- Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

### 3. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as corporate expenses are excluded from such measurement.

As over 99% of the assets of the Group are located in the PRC and over 99% of the sales are made to the PRC customers, no further geographical 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 and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, corporate bond, tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

(a) Gold operations segment consists of the mining and smelting 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, Can Zhuang gold mines, Baiyun Mining, Qinghe Mining, Xingfengyuan Mining, Hezheng Mining, XJKF, Longxin Ming, Zhengyuan, and Jin Chi Ling, Xing Ta;

The sources of gold produced are as follows:

	2010 <i>kg</i>	2009 <i>kg</i>
Own mines	10,692	9,269
Purchase and others	3,094	2,038
Tolling	<u>7,141</u>	<u>8,178</u>
Total	<u><u>20,927</u></u>	<u><u>19,485</u></u>

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

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

The Group's operation by business segment is as follows:

**Group**

Year ended 31 December 2010

	<b>Gold operations RMB'000</b>	<b>Copper operations RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>				
Revenues from external customers	<u>3,772,193</u>	<u>325,607</u>	<u>–</u>	<u>4,097,800</u>
Segment results	1,612,217	185,250	(43,955)	1,753,512
<i>Reconciliation:</i>				
Interest income				13,715
Fair value loss on equity investments at fair value through profit or loss				(23,116)
Finance costs				(92,340)
Foreign exchange gain				<u>127</u>
Profit before tax from continuing operations				<u>1,651,898</u>
Segment assets	7,675,383	652,904	169,108	8,497,395
<i>Reconciliation:</i>				
Unallocated assets				<u>917,538</u>
Total assets				<u>9,414,933</u>
Segment liabilities	735,968	232,607	107,117	1,075,692
<i>Reconciliation:</i>				
Unallocated liabilities				<u>2,563,597</u>
Total liabilities				<u>3,639,289</u>
<b>Other segment information</b>				
Capital expenditure	1,697,871	152,563	62,412	1,912,846
Interest in an associate	38,735	–	–	38,735
Deposit paid for acquisition of subsidiaries and property, plant and equipment	62,680	–	–	62,680
Impairment losses recognised in profit or loss	12,061	–	–	12,061
Share of profit of an associate	3,961	–	–	3,961
Depreciation and amortisation	365,092	17,017	2,013	384,122
Exploration assets written off	6,692	–	–	<u>6,692</u>

## Group

Year ended 31 December 2009

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue</b>				
Revenues from external customers	<u>2,644,821</u>	<u>152,170</u>	<u>–</u>	<u>2,796,991</u>
Segment results	1,002,053	29,861	(1,318)	1,030,596
<i>Reconciliation:</i>				
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				<u>(698)</u>
Profit before tax from continuing operations				<u>1,044,632</u>
Segment assets	5,540,481	626,300	51,135	6,217,916
<i>Reconciliation:</i>				
Unallocated assets				<u>2,363,716</u>
Total assets				<u>8,581,632</u>
Segment liabilities	783,310	94,325	28,052	905,687
<i>Reconciliation:</i>				
Unallocated liabilities				<u>2,708,528</u>
Total liabilities				<u>3,614,215</u>
<b>Other segment information</b>				
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 or 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	–	–	<u>16,821</u>

#### 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:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>Revenue</b>		
Sale of goods:		
Gold	3,624,404	2,521,057
Copper	280,763	158,266
Silver	114,950	66,493
Sulphur	37,596	13,333
Other by-products	50,862	45,157
Rendering of service:		
Processing of gold and silver	<u>19,263</u>	<u>18,070</u>
	4,127,838	2,822,376
Less:		
Government surcharges	<u>(30,038)</u>	<u>(25,385)</u>
<b>Revenue</b>	<b><u>4,097,800</u></b>	<b><u>2,796,991</u></b>
<b>Other revenue and gains</b>		
Sale of raw materials	40,074	11,229
Government grants	37,036	24,590
Hotel service fees	16,270	15,046
Bank interest income	13,715	12,097
Gain on bargain purchase	6,184	2,979
Fair value gain, net:		
Equity investments at fair value through profit or loss	5,699	25,774
Gain on disposal of items of property, plant and equipment	986	421
Foreign exchange gain	127	–
Gain on disposal of held-to-maturity investments	–	341
Others	<u>3,055</u>	<u>6,704</u>
<b>Other revenue and gains</b>	<b><u>123,146</u></b>	<b><u>99,181</u></b>

## 5. PROFIT BEFORE TAX

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

	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of inventories sold	<u><b>1,786,958</b></u>	<u>1,347,704</u>
Interest on bank and other borrowings		
– wholly repayable within five years	<b>11,617</b>	17,472
– repayable over five years	<b>180</b>	199
Interest for a corporate bond	<u><b>76,468</b></u>	<u>1,885</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u><b>88,265</b></u>	<u>19,556</u>
Incremental interest on provisions	<b>3,879</b>	3,485
Bank charges and other finance costs	<u><b>196</b></u>	<u>96</u>
Finance costs	<u><b>92,340</b></u>	<u>23,137</u>
Staff costs		
Wages and salaries (including directors' remuneration)	<b>290,106</b>	258,503
Early retirement benefits	<b>26,277</b>	12,825
Defined contribution fund:		
– Retirement costs	<b>46,357</b>	34,288
– Other staff benefits	<u><b>46,858</b></u>	<u>31,790</u>
Total staff costs	<u><b>409,598</b></u>	<u>337,406</u>
Foreign exchange loss	–	698
Auditors' remuneration	<b>2,600</b>	2,550
Amortisation of land lease prepayments*	<b>5,403</b>	3,247
Amortisation of mining rights*	<b>100,363</b>	57,668
Depreciation	<b>278,356</b>	172,584
Loss on disposal of property, plant and equipment	<b>12,722</b>	14,815
Operating lease rentals in respect of:		
– Land	<b>6,809</b>	6,173
– Office	–	662
Impairment of other receivables	<b>12,061</b>	2,326
Exploration assets written off	<b>6,692</b>	16,821
Fair value losses, net:		
– Equity investments at fair value through profit or loss	<u><b>28,815</b></u>	<u>–</u>

\* 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. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during 2009 and 2010.

