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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **ZHAOJIN MINING INDUSTRY COMPANY LIMITED**, you should at once hand this circular together with the accompanying form of proxy and reply slip to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE PROVISION OF
FINANCIAL SERVICES BY FINANCE COMPANY

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

TRINITY

TRINITY CORPORATE FINANCE LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 28 of this circular. A letter from the Independent Board Committee is set out on page 29 to 30 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 55 of this circular.

The Company will convene the EGM at the conference room in Zhaojin Shunhe Hotel, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Friday, 29 December 2017. The notice convening the EGM has been despatched to the Shareholders on 14 November 2017.

Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or at any adjourned meetings should you so wish.

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DEFINITIONS

In this circular, unless otherwise indicated in the context, the following expressions have the following meanings:

“2015 Group Financial Services Agreement”	the financial services agreement dated 17 July 2015 entered into between the Company and Finance Company for the provision of various financial services by Finance Company to the Group
“2015 Parent Group Financial Services Agreement”	the financial services agreement dated 17 July 2015 entered into between Shandong Zhaojin and Finance Company for the provision of various financial services by Finance Company to the Shandong Zhaojin Group
“2017 Group Financial Services Agreement”	the financial services agreement dated 14 November 2017 entered into between the Company and Finance Company for the provision of various financial services by Finance Company to the Group
“2017 Parent Group Financial Services Agreement”	the financial services agreement dated 14 November 2017 entered into between Shandong Zhaojin and Finance Company for the provision of various financial services by Finance Company to the Shandong Zhaojin Group
“Articles of Association”	the articles of association of the Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company incorporated in the PRC on 16 April 2004 and the H Shares of which are listed on the main board of Hong Kong Stock Exchange
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company

DEFINITIONS

“EGM”	the 2017 second extraordinary general meeting to be held by the Company at the conference room in Zhaojin Shunhe Hotel, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Friday, 29 December 2017 to, amongst others, consider and approve the deposit and bills discounting services under the 2017 Group Financial Services Agreement and the deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement and their respective annual caps
“Finance Company”	Shandong Zhaojin Finance Company Limited (山東招金集團財務有限公司), a non wholly-owned subsidiary of the Company, details of which please refer to the section headed “INFORMATION ON THE PARTIES”
“Group”	the Company and its subsidiaries which satisfy the members qualifications under the 2017 Group Financial Services Agreement
“H-Share(s)”	overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each in the share capital of the Company, listed on the main board of the Stock Exchange and traded in Hong Kong dollars
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company, comprising four independent non-executive Directors, and each of them does not have any material interest in the 2017 Parent Group Financial Services Agreement and the 2017 Group Financial Services Agreement
“Independent Financial Adviser”	Trinity Corporate Finance Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the provision of deposit services and bill discounting services under the 2017 Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the 2017 Parent Group Financial Services Agreement (including the relevant proposed annual caps)

DEFINITIONS

“Independent Shareholders”	Shareholders other than (i) Shandong Zhaojin and its associates; and (ii) those with a material interest in the transactions contemplated under the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement, if any
“Latest Practicable Date”	5 December 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571, of the laws of Hong Kong)
“Shandong Zhaojin”	Shandong Zhaojin Company Limited (山東招金集團有限公司), the controlling shareholder of the Company, details of which please refer to the section headed “INFORMATION ON THE PARTIES”
“Shandong Zhaojin Group”	Shandong Zhaojin and its subsidiaries which satisfy the members qualifications under the 2017 Parent Group Financial Services Agreement
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules

LETTER FROM THE BOARD



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)

Executive Directors

Mr. Weng Zhanbin (*Chairman*)
Mr. Li Xiuchen (*President*)
Mr. Cong Jianmao

Registered address

299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC

Non-executive Directors

Mr. Liang Xinjun (*Vice chairman*)
Mr. Li Shousheng
Mr. Xu Xiaoliang
Mr. Gao Min

Principal place of business in Hong Kong

36th Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Independent Non-executive Directors

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao
Mr. Shen Shifu

8 December 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE PROVISION OF
FINANCIAL SERVICES BY FINANCE COMPANY**

INTRODUCTION

Reference is made to the announcement of the Company dated 14 November 2017 in respect of the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement.

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM relating to, among other things, the following:

- (i) the deposit and bills discounting services under the 2017 Group Financial Services Agreement; and
- (ii) the deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement.