The calculation of basic earnings per share is based on:

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Earnings:		
Profit attributable to owners of the company		
From a continuing operations	<b>1,201,731</b>	783,284
From a discontinued operation	<u>—</u>	<u>(29,264)</u>
	<b><u>1,201,731</u></b>	<b><u>754,020</u></b>
	<b>2010</b> <i>'000</i>	2009 <i>'000</i>
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b><u>1,457,430</u></b>	<b><u>1,457,430</u></b>

## 7. 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% (2009: 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% (2009: 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:

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Group:		
PRC corporate income tax		
– Charge for the year	<b>452,247</b>	290,775
Deferred tax	<u>(42,510)</u>	<u>(26,740)</u>
	<b><u>409,737</u></b>	<b><u>264,035</u></b>

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:

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		% <i>RMB'000</i>	% <i>RMB'000</i>
Profit before tax from continuing operations		<b><u>1,651,898</u></b>	<b><u>1,044,632</u></b>
Statutory tax rate applied to profit before tax		<b>25.0</b>	25.0
Reconciling items:			
Expenses not deductible for tax		<b>0.3</b>	0.5
Tax losses not recognised	(i)	–	0.1
Income not subject to tax		<b>(0.1)</b>	(0.1)
Others		<b>(0.4)</b>	(0.2)
Total tax charge for the year		<b><u>24.8</u></b>	<b><u>25.3</u></b>
		<b><u>409,737</u></b>	<b><u>264,035</u></b>

- (i) Accumulated unused tax losses of approximately RMB26,324,000 (2009: 3,996,000) 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.

## 8. TRADE AND NOTES RECEIVABLES

### Group

	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<b>186,930</b>	3,351
Notes receivable	<b><u>12,259</u></b>	<u>7,446</u>
	<b><u>199,189</u></b>	<u>10,797</u>

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

	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Outstanding balances due within 90 days	<b><u>199,189</u></b>	<u>10,797</u>

### Company

	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<b>1,358</b>	224
Notes receivable	<b><u>5,111</u></b>	<u>2,920</u>
	<b><u>6,469</u></b>	<u>3,144</u>



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

	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Outstanding balances due within 90 days	<b><u>6,469</u></b>	<u>3,144</u>
<b>9. INVENTORIES</b>		
<b>Group</b>		
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw materials	<b>83,225</b>	46,587
Work in progress	<b>645,527</b>	374,831
Finished goods	<b><u>50,550</u></b>	<u>53,850</u>
	<b>779,302</b>	475,268
Reclassification to a group of assets held for sale	<b><u>(117)</u></b>	<u>(157)</u>
	<b><u>779,185</u></b>	<u>475,111</u>
Included in the above balances are:		
Inventories processed for third parties	<b><u>271,186</u></b>	<u>165,673</u>
<b>Company</b>		
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw materials	<b>29,800</b>	23,301
Work in progress	<b>406,775</b>	282,973
Finished goods	<b><u>6,458</u></b>	<u>11,836</u>
	<b><u>443,033</u></b>	<u>318,110</u>
Included in the above balances are:		
Inventories processed for third parties	<b><u>271,186</u></b>	<u>165,673</u>

## 10. TRADE PAYABLES

### Group

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade payables	175,346	102,809
Payable under tolling arrangements	<u>271,186</u>	<u>270,486</u>
	<u><b>446,532</b></u>	<u><b>373,295</b></u>

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Outstanding balances with ages:		
Within one year	424,874	357,431
Over one year but within two years	8,192	14,160
Over two years but within three years	5,111	634
Over three years	<u>8,355</u>	<u>1,070</u>
	<u><b>446,532</b></u>	<u><b>373,295</b></u>

### Company

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade payables	54,654	30,678
Payable under tolling arrangements	<u>271,186</u>	<u>270,486</u>
	<u><b>325,840</b></u>	<u><b>301,164</b></u>

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Outstanding balances with ages:		
Within one year	310,594	297,452
Over one year but within two years	13,114	3,712
Over two years but within three years	2,132	–
Over three years	<u>–</u>	<u>–</u>
	<u><b>325,840</b></u>	<u><b>301,164</b></u>

The trade payables of the Group and the Company are non-interest-bearing and have term ranging from 30 to 60 days.

## 11. BUSINESS COMBINATIONS

Acquisitions of subsidiaries during the year were as follows:

- (a) On 10 May 2010, the Company completed an acquisition of an 80% equity interests in Qinghe Mining at a consideration of RMB185,000,000, satisfied by cash. Qinghe Mining is engaged in exploration and sale of gold products.

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

	<b>Fair value recognised on acquisition</b> <i>RMB'000</i>	<b>Previous carrying amount</b> <i>RMB'000</i>
Property, plant and equipment	38,625	18,370
Intangible assets	181,365	–
Inventories	274	–
Deferred tax liabilities	(50,474)	–
Non-controlling interests	<u>(33,958)</u>	<u>–</u>
	135,832	18,370
Goodwill	<u>49,168</u>	
Satisfied by:		
Cash	<u><u>185,000</u></u>	

- (b) On 7 April 2010, the Company completed an acquisition of an 80% equity interests in Hezheng Mining at a consideration of RMB48,000,000, satisfied by cash. Hezheng Mining is engaged in exploration and sale of related products.

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

	<b>Fair value recognised on acquisition</b> <i>RMB'000</i>	<b>Previous carrying amount</b> <i>RMB'000</i>
Property, plant and equipment	17,620	7,584
Intangible assets	43,119	–
Inventories	205	–
Deferred tax liabilities	(13,340)	–
Non-controlling interests	<u>(9,522)</u>	<u>–</u>
	38,082	7,584
Goodwill	<u>9,918</u>	
Satisfied by:		
Cash	<u><u>48,000</u></u>	

- (c) On 1 July 2010, the Company completed an acquisition of a 100% equity interests in Longxin Mining at a consideration of RMB47,000,000, satisfied by cash. Longxin Mining is engaged in sale of gold products.

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

	<b>Fair value recognised on acquisition</b> <i>RMB'000</i>	<b>Previous carrying amount</b> <i>RMB'000</i>
Property, plant and equipment	30,615	28,914
Intangible assets	12,405	4,480
Other receivables	12,314	12,310
Inventories	410	511
Other payables	(178)	(178)
Deferred tax liabilities	(2,382)	–
	<u>53,184</u>	<u>46,037</u>
Gain on bargain purchase	<u>(6,184)</u>	
Satisfied by:		
Cash	<u><u>47,000</u></u>	

- (d) On 29 October 2010, the Company completed an acquisition of a 55% equity interests in Baiyun Mining at a consideration of RMB200,000,000, satisfied by cash. Baiyun Mining is engaged in mining, processing and sale of gold products.

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

	<b>Fair value recognised on acquisition</b> <i>RMB'000</i>	<b>Previous carrying amount</b> <i>RMB'000</i>
Property, plant and equipment	62,722	46,246
Intangible assets	80,874	7,978
Land lease prepayments	45,491	
Other receivables	–	1,157
Inventories	24,560	24,545
Interest-bearing bank and other borrowing	(13,180)	–
Other payable	(55,939)	(70,449)
Deterred income	(1,092)	–
Deferred tax liabilities	(33,779)	–
Non-controlling interests	(49,346)	–
	<u>60,311</u>	<u>9,477</u>
Goodwill	<u>139,689</u>	
Satisfied by:		
Cash	<u><u>200,000</u></u>	

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

	<b>2010</b> <b>RMB'000</b>
Cash consideration	<b>480,000</b>
Prepaid in 2009	<u><b>(90,000)</b></u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u><u><b>390,000</b></u></u>

Since the acquisition, the above subsidiaries contributed approximately RMB17,444,000 to the Group's revenue and approximately RMB9,006,000 to the Group's loss for the year ended 31 December 2010. Had the combinations taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit for the year of the Group would have been RMB4,185,021,000 and RMB1,246,470,000 respectively.

## 12. ACQUISITION OF A SUBSIDIARY

On 17 June 2010, the Company completed its acquisition of a 100% equity interest in Xinfengyuan Mining, a company incorporated in the PRC, at consideration of RMB47.6 million. The purchase consideration was fully settled in cash.

The financial assets acquired at the date of acquisition was as follows:

	<b>Carrying amounts</b> <b>RMB'000</b>
Cash and cash equivalents	10,000
Intangible assets	<u>37,600</u>
	<u><u>47,600</u></u>
Satisfied by:	
Cash	<u><u>47,600</u></u>

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

	<b>2010</b> <b>RMB'000</b>
Cash consideration	<b>47,600</b>
Cash acquired	<u><b>(10,000)</b></u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u><u><b>37,600</b></u></u>

From the date of acquisition, the results of the new acquired subsidiary has no significant impact on the Group's consolidated revenue or net profit for the year ended 31 December 2010.

## 13. DISPOSAL OF A SUBSIDIARY

On 6 January 2010, the Company entered into an agreement to dispose its entire interest in Starry Company Limited ("Starry"), a wholly-owned subsidiary of the Company at a consideration of RMB12,000,000 which has been satisfied by cash. The assets and liabilities of Starry were presented as net assets directly associated with the disposal group as at 31 December 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results for the Year

#### *Gold Output*

For the year ended 31 December 2010, the Group's total output of gold amounted to 20,926.78 kg (approximately 672,811 ozs), representing an increase of 7.40% as compared to the last corresponding period. Among which, 13,785.44 kg (approximately 443,212 ozs) of gold was mine-produced gold, representing a rise of approximately 21.93% over last corresponding period, and 7,141.34 kg (approximately 229,599 ozs) was smelted and processed gold, posting decline of approximately 12.68% as compared to the previous corresponding period. In 2010, the subsidiaries outside Zhaoyuan has recorded a rapid growth and the total gold output amounted to 2,207 kg (approximately 70,942 ozs), representing an increase of approximately 42.42% as compared to the previous year.

#### *Revenue*

For the year ended 31 December 2010, the Group's revenue was approximately RMB4,097,800,000 (2009: approximately RMB2,796,991,000), representing an increase of approximately 46.51% as compared to the previous year.

#### *Net Profit*

For the year ended 31 December 2010, the Group's net profit was approximately RMB1,242,161,000 (2009: approximately RMB751,333,000), representing an increase of approximately 65.33% as compared to the previous year.

#### *Earnings Per Share*

For the year ended 31 December 2010, earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.82 (2009: RMB0.52), increased by approximately 57.69% as compared to the previous year.

## APPROPRIATION PROPOSAL

The Board proposed the payment of a cash dividend of RMB0.3 (before taxation) per share (2009: RMB0.22 (before taxation)) to all shareholders, the cash dividend payout ratio is approximately 39.94% (2009: approximately 48.44%). The Board also proposed a bonus issue to all shareholders on the basis of 0.5 bonus share for every share (2009: nil), held by capitalization of retained profits, and a separate bonus issue of shares on the basis of 0.5 share for every share (2009: nil) by way of capitalization of the capital reserve fund. Further announcement relating to the arrangement for the aforesaid bonus issue will be made by the Company in due course.

Regarding the distribution of cash dividend, dividends for shareholders of domestic shares will be declared and paid in RMB, whereas dividends for shareholders of H shares will be declared in RMB 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 2010 ("2010 AGM"), which will be held on Monday, 13 June 2011.

It is expected that the final dividend for the year ended 31 December 2010 will be paid on or before Thursday, 30 June 2011 to the shareholders whose names appear on the register of members of the Company on Monday, 13 June 2011.

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 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 on Monday, 13 June 2011.

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 Monday, 13 June 2011. If the 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, they 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 Friday, 13 May 2011. 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.

## **MARKET OVERVIEW**

As the U.S. dollar credits system was severely hurt during the financial crisis, the value of gold regained market recognition and began to increase. The opening price was US\$1,097.10 per oz while the closing price was US\$1,420.80 per oz in 2010, representing an increase of US\$323.70 per oz. The average gold price for the Year was US\$1,227.2 per oz with a 26% growth when compared to last year, and recorded the highest annual growth rate in the last decade. On 7 December 2010, the international gold price also hit the historical high of US\$1,431.25 per oz. The trend of domestic gold price basically increased in line with the international gold price, showing obvious characteristics of a bullish market. Gold prices achieved record highs over and over again. The opening price of the “9995 gold” in the Shanghai Gold Exchange (“SGE”) was RMB241.15 per gram and reached the highest at RMB306.00 per gram while the closing price was RMB301.15 per gram. The average gold price for the Year was approximately RMB265.84 per gram.

The gold production volume in China reached a new high record in 2010. According to the statistics of the China Gold Association, gold production reached 340.88 tons, representing an increase of 8.57% when compared to last year. This also made China remain the No. 1 gold production country globally for four consecutive years.

The average price of gold sold by the Group in the SGE during the Year was approximately RMB276.87 per gram, representing an increase of approximately 24.96% as compared to RMB221.56 per gram in the previous year and was RMB11.03 per gram higher than the average price of gold in the SGE.