(I) 2017 Group Financial Services Agreement

On 14 November 2017, the Company and Finance Company entered into the 2017 Group Financial Services Agreement pursuant to which Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services, on terms which are similar to the 2015 Group Financial Services Agreement.

The principal terms of the 2017 Group Financial Services Agreement are set out below:

Date:

14 November 2017

Parties:

- (1) The Company
- (2) Finance Company

Term:

1 January 2018 to 31 December 2020

The 2017 Group Financial Services Agreement becomes effective when it is duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services and bill discounting services under the 2017 Group Financial Services Agreement are subject to the approval of the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Major Terms:

- (1) Finance Company agreed to provide the following major services to the Company and its subsidiaries which satisfy the members qualifications, i.e., any companies which the Company has more than 51% equity interest (the “**Controlled Corporations**”); any companies which the Company and the Controlled Corporations individually or collectively hold(s) more than 20% equity interest or any companies which the Company and the Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; the institutional entity or social organization legal persons of the Company and the Controlled Corporations:
- i. financial and financing consultation, credit certification and other relevant advisory and agency services;
 - ii. funds receipt services;
 - iii. provision of guarantees;
 - iv. entrusted loans and entrusted investment services;
 - v. bill discounting services;
 - vi. settlement services and settlement proposal design services;
 - vii. deposit services;
 - viii. loans and finance leasing services;
 - ix. approved insurance agency services;
 - x. consumer credit, buyer credits and financial leasing services of the products of the Group;
 - xi. underwriting services for corporate bonds; and
 - xii. other financial services as approved by the CBRC.

The services numbered (i) to (viii) above can be provided by Finance Company immediately and the services numbered (ix) to (xi) above can be provided by Finance Company one year after its incorporation upon approval by Shandong Bureau of the CBRC.

- (2) The Group shall choose Finance Company to provide settlement services to the Group and the service fees for the provision of settlement services to be charged by Finance Company shall not be higher than the service fees charged by other independent major commercial banks for the provision of same services in the PRC.

LETTER FROM THE BOARD

- (3) The Group shall choose Finance Company to provide deposit services to the Group and the deposit services and deposit products to be provided shall comply with the requirements of the PBOC (*Note*). The interest rate for the deposit paid by Finance Company shall not be lower than the interest rate paid by other independent major commercial banks for the provision of the same services in the PRC.

Note: According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups” issued by the CBRC, Finance Company shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit services provided by Finance Company shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e., any adjustment on the interest rate offered by Finance Company shall be within the interest rate offered by the PBOC on comparable deposit.

- (4) The Group shall choose Finance Company to provide financing (including bill discounting) services to the Group and the interest rate for the provision of financing (including bill discounting) services to be charged by Finance Company shall not be higher than the interest rate charged by other independent major commercial banks for the provision of same level of financing (including bill discounting) services in the PRC.
- (5) The 2017 Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangement in relation to the services to be provided under the 2017 Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2017 Group Financial Services Agreement.

In respect of those financial services (apart from deposit services, loan and guarantee services, bill discounting and settlement services) to be provided under the 2017 Group Financial Services Agreement, the Company will comply with the applicable reporting, announcement and Independent Shareholders’ approval requirements of the Listing Rules as and when the relevant contracts for the provision of such services are entered into.

- (6) Capital Risks Control Measures:
- i. Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of the Group.
 - ii. Finance Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.

LETTER FROM THE BOARD

- iii. Finance Company will monitor the transactions under the 2017 Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2017 Group Financial Services Agreement.
- iv. A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company before the tenth day of each month so that the Company can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps.

INTERNAL CONTROL ON PRICING

The interest rates for deposit, loan and bill discounting services and the service fees for settlement services are arrived at after considering the interest rates and service fees charged by/offered by other independent commercial banks and financial institutions in the PRC for the provision of similar level of loans, deposit, bill discounting and settlement services.

There are stringent internal control policies with regard to financial services transactions under the 2017 Group Financial Services Agreement. The finance department of the Company would compare the deposit rates quoted from the counterparties with the terms from other independent third parties (including at least three financial institutions and commercial banks in the PRC) to ensure that the most favourable terms are obtained from Finance Company.

In addition, the transactions will be reported to and approved by the head of the finance department of the Company. The internal control policies will also be applied to the transactions with Finance Company to ensure the interest rate payable for the Company’s deposits with Finance Company shall not be lower than the interest rate payable by other independent commercial banks for comparable deposits.

By adopting the policies set out above, the Company can ensure that (i) the interest rate payable for the Company’s deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the loan and bill discounting interest rates and service fees charged by Finance Company shall not be higher than that charged by other independent commercial banks for providing comparable loans and services in the PRC.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNT

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Group under the 2015 Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and the nine months ended 30 September 2017:

	For the year ended		For the
	31 December		nine months
	2015	2016	ended
			30 September
			2017
Maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB585.9 million	RMB1,807.4 million	RMB1,599.0 million

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Group for the year ending 31 December 2017 contemplated under the 2015 Group Financial Services Agreement is RMB2,500 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

Bill Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group under the 2015 Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and the nine months ended 30 September 2017:

	For the year ended		For the
	31 December		nine months
	2015	2016	ended
			30 September
			2017
Maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest accrued thereon)	RMB0 million	RMB0 million	RMB130 million

LETTER FROM THE BOARD

As disclosed in the circular of the Company dated 31 August 2015, the Company planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Group for the two years ended 31 December 2016.

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group for the year ending 31 December 2017 contemplated under the 2015 Group Financial Services Agreement is RMB1,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

Loan Services

The table below sets forth the maximum outstanding loan amount at any one point in time provided by Finance Company to the Group (including interest accrued thereon) under the 2015 Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and the nine months ended 30 September 2017:

	For the year ended		For the
	31 December	2016	nine months
	2015		ended
			30 September
			2017
Maximum outstanding loan amount provided by Finance Company to the Group (including interest accrued thereon)	RMB474.7 million	RMB1,961.3 million	RMB1,496.9 million

The maximum outstanding loan amount at any one point in time provided by Finance Company to the Group (including interest accrued thereon) for the year ending 31 December 2017 contemplated under the 2015 Group Financial Services Agreement is RMB8,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

Settlement Services

The service fees paid by the Group to Finance Company for the provision of settlement services by Finance Company to the Group under the 2015 Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and the nine months ended 30 September 2017 fell within the *de minimis* threshold stipulated under Rule 14A.76 of the Listing Rules as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of such service fees is less than 0.1% during the above mentioned period. It is expected that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of such service fees to be paid by the Group to Finance Company for the entire year ending 31 December 2017 will not exceed 0.1%.

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Group pursuant to the 2017 Group Financial Services Agreement for each of the three years ending 31 December 2020 are as follows:

	For the year ending 31 December		
	2018	2019	2020
Maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB5,500 million	RMB7,000 million	RMB8,500 million

The above amounts are arrived at after considering the following factors:

1. The level of cashflow of the Company and its subsidiaries in the past, for example, the cash and cash equivalent of the Company and its subsidiaries as at 31 December 2014, 31 December 2015 and 31 December 2016 were approximately RMB1,254 million, RMB2,033 million and RMB1,438 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2016 is approximately RMB1,575 million.
2. The expected increase in deposit of the Company and its subsidiaries in the three years ending 31 December 2020 resulting from the expected increase in cashflow of the Company and its subsidiaries resulting from the possible implementation of financing plan of the Company in the ensuing three years, including the possible issue of corporate bonds, renewable corporate bonds and/or super-short-term notes, etc.

According to the possible financing plan of the Company, the expected capital to be raised by the Company through possible issue of corporate bonds, renewable corporate bonds and/or super-short-term notes are RMB2,600 million, RMB4,000 million and RMB8,000 million for each of the three financial years ending 31 December 2020, respectively, which is expected to bring an increase in cash inflow for the Company.

3. As Finance Company increases its service capacity, enhances its social credibility and enlarges its business scope in the future, it may be qualified to carry out more businesses, such as cross-border funding, hedging and other businesses. If the relevant business qualifications are approved, the offshore capital collection and margin business will increase, and thus resulting in a rise of the Company's maximum daily outstanding balance of deposit in Finance Company.
4. The expected increasing level of deposit of the Group every year as a result of the increasing scale of assets of the Group in the ensuing three years.

LETTER FROM THE BOARD

As a result of the factors set out in (2) to (4) above, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2020.