## ANALYSIS OF RESULTS

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

## BUSINESS REVIEW

### *Stable outward expansion with fruitful achievements in mergers and acquisitions*

During the Year, the Group persisted on the steady expansion strategy and focused on marketing research on mining industry. Insisting on the development principles of professional on-site investigations, scientific verification, standardized operations, based on strategies of “acquiring large-scale mines, focusing on regional developments, expanding at low cost and high-level collaboration”, the Group focused on the existing mining enterprises in three main areas of Shandong, Gansu and Xinjiang, resulting in the integration and acquisition of the external gold resources. Thanks to all our development personnel for their hard work against all odds, and for their dedication in bringing satisfactory performance in our outward expansion.

The total completed investment on external acquisition of the Group for the Year amounted to approximately RMB530,000,000 and the Company had successfully acquired the equity interests in Qinghe County Jindu Mining Development Company Limited (青河縣金都礦業開發有限公司) (“Qinghe Mining”), Gansu Hezheng Xinyuan Mining Co., Ltd. (甘肅和政鑫源礦業有限公司) (“Hezheng Mining”), Fengcheng City Xinfengyuan Mining Co., Ltd. (鳳城市鑫豐源礦業有限公司) (“Xinfengyuan Mining”), Guigang City Longxin Mining Development Co., Ltd. (貴港市龍鑫礦業開發有限公司) (“Longxin Mining”) and Fengcheng City Baiyun Gold Mining Co., Ltd. (鳳城市白雲黃金礦業有限公司) (“Baiyun Mining”), while the acquisition of 50% equity interest in Xinjiang Ruoqiang County Changyun Sanfengshan Gold Mining Co., Ltd. (新疆若羌縣昌運三峰山金礦有限公司) (“Sanfengshan Mining”) is almost completed. The newly acquired mining rights and exploration area amounted to 10.15 km<sup>2</sup> and 110 km<sup>2</sup> respectively in the Year, while the acquired gold resources was approximately 46.8 tons. Besides, the Company carefully weighed and reviewed the situation, actively captured any investment opportunities arising in overseas mining rights markets. The Company had successfully subscribed 20,000,000 shares of Citigold Corporation Limited with AUD2,000,000 in Australia, and thereby laid down solid foundation for further development of overseas projects.

During the Year, the Company also entered into framework agreements on integration of resources with Aletai Municipal Government, Qinghe County Government of Xinjiang and Guigang Gangbei District Government of Guangxi, respectively, and built a strong foundation for integration of gold resources in these regions and for outward expansion.



### ***Strengthened guidance on technical research and achieved breakthroughs in explorations for increase of reserves***

During the Year, based on the general requirements of “adopt new thoughts in exploration, put great effort in projects and pursue new breakthroughs in achievements”, and following the guidelines of “focusing on technology, choosing the best of the best and achieving breakthroughs”, the Group integrated planning, technology and research, prospecting and survey, development and management, and implemented geological research and development and geological explorations projects. During the Year, the Company planned and implemented a total of fourteen geological research and development projects and invested RMB155,150,000 in geological exploration with an accumulated tunneling of 56,004 meters and drilling of 266,685 meters. The additional gold resources explored during the year amounted to 141.4 tons, while the additional copper resources amounted to 19,000 tons. During the Year, the Company realised the most fruitful achievements on geological explorations. Gold resources explored in Dayingezhuang Gold Mine and Xiadian Gold Mine amounted to 47 tons, attaining substantial breakthroughs in deep and extra deep underground exploration in the major metallogenic belt inside Zhaoyuan. Gold resources explored in Zaozigou Gold Mine and Qinghe Mining were 28.8 tons and 24.7 tons, respectively, signifying that the enterprises outside Zhaoyuan have developed as a major alternative resources base of the Company and another strong resources support for stable gold production and for rapid development.

On 31 December 2010, the Group owned a total of 66 exploration rights with an exploration area of approximately 1,270.02 km<sup>2</sup>, and a total of 30 mining rights with a mining area of approximately 69.92 km<sup>2</sup>.

According to the Headmen Report (海地人報告), with regard to 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 2010 amounted to 495.82 tons (approximately 15.941 million ozs) and the minable gold reserves amounted to 251.89 tons (approximately 8.0984 million ozs), representing a substantial increase of 158.02 tons (approximately 5.0805 million ozs) or 46.78% and 33.30 tons (approximately 1.0706 million ozs) or 15.23%, respectively, as compared to the previous year.

### ***Smooth progress in infrastructure and technology reform, continued expansion of production output***

During the Year, the Group implemented 30 construction projects in total with an investment amount of RMB850,000,000. The Company scientifically organized resources and made reasonable production schedule in the course of construction, which facilitated implementation of projects in the Year of Construction. The processing factory with processing capacity of 2,000 tons per day in Xiadian Gold Mine was completed and has commenced operation, which laid down a solid foundation for stable gold production, making Xiadian Gold Mine the first gold mine of Zhaojin Mining achieve a production output of 100,000 ozs of gold. The selection and cyanidation expansion project of Jinchiling Gold Mine further reinforced the Company’s leading position in the industry. The multi-metal recycling system of Zhaojin Guihe, the mine processing plant of Liangdang Zhaojin, the west ventilating shaft of Tonghui, two ventilating shafts in Daxigou mining area of Fengningjinlong had also been completed and commenced operation.

### ***Adhere to technological innovation and raise cost effectiveness***

The Group has emphasised on the innovation and the research and development on technology, and therefore further expanded the Company's technological research and development platform, and contributed to the enhancement of the Company's integrated scientific strengths and the optimization of the industry's structure. Standards for all types of processing techniques have maintained technology advantage in the gold industry in the PRC.

During the Year, the Group invested RMB58,696,200 on technological innovation and implemented 40 technological innovation projects, of which 14 projects were completed and passed the final inspection. During the Year, the Company won 7 awards on promoting the application of innovative technologies at both provincial and municipal level, and developed 35 new processing techniques. The Company was granted 28 patents and applied for a total of 29 new patents, including 5 invention patents. The research on technologies on selection and cyanidation of Zaozigou Gold Mine arsenic-bearing antimony-gold ore achieved great breakthroughs, and thereby brought in much more economic benefits for the Group. The multi-element recycling system of Zhaojin Guihe was successfully applied for as one of the projects in the nation's 863 Program. The laboratory for precious metal separation and comprehensive utilisation of Jinchiling Gold Mine was recognised as one of the provincial key labs, and received financial assistance of RMB30,000,000 on technological research and development from the government. In 2010, the Company also developed a strategic co-operation relationship with Beijing General Research Institute of Mining & Metallurgy, further developing the platform of technological researches of the Company.

Currently, the corporate information technology level and the mechanization level of the Group's mining enterprises have obviously upgraded. Major mining enterprises in Zhaoyuan have basically developed a good ventilation and drainage system for underground works, upgraded system automation and also realised remote control.