Bill Discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group pursuant to the 2017 Group Financial Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December		
	2018	2019	2020
Maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest accrued thereon)	RMB1,500 million	RMB2,000 million	RMB2,500 million

The above amounts are arrived at after considering the business plan of the Group to fully utilize the electronic bill discounting system of Finance Company, the anticipated level of bill discounting services required by the Group for the three years ending 31 December 2020 and the anticipated available balance of Finance Company to provide bill discounting services to the Group.

As disclosed in the circular of the Company dated 31 August 2015, the Company planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Group for the two years ended 31 December 2016. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and the Group will be gradually changed from cash settlement to settlement by electronic bill discounting since under the policy of the PBOC, the use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that the Finance Company lowers its financing cost and provides bill discounting services to the Group in a more cost-efficient manner. Hence, the maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest thereon) already reached approximately RMB130 million for the few months ended 30 September 2017 since Finance Company obtained the necessary regulatory authorisations in May 2017.

As at 31 October 2017, Finance Company has an available balance of RMB810 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,000 million by 31 December 2017 and will reach RMB1,500 million, RMB2,000 million and RMB2,500 million for the three years ended 31 December 2020, respectively.

LETTER FROM THE BOARD

Taking into account the increasing use of bill discounting services to provide funding to the Group and the availability of Finance Company to provide such services, it is expected that there is an increasing trend for the maximum daily outstanding balance of funds to be provided by Finance Company to the Group for the three years ending 31 December 2020.

Loan Services

The provision of loan services by Finance Company to the Group under the 2017 Group Financial Services Agreement constitutes a form of financial assistance under the Listing Rules. Given that such financial assistance is on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC which is not secured by the assets of the Group, it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company expects that the maximum outstanding loan amount at any one point in time provided by Finance Company to the Group (including interest accrued thereon) under the 2017 Group Financial Services Agreement for each of the three years ending 31 December 2020 shall not exceed RMB6,000 million, RMB7,500 million and RMB9,000 million, respectively.

Settlement Services

The Company expects that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the service fees payable by the Group to Finance Company for the provision of settlement services by Finance Company to the Group under the 2017 Group Financial Services Agreement are less than 0.1%. Accordingly, the service fees payable by the Group to Finance Company in respect of the settlement services to be provided by Finance Company under the 2017 Group Financial Services Agreement are exempt from all reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the applicable reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules if the service fees for the settlement services to be provided by Finance Company to the Group under the 2017 Group Financial Services Agreement exceed the relevant threshold.

(II) 2017 Parent Group Financial Services Agreement

On 14 November 2017, Shandong Zhaojin and Finance Company entered into the 2017 Parent Group Financial Services Agreement pursuant to which Finance Company agreed to provide financial services, including deposit services, loan services, bill discounting services and settlement services to Shandong Zhaojin Group, on terms which are similar to the 2015 Parent Group Financial Services Agreement.

The principal terms of the 2017 Parent Group Financial Services Agreement are set out below:

Date:

14 November 2017

LETTER FROM THE BOARD

Parties:

- (1) Shandong Zhaojin
- (2) Finance Company

Term:

1 January 2018 to 31 December 2020

The 2017 Parent Group Financial Services Agreement becomes effective when it is duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services, bill discounting services and loan services under the 2017 Parent Group Financial Services Agreement by Finance Company to the Shandong Zhaojin Group are subject to the approval of the Independent Shareholders at the EGM.

Major Terms:

- (1) Finance Company agreed to provide the following major services to Shandong Zhaojin and its subsidiaries which satisfy the members qualifications, i.e., any companies which Shandong Zhaojin has more than 51% equity interest (the “**Zhaojin Controlled Corporations**”); any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) more than 20% equity interest or any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; the institutional entity or social organization legal persons of Shandong Zhaojin and the Zhaojin Controlled Corporations:
 - i. financial and financing consultation, credit certification and other relevant advisory and agency services;
 - ii. funds receipt services;
 - iii. provision of guarantees;
 - iv. entrusted loans and entrusted investment services;
 - v. bill discounting services;
 - vi. settlement services and settlement proposal design services;
 - vii. deposit services;
 - viii. loans and finance leasing services;
 - ix. approved insurance agency services;

LETTER FROM THE BOARD

- x. consumer credit, buyer credits and financial leasing services of the products of Shandong Zhaojin Group;
- xi. underwriting services for corporate bonds; and
- xii. other financial services as approved by the CBRC.