### ***Highlight safety and environmental protection work and develop green mines***

During the Year, in strong adherence to the Group's safety concept of "gold is precious but life is priceless" and the environmental protection concept of "building a harmonious relationship between gold/silver mining and the environment", the Group fully dedicated to the infrastructure projects, strengthened the site control with an investment of safety fund amounting to RMB47,000,000 to implement the environmental responsibilities to all levels to reinforce on-site operation safety management, emphasise contingency safety protection and establish a safety culture, which helped to ensure safety and environmental protection and raise employee's safety awareness. In 2010, the Group passed the test for "the State's Model Enterprise of Safety Culture" and Xiadian Gold Mine and Jinchiling Gold Mine were amongst the first batch of State-level green mining enterprises.

## ***Perform corporate social responsibilities and build up Zhaojin's brand name as a responsible enterprise***

The Group has practically taken its responsibilities as a “corporate citizen” by emphasising 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. The Company fully turns the social responsibilities of “corporate citizen” into actions, and makes an effort in contributing the society. During the Year, the Company had made donations for earthquake in Yushu, the drought in the southwestern region, and Red Cross in Qinghe County, Xinjiang. After knowing the landslide disaster in Zhouqu, Gansu Province, Zaozigou Gold Mine, one of the Company's subsidiaries in Gansu, took immediate step to organize a team to go to the affected area and implemented relief programmes with large excavating equipment. The Company's performance in carrying out relief programmes was highly appreciated by the local people and the government, which contributed to the strengthening of the local community relationships. Starting from 2007, the Company contributes RMB2,000,000 every year to the education development in Gansu Province, PRC, and 2010 is the fourth consecutive years for such donation. All donations were used to renovations of school buildings in the phase of volunteer education in the depressed area of the Gansu Province. During the Year, the Company also made a donation of RMB500,000 to support Hope Project in the Xinjiang Autonomous Region, which was used to promote education development of Xinjiang.

During the Year, the Group contributed RMB4,460,000 for various charity activities.

Awards granted to the Company in the year 2010 include: “Board of Directors of the Year 2010” by the Hong Kong Institute of Directors, “Gold Prize for Social Responsibility and Investor Relations” and “Asia Pacific Business Excellence Standard Award”, etc.

## **FINANCIAL ANALYSIS**

### ***Revenue***

For the year ended 31 December 2010, the Group's revenue was approximately RMB4,097,800,000 (2009: RMB2,796,991,000), representing an increase of approximately 46.51% (2009: approximately 29.93%) 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 2010, the Group's cost of sales was approximately RMB1,786,958,000, representing an increase of approximately 32.59% (2009: approximately 25.62%) from approximately RMB1,347,704,000 in 2009. 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 RMB2,310,842,000 (2009: RMB1,449,287,000) and approximately 56.39% (2009: approximately 51.82%), representing an increase of approximately 59.45% (2009: approximately 34.20%) and an increase of approximately 4.57% (2009: approximately 1.66%), respectively, as compared to the previous year. The increase in gross profit was primarily attributable to the increases in sales of gold and the high price of gold, while the increase in the gross profit margin was primarily because the unit cost remained stable and the price of gold remained at a higher level during the Year.

### ***Other Revenue and Gains***

During the Year, the Group's other revenue and gains were approximately RMB123,146,000 (2009: approximately RMB99,181,000), representing an increase of approximately 24.16% (2009: 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 the increase of sales of material.

### ***Selling and Distribution Costs***

For the year ended 31 December 2010, the Group's selling and distribution costs were approximately RMB38,220,000 (2009: approximately RMB38,291,000), representing a decrease of approximately 0.19% (2009: an increase of approximately 91.63%) as compared to the previous year.

### ***Administrative and Other Expenses***

The Group's administrative and other operating expenses were approximately RMB655,491,000 in 2010 (2009: approximately RMB443,739,000), representing an increase of approximately 47.72% (2009: approximately 12.86%) from 2009. Such increase was primarily attributable to the expansion of the business and the increase in the scope of combination.

### ***Finance Costs***

For the year ended 31 December 2010, the Group's finance costs were approximately RMB92,340,000 (2009: approximately RMB23,137,000), representing an increase of approximately 299.10% (2009: approximately 34.05%) from 2009. Such increase was primarily attributable to the distribution of interest of the corporate bond of the Group of RMB1.5 billion issued in December 2009.

### ***Income Tax Expenses***

The income tax expenses increased by approximately RMB145,702,000 when compared with the previous year. It is primarily attributable to the increase in net profit on sales. During the Year, income tax of corporate inside PRC has been provided at a rate of 25% (2009: 25%) on the taxable income. Hong Kong profits tax has been provided at the rate of 16.50% (2009: 16.50%) on the estimated assessable profits arising in Hong Kong during the Year. The Group did not incur any Hong Kong profits tax during the Year. The effective tax rate of the Group is 24.80% during the Year (2009: 25.28%).

### ***Profit Attributable to Owners of the Parent***

For the year ended 31 December 2010, the Group's profit attributable to the owners of the parent was approximately RMB1,201,731,000, representing an increase of approximately 59.38% (2009: approximately 41.23%) from approximately RMB754,020,000 in 2009.

The net profit margin of the Group for the year ended 31 December 2010 was approximately 30.31% (2009: approximately 26.86%), representing a slight increase from 2009.

## ***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 acquisition, capital expenditures, operations and repayment of borrowings.

### ***Cash Flows and Working Capital***

The Group's cash and cash equivalents have decreased from approximately RMB2,209,396,000 as at 31 December 2009 to approximately RMB781,888,000 as at 31 December 2010. The decrease was primarily attributable to our aggressive mine acquisition scheme, construction projects, repayment of significant bank borrowings and corporate bond interests in 2010.

At the balance sheet date, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to RMB35,433,000 (2009: RMB20,713,000) and those denominated in United States dollars amounted to RMB48,001,000 (2009: RMB24,586,000). All other cash and cash equivalents held by the Group are denominated in RMB.

### ***Borrowings***

On 31 December 2010, the Group had outstanding bank loans and other borrowings of RMB440,762,000 (2009: RMB668,846,000), of which RMB370,000,000 (2009: RMB611,056,000) shall be repaid within one year, RMB63,680,000 (2009: RMB50,000,000) shall be repaid within two to five years and RMB7,082,000 (2009: RMB7,790,000) shall be repaid after five years. As at 31 December 2010, the Group had borrowings and corporate bond in excess of cash balance, and hence had gearing on a net basis.

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

### ***Gearing Ratio***

Gearing ratio refers to the ratio of consolidated total liabilities to consolidated total assets. As at 31 December 2010, the Group had consolidated total liabilities of RMB3,639,289,000 (2009: RMB3,614,215,000) and total assets of RMB9,414,933,000 (2009: RMB8,581,632,000). The Group's gearing ratio for the year ended 31 December 2010 was 38.65% (2009: 42.12%).

### ***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 liabilities which are denominated in RMB. The Group's policy is to manage price risk exposure in relation to the tolling liabilities by holding physical inventories of gold and silver for settlement of liabilities.

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 2010, 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 the 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 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**

2011 is the fifth anniversary of Zhaojin Mining's listing. The Company shall adhere to its pure gold production strategy, proactively captures value investment opportunities, enhances ability in operation management and promotes sustainable development of the Company.



### ***Highlight the safety and environmental protection work***

In 2011, the Company will strengthen the sense of social responsibility, and focus on safety and environmental protection. Therefore, the Company plans to invest RMB90,000,000 on safety and environmental protection activities. Following the basic requirement of using scientific mining methods, enhancing the efficiency on resources utilisation, standardizing corporate management, applying environmental friendly processing techniques and emphasising on ecological environment of mines, the green mines concept is embodied in the whole process of development and utilisation of mineral resources, and the coordination of economic, social and ecological benefits is achieved. With an objective of promoting mechanization operation of underground tasks, the Company will contribute at least RMB15,000,000 into a safety fund, which will be used to purchase advanced safety equipment in at least five different areas. The Company will also establish an emergency protection system to prevent all kinds of severe accidents. The Company has compulsorily set up “six major systems” for safety operation in implementing underground tasks, which include underground monitoring, personnel positioning, contingent risk-prevention, pressed air self-rescue, water supply and rescue, and communication systems.

### ***Accelerate the progress of exploration works in key regions***

In 2011, the Company will focus on the major mining belts and increase exploration and reserves. Within the Zhaoyuan region, the Company aims to achieve breakthroughs in Zhaoping fault, and the main focus will be put on Xiadian Gold Mine and Dayingezhuang Gold Mine. Outside Zhaoyuan region, breakthroughs are expected to be made in large mining belts regions such as Xinjiang, Gansu and Liaoning, and the main focus will be placed on Zhaojin Baiyun and Qinghe Mining. In addition, the Company also strives for achieving breakthroughs on exploration and increasing reserves. In 2011, the Company intends to invest RMB250,000,000 to explore resources and expects to achieve an addition gold resources of 95 tons through exploration.

### ***Develop innovative technologies***

Scientific Technology is the major production force, and it also represents the core competitiveness of enterprises. In 2011, the Company will commit in consolidating the technology strengths of Zhaojin, develop closer co-operation with foreign and domestic famous universities and scientific research institutes, so as to fully capitalise its effects as a scientific research platform of the provincial level technical centre. The main focus will be placed on researches on geological deposits theory, exploration methods, processing and smelting technology, comprehensive recollection of multi elements and tailings development, with an objective of striving for greater breakthrough in these areas, and strengthening the core competitiveness of the Company. It is expected that in 2011 the investment in technologies will amount to RMB68,880,000, and 44 planned key topic researches will be carried out.

### ***Infrastructure and technology enhancement***

Infrastructure and technology reform gives impetus to the development and growth of enterprises, the Company therefore sets the year 2011 as “the Year of Infrastructure and Technology Enhancement”. Enterprises located within Zhaoyuan have to accelerate the speed of project construction and enhance production efficiency with good management on mining and excavation, while mining enterprises outside Zhaoyuan have to optimize their production systems as soon as practicable in order to expand production output, and speed up the operation schedule of projects. There are 53 planned projects in total for the year and the planned total investment is RMB4.323 billion, of which RMB1.232 billion is planned to be funded in 2011. For mines within Zhaoyuan, the Company will focus on the exploration of deep underground of Dayingezhuang Gold Mine, Hedong Gold Mine, Xiadian Gold Mine and Canzhuang Gold Mine, while for enterprises outside Zhaoyuan, the Company will put great effort on Zaozigou Gold Mine with a daily mining and processing capacity of 2,000 tons, Qinghe Mining with a daily mining and processing capacity of 2,000 tons, and Baiyun Mining with a daily mining and processing capacity of 2,000 tons.

### ***Expand external development***

In 2011, the Company will focus its resources on developing three main industrial bases of Xinjiang, Gansu and Shandong in the PRC, and closely monitor the conditions in Liaoning, Inner Mongolia and Guangxi. In the foreign markets, the Company will focus its attention on countries with rich resources, stable policies and flourishing prospects, and will also carry out scientific analysis and arrange reasonable lay out. The Company intends to invest RMB500,000,000 for the acquisition of resources reserves with gold content over 20 tons to ensure healthy and sustainable development of the Company.

The Company will manage to finance above-mentioned projects through operational net cash inflow, bank borrowing or other external financing activities.

### ***Enhance operation management***

Good operation management is the foundation for rapid development of enterprises. In 2011, the Company will continue to follow the principle of “six integration” management and focus on rolling out assistance (包幫結對) activities, so as to further enhance the operation management of enterprises inside and outside Zhaoyuan. Besides, the Company will implement the benchmarking management system with domestic and foreign leading enterprises in the industry by making detailed and professional comparisons and observing standards compliance and upgrading, in order to move towards higher level of benchmarking management. The Company shall actively explore new concepts of cost control, strongly promote advanced management experience such as vendor managed inventory, control the financial risks by strengthening financial management, closely monitor the capital of subsidiaries, implement financial auditing, control the market fluctuation risk by making detailed research and analysis on the market, as well as maintain and recruit talents, establish new salary system, highlight efficiency, give considerations to impartiality and share our achievements with staff. At the same time, the Company shall establish and develop human resources comprising of senior management, professional management personnel and technicians so as to lay a solid foundation for the Company’s development.



## ACQUISITIONS

- (1) On 5 March 2010, the Company entered into an equity transfer agreement with two vendors (being independent third parties) to acquire 80% equity interest of Qinghe County Jindu Mining Development Company Limited (“Qinghe Mining”) at a consideration of RMB185,000,000.

Qinghe Mining is located in Qinghe County, Xinjiang and is engaged in the mining and sale of gold. Qinghe Mining owns the mining rights of Yemaquan and Kubusu gold mines, with an acquired gold resources of 14,205 kg (approximately 456,701 ozs) covering a mining area of approximately 2.2118 km<sup>2</sup>, with an average grade of 5.55 g/t.