The services numbered (i) to (viii) above can be provided by Finance Company immediately and the services numbered (ix) to (xi) above can be provided by Finance Company one year after its incorporation upon approval by the Shandong Bureau of the CBRC.

- (2) Shandong Zhaojin shall choose Finance Company to provide settlement services to the Shandong Zhaojin Group and the service fees for the provision of settlement services to be charged by Finance Company shall be determined according to the negotiation between the parties with reference to the service fees charged by other independent major commercial banks for the provision of same services in the PRC and the service fees to be charged shall not be lower than the service fees charged by Finance Company for the provision of same services to other parties.
- (3) Shandong Zhaojin shall choose Finance Company to provide deposit services to the Shandong Zhaojin Group and the deposit services and deposit products to be provided by Finance Company to the Shandong Zhaojin Group shall comply with the requirements of the PBOC (*Note*). The interest rate for the deposit paid by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rate offered by other independent major commercial banks for the provision of same deposit services in the PRC and the interest rate to be offered shall not be higher than the interest rate paid by Finance Company for the provision of the same services to other parties.

Note: According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups” issued by the CBRC, Finance Company shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit acceptance services provided by Finance Company shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e., any adjustment on the interest rate offered by Finance Company shall be within the interest rate offered by the PBOC on comparable deposit.

- (4) Shandong Zhaojin shall choose Finance Company to provide financing (including bill discounting) services to the Shandong Zhaojin Group and the interest rate for the financing (including bill discounting) services provided by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rate offered by other independent major commercial banks for the provision of same financing (including bill discounting) services in the PRC. The interest rate for the provision of financing (including bill discounting) services to be charged by Finance Company shall not be lower than the interest rate charged by Finance Company for the provision of same level of financing (including bill discounting) services to other parties.

LETTER FROM THE BOARD

- (5) The 2017 Parent Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangement in relation to the services to be provided under the 2017 Parent Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2017 Parent Group Financial Services Agreement.

In respect of those financial services (apart from deposit services, loan and guarantee services, bill discounting and settlement services) to be provided under the 2017 Parent Group Financial Services Agreement, the Company will comply with the applicable reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules as and when the relevant contracts for the provision of such services are entered into.

- (6) Capital Risks Control Measures:

- i. Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of the Shandong Zhaojin Group.
- ii. Finance Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.
- iii. Finance Company will monitor the transactions under the 2017 Parent Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2017 Parent Group Financial Services Agreement.
- iv. A monthly report of Finance Company and a "comprehensive table of continuing connected transactions" of the preceding month will be delivered by Finance Company to the Company and Shandong Zhaojin before the tenth day of each month so that the Company and Shandong Zhaojin can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps.

LETTER FROM THE BOARD

INTERNAL CONTROL ON PRICING

The interest rates for the provision of deposit services, loan services and bill discounting services and the service fees for the provision of settlement services have been determined after taking into account the interest rates and service fees charged by/offered by other independent major commercial banks and financial institutions in the PRC for provision of similar loan services, deposit services, bill discounting and settlement services.

The Company has adopted stringent internal control policies for the service dealings between the Shandong Zhaojin Group and Finance Company. The finance department of the Company will compare the interest rates on deposits, loans and bill discounting and the service fees charged for settlement services offered by Finance Company to the Shandong Zhaojin Group with those offered by Finance Company to other parties.

The Company's finance department will review the relevant interest rates and fees on a regular basis to ensure due observance and performance of the 2017 Parent Group Financial Services Agreement.

By adopting the above measures, the Company can ensure that (i) the interest rates provided on deposits placed by the Shandong Zhaojin Group will not be higher than those to be provided by Finance Company to other parties for comparable deposits; and (ii) the interest rates on loans, bill discounting and service fees charged by Finance Company will not be lower than those to be charged by Finance Company to other parties for the provision of comparable loans and services.