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

- (2) On 5 March 2010, the Company entered into an equity transfer agreement with a vendor (being independent third party) to acquire 80% equity interest of Hezheng Xinyuan Mining Co., Ltd. (“Hezheng Mining”) at a consideration of RMB48,000,000.

Hezheng Mining, located in Hezheng County, Gansu Province, is engaged in exploration, development, operation and sales of mining resources. Hezheng Mining owns the mine exploration right of the project in Hezheng County, Gansu Province with an exploration area of 5.89 km<sup>2</sup>. The gold resources were approximately 4,425 kg (approximately 142,267 ozs).

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 28 April 2010, the Company entered into an acquisition agreement with an independent third party in relation to acquire 100% equity interest of Guangxi Guigang City Longxin Mining Development Co., Ltd. (“Longxin Mining”) at a consideration of RMB47,000,000.

Longxin Mining is based in Guiguang Longshan gold mine in Guangxi, with a mining area of 0.65 km<sup>2</sup>. The gold resources were 2.4 tons.

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 May 2010, the Company entered into an equity transfer agreement with seven vendors (being independent third parties) for the transfer of 100% equity interest of Fengcheng City Xinfengyuan Mining Co., Ltd. (“Xinfengyuan Mining”) legally held by them to the Company at a consideration of RMB47,600,000.

Xinfengyuan Mining currently owns the exploration right to one gold mine with an area of approximately 104.15 km<sup>2</sup> situated at Hongqi Town, 40 km south of Fengcheng City, Liaoning Province. The mine has a superior geographical location surrounded by mature gold mines, providing a direction for the long-term prospect of the mines in the area. Meanwhile, there are placer mines in the area, indicating the approximate location of the gold ore belt. This further highlights the target region for exploration.

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 25 July 2010, Sparky International Trade Company Limited, a wholly-owned subsidiary of the Company, subscribed for 20,000,000 ordinary shares of Citigold Corporation Limited (“Citigold”), representing 2.15% of the total share capital of Citigold as at the acquisition date, at a consideration of AUD2,000,000 (equivalent to approximately RMB11,500,000), and the Company should have one representative in the board of directors of Citigold.

Citigold is a gold producer in Australia controlling Australia’s richest major goldfield at Charters Towers in North Queensland. The high-grade deposit contains a gold resources of 10,000,000 ozs (approximately 311 tons), with an average grade of 14 g/t. With great growth potential, Citigold planned to increase gold output to 300,000 ozs per year in the coming four years with gold production costs in cash below AUD350 per oz. Citigold’s current mining rights cover an area of 600 km<sup>2</sup>. The core mining area covers approximately 100 km<sup>2</sup> in the centre of the mine.

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.

Relevant details were set out in the announcement of the Company dated 25 July 2010 published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

- (6) On 15 October 2010, the Company entered into the acquisition of 55% equity interest in Fengcheng City Baiyun Gold Mining Co., Ltd. (“Baiyun Mining”) at a consideration of RMB200,000,000.

Baiyun Mining is the first gold mining enterprise in Fengcheng City with a daily combined production capacity of 400 tons and gold resources of 22,810 kg (733,358 ozs).

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.

- (7) On 15 October 2010, the Company entered into an agreement with a vendor (who is an independent third party) to acquire 50% equity interest in Xinjiang Ruoqiang County Changyun Sanfengshan Gold Mining Co., Ltd. (“Sanfengshan Mining”) at a consideration of RMB100,000,000. The acquisition is underway and is expected to be completed in the first half of 2011.

Sanfengshan Mining, located at the region of Innikelatage Hongshijing (因尼喀拉塔格紅十井地區), the northeastern part of Ruoqiang County, Xinjiang, has a mining area of 4.1454 km<sup>2</sup>. The gold resources were 3,318 kg, containing a copper and silver content of 33,620 tons and 49.457 tons, respectively. It resembles an above medium size and the current production scale is 450 tons/day.

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.

- (8) On 25 November 2010, the Company entered into equity transfer agreements with Zhejiang Zhengxiang Investment Management Company Limited (“Zhejiang Zhengxiang”) to acquire 19.23% equity interests in Jiashi Tonghui Mining Company Limited (“Tonghui”) and 41% equity interests in Xinjiang Xinhui Copper Company Limited (“Xinhui”) at considerations of RMB133,063,000 and RMB23,020,000, respectively. Upon completion of the acquisitions, the Company will hold 92% equity interests in each of Tonghui and Xinhui.

Zhejiang Zhengxiang is a connected person of the Company by virtue of being a substantial shareholder of Tonghui and Xinhui. Accordingly, the acquisitions constitute connected transactions for the Company. As the applicable aggregate percentage ratios in respect of the acquisitions are less than 5%, the acquisitions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 25 November 2010 published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

## **SIGNIFICANT EVENTS**

### **1. Change of Session of the Board and Supervisory Committee**

At the 2010 first extraordinary general meeting of the Company held on 26 February 2010, Mr. Lu Dongshang, Mr. Wang Peifu, Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Weng Zhanbin, Mr. Wu Zhongqing, Mr. Chen Guoping, Mr. Yan Hongbo, Mr. Ye Tianzhu, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo were elected as members of the third session of the Board of the Company; Mr. Wang Xiaojie and Ms. Jin Ting were elected as members of the third session of the Supervisory Committee of the Company; and Mr. Chu Yushan was elected as staff supervisor at the staff representatives’ meeting of the Company to form the third session of the Supervisory Committee of the Company. Both Directors and supervisors of the Company have a term of three years with effect from 26 February 2010.

Relevant details were set out in the announcement of the Company dated 26 February 2010 published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

### **2. Composition of and Changes in Senior Management**

The first meeting of the third session of the Board of the Company was held on 26 February 2010 at which Mr. Lu Dongshang was elected as chairman of the third session of the Board of the Company; Mr. Liang Xinjun as vice chairman; Mr. Wang Peifu was appointed as chief executive officer and president of the Company; Mr. Zhang Banglong as chief financial officer; Mr. Li Xiuchen as senior vice president; Mr. Shi Wenge as vice president; Mr. Zhang Shantang as vice president; Mr. Sun Xiduan as vice president; Mr. Li Shanren as vice president; Mr. Wang Ligang was appointed as secretary to the Board; Mr. Ngai Wai Fung as company secretary; Mr. Lu Dongshang (chairman) and Mr. Wang Peifu (director) as authorised representatives of the Company.