HISTORICAL TRANSACTION AMOUNT

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group under the 2015 Parent Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and the nine months ended 30 September 2017:

	For the year ended 31 December 2015	2016	For the nine months ended 30 September 2017
Maximum daily outstanding balance of deposits placed by the Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB405.2 million	RMB1,898.9 million	RMB1,096.2 million

LETTER FROM THE BOARD

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group for the year ending 31 December 2017 contemplated under the 2015 Parent Group Financial Services Agreement is RMB3,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

Bill Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group under the 2015 Parent Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and the nine months ended 30 September 2017:

	For the year ended		For the
	31 December		nine months
	2015	2016	ended
			30 September
			2017
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB0 million	RMB59.98 million	RMB400 million

As disclosed in the circular of the Company dated 31 August 2015, the Shandong Zhaojin Group planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Shandong Zhaojin Group for the year ended 31 December 2015 and provided some paper bill discounting services to Shandong Zhaojin Group for the year ended 31 December 2016.

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group for the year ending 31 December 2017 contemplated under the 2015 Parent Group Financial Services Agreement is RMB1,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

LETTER FROM THE BOARD

Loan Services

The table below sets forth the maximum outstanding loan amount at any one point in time provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon) under the 2015 Parent Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and the nine months ended 30 September 2017:

	For the year ended		For the
	31 December		nine months
	2015	2016	ended
			30 September
			2017
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB363.5 million	RMB1,877.0 million	RMB927.7 million

The maximum outstanding loan amount at any one point in time provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon) for the year ending 31 December 2017 contemplated under the 2015 Parent Group Financial Services Agreement is RMB8,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

Settlement Services

The service fees paid by the Shandong Zhaojin Group to Finance Company for the provision of settlement services by Finance Company to the Shandong Zhaojin Group under the 2015 Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and nine months ended 30 September 2017 fell within the *de minimis* threshold stipulated under Rule 14A.76 of the Listing Rules as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of such service fees is less than 0.1% during the above mentioned period. It is expected that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of such service fees to be paid by the Shandong Zhaojin Group to Finance Company for the entire year ending 31 December 2017 will not exceed 0.1%.

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group pursuant to the 2017 Parent Group Financial Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December		
	2018	2019	2020
Maximum daily outstanding balance of deposits placed by Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB6,000 million	RMB7,000 million	RMB9,000 million

The above amounts are arrived at after considering the following factors:

- (1) The level of cashflow of Shandong Zhaojin and its subsidiaries in the past, for example, the cash and cash equivalent of Shandong Zhaojin and its subsidiaries as at 31 December 2014, 31 December 2015 and 31 December 2016 were approximately RMB3,684 million, RMB3,369 million and RMB3,246 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2016 is approximately RMB3,433 million.
- (2) The expected increase in deposit of Shandong Zhaojin and its subsidiaries in the three years ending 31 December 2020 resulting from the expected increase in cashflow of Shandong Zhaojin and its subsidiaries resulting from the possible implementation of financing plan of Shandong Zhaojin and its subsidiaries in the ensuing three years, including the possible issue of corporate bonds, medium-term notes and/or super-short-term notes, etc.

According to the possible financing plan of Shandong Zhaojin, the expected capital to be raised by Shandong Zhaojin through possible issue of corporate bonds, medium-term notes and/or super-short-term notes are RMB1,200 million, RMB2,000 million and RMB6,000 million for the three financial years ending 31 December 2020, respectively, which is expected to bring an increase in cash inflow to Shandong Zhaojin.

- (3) As Finance Company increases its service capacity, enhances its social credibility and enlarges its business scope in the future, it may be qualified to carry out more businesses, such as cross-border funding, hedging and other businesses. If the relevant business qualifications are approved, the offshore capital collection and margin business will increase, and ultimately resulting in a rise of Shandong Zhaojin's maximum daily outstanding balance of deposit in Finance Company.

LETTER FROM THE BOARD

- (4) The expected increasing level of deposit of Shandong Zhaojin and its subsidiaries every year as a result of the increasing scale of assets of Shandong Zhaojin and its subsidiaries in the ensuing three years.

As a result of the factors set out in (2) to (4) above and considering the relevant pool rate of approximately 50% (*Note*) of Shandong Zhaojin, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2020.

Note: Pool rate is arrived at by dividing the amount of deposit of the member companies of Shandong Zhaojin Group in Finance Company with the total cash and cash equivalents of Shandong Zhaojin Group.