On 16 November 2010, the Board announces that Mr. Wang Peifu, the then executive Director of the Company, has been re-designated as the non-executive Director of the Company and has resigned from his position as President, CEO and Authorised Representative with effect from 10 November 2010, and Mr. Weng Zhanbin, the then non-executive Director of the Company, has been re-designated as the executive director of the Company and was appointed as President and Authorised Representative with effect from 10 November 2010.

Relevant details were set out in the announcement of the Company dated 16 November 2010 published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

*Note: The Board agreed to release Mr. Li Shanren from his position as vice president of the Company in the fifth meeting of the third session of the Board in view of changes in work allocation.*

### **3. Adjustments to the Special Committees of the Board**

The following adjustments to the special committees of the Board were made by the Board:

#### ***(1) Strategic Committee of the Board***

It comprises the executive Directors of Mr. Lu Dongshang and Mr. Weng Zhanbin and the non-executive Director of Mr. Liang Xinjun. Mr. Lu Dongshang acts as chairman of Strategic Committee.

#### ***(2) Nomination and Remuneration Committee of the Board***

The Nomination and Remuneration Committee comprises executive Director Mr. Lu Dongshang, non-executive Director Mr. Liang Xinjun, independent non-executive Director Mr. Yan Hongbo, Mr. Ye Tianzhu and Ms. Chen Jinrong. The Committee is chaired by Mr. Liang Xinjun.

During the ninth meeting of the third session of the Board of the Company held on 4 March 2011, changes were made to the Nomination and Remuneration Committee, Mr. Cong Jianmao was appointed the member of the Nomination and Remuneration Committee, Mr. Lu Dongshang ceased to be the member of the Nomination and Remuneration Committee.

#### ***(3) Audit Committee of the Board***

It comprises the non-executive Director of Mr. Chen Guoping and the independent non-executive Directors of Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. Ms. Chen Jinrong acts as chairman of the Audit Committee.

#### ***(4) Geological and Resources Management Committee of the Board***

It comprises the executive Director of Mr. Weng Zhanbin and the independent non-executive Directors of Mr. Yan Hongbo and Mr. Ye Tianzhu. Mr. Ye Tianzhu acts as chairman of the Geological and Resources Management Committee.

#### **(5) *Safety and Environmental Protection Committee of the Board***

It comprises the non-executive Directors of Mr. Cong Jianmao and Mr. Wang Peifu, and the independent non-executive Director of Mr. Yan Hongbo. Mr. Yan Hongbo acts as chairman of the Safety and Environmental Protection Committee.

#### **4. Amendments to the Articles of Association**

At the 2010 first extraordinary general meeting of the Company, resolutions were also passed to amend Article 3.5, Article 10.1, Article 10.2, Article 13.2 and Article 14.1 of the Articles of Association of the Company. Such amendments involve amendments to the shareholding structure, composition of the Board, term of office and election of Directors, term of office and election of Supervisors, and the limiting conditions for Directors, Supervisor and senior management.

Relevant details were set out in the announcement of the Company dated 26 February 2010 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

#### **5. On 3 June 2010, the following proposals, among other things, were reviewed and passed at the 2009 annual general meeting:**

- (1) The Company's profit distribution proposal for the year ended 31 December 2009 of a cash dividend of RMB0.22 (before taxation) per share to all shareholders. On 21 June 2010, the Company distributed the 2009 cash dividend of RMB0.22 (before taxation) per share to all shareholders;
- (2) Authorising the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution; and
- (3) Authorising 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.

Relevant details were set out in the announcement of the Company dated 3 June 2010 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

#### **6. On 3 June 2010, the following proposals were reviewed at the domestic shares class meeting and H shares class meeting respectively:**

- (1) Authorising the Board to allot, issue and deal with shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares of the Company at the date of passing such resolution; and
- (2) Authorising 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 6.(2) above was approved at the H shares class meeting, yet the proposal set out in 6.(1) above was not approved at the H shares class meeting.

Relevant details were set out in the announcement of the Company dated 3 June 2010 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

## **7. Change of Company Secretary**

On 15 December 2010, the Board of the Company announced that Mr. Ngai Wai Fung has tendered his resignation as the company secretary and the authorised representative under the Hong Kong Companies Ordinance of the Company with effect from 15 December 2010 due to personal reason. Ms. Ma Sau Kuen Gloria has been appointed as the company secretary and the authorised representative of the Company and the appointment took effect on 15 December 2010.

Relevant details were set out in the announcement of the Company dated 15 December 2010 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

## **8. Distribution of interest of “2009 Corporate Bonds” for the year 2010**

On 23 December 2010, the Company has distributed the interest of “2009 Corporate Bonds” in an aggregate sum of RMB75,000,000 for the first distributing year from 23 December 2009 to 22 December 2010.

Relevant details were set out in the announcement of the Company dated 16 December 2010 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://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 (“the Code”) 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 was any non-compliance with the code provisions of the Code at any time during the Year.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)**

The Company has adopted the Model Code 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 set out in Appendix 10 to the Listing Rules during the Year.

## **AUDIT COMMITTEE**

The audit committee of the third session of the Board comprises one non-executive Director and two independent non-executive Directors, namely Mr. Chen Guoping, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. Ms. Chen Jinrong acts as chairman of the Audit Committee.

The audit committee has reviewed the Group's audited consolidated annual results for the year ended 31 December 2010, and is of the view that the Group's audited consolidated annual results for the year ended 31 December 2010 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

## **CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company confirmed that it has received the annual confirmation of independence from each of the independent non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 4 March 2011. The Company is of the view that the existing independent non-executive Directors remain independent in accordance with the relevant guidelines of Rule 3.13 of the Listing Rules.

## **CLOSURE OF THE REGISTER OF MEMBERS**

In order to determine the H shares shareholders who are entitled to attend the 2010 AGM and receive the final dividend for the year ended 31 December 2010, the H shares registrar and transfer office will be closed from 14 May 2011 to 13 June 2011, both days inclusive, during which period no transfer of shares will be registered.

For qualifying to attend and vote at the 2010 AGM and receive the final dividend, H shares shareholders whose transfer have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H shares 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 Friday, 13 May 2011.

## **ANNUAL GENERAL MEETING AND ANNUAL REPORT**

The 2010 AGM will be held on Monday, 13 June 2011. The notice of 2010 AGM will be posted to the shareholders as soon as possible. The Group's annual report for the year ended 31 December 2010 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. Weng Zhanbin, Non-executive Directors: Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Wang Peifu, 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, 4 March 2011

\* *For identification purposes only*