In accordance with the relevant requirements of the Banking Regulatory Commission of Shandong Province, the pool rate of financial companies or institutions in Shandong Province shall not be lower than 50%. Pursuant to the “Finance Companies of Enterprises Groups risk assessment grading operation checklist” (《企業集團財務公司風險評分操作表》), financial companies with pool rate of approximately 60% may be awarded with better year end assessment results by the relevant authority and is beneficial for Finance Company to apply for operation of new business from CBRC.

Bill Discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group pursuant to the 2017 Parent Group Financial Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December		
	2018	2019	2020
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB1,500 million	RMB2,000 million	RMB2,500 million

The above amounts are arrived at after considering the business plan of the Shandong Zhaojin Group to fully utilize the electronic bill discounting system of Finance Company, the anticipated level of bill discounting services required by the Shandong Zhaojin Group for the three years ending 31 December 2020 and the anticipated available balance of Finance Company to provide bill discounting services to the Shandong Zhaojin Group.

As disclosed in the circular of the Company dated 31 August 2015, the Shandong Zhaojin Group planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Shandong Zhaojin Group for the year ended 31 December 2015 and provided some paper bill discounting services to Shandong Zhaojin Group for the year ended 31 December 2016. Following

LETTER FROM THE BOARD

the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and Shandong Zhaojin Group will be gradually changed from cash settlement to settlement by electronic bill discounting since under the policy of the PBOC, the use of electronic bill discounting enables the Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that the Finance Company lowers its financing cost and provides bill discounting services to Shandong Zhaojin Group in a more cost-efficient manner. Hence, the maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest thereon) already reached approximately RMB400 million for the few months ended 30 September 2017 since Finance Company obtained the necessary regulatory authorisations in May 2017.

As at 31 October 2017, Finance Company has an available balance of RMB810 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,000 million by 31 December 2017 and will reach RMB1,500 million, RMB2,000 million and RMB2,500 million for the three years ended 31 December 2020, respectively.

Taking into account the increasing use of bill discounting services to provide funding to the Shandong Zhaojin Group and the availability of Finance Company to provide such services, it is expected that there is an increasing trend for the maximum daily outstanding balance of funds to be provided by Finance Company to the Shandong Zhaojin Group for the three years ending 31 December 2020.

Loan Services

The maximum outstanding loan amount at any one point in time to be provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon) pursuant to the 2017 Parent Group Financial Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December		
	2018	2019	2020
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB6,000 million

The above amounts are arrived at after considering the level of loan and financing services required by the Shandong Zhaojin Group in view of the development and operation plan of the Shandong Zhaojin Group in the three years ending 31 December 2020. According to the 13th five-year plan of Shandong Zhaojin, Shandong Zhaojin will focus on investment in internet, finance and logistics industries, construction of intelligent mine and intelligent city, improvement and upgrading work of technology and equipment, and real estates and other related businesses in the coming three years.

LETTER FROM THE BOARD

In 2018, the maximum outstanding amount of loan to be obtained by the Shandong Zhaojin Group from Finance Company is RMB4,000 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB2,500 million of the loan for repayment of due borrowing; (ii) approximately RMB200 million of the loan for the conduction of water treatment cooperation project by its subsidiaries and for the upgrading of production facilities; (iii) approximately RMB300 million of the loan for Yinlou Building Project and Zhaojin Building Project; and (iv) approximately RMB1,000 million of the loan as replenishment of liquid capital.

In 2019, the maximum outstanding amount of loan to be obtained by the Shandong Zhaojin Group from Finance Company is RMB4,500 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB500 million of the loan for the business expansion of its subsidiaries in finance sector; (ii) approximately RMB300 million of the loan as investment fund of real estate development projects; (iii) approximately RMB2,700 million of the loan for repayment of due borrowing; and (iv) approximately RMB1,000 million of the loan as replenishment of liquid capital.

In 2020, the maximum outstanding amount of loan to be obtained by the Shandong Zhaojin Group from Finance Company is RMB6,000 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB200 million of the loan as fund of real estate development projects; (ii) approximately RMB300 million of the loan as fund of the Gold Vocational College Project (Phase II); (iii) approximately RMB500 million of the loan as investment fund for development of overseas mines investment and gold concentrates import projects; (iv) approximately RMB4,000 million of the loan for repayment of due borrowing; and (v) approximately RMB1,000 million of the loan as replenishment of liquid capital.

As a result of the factors set out above, there is an increasing trend of the annual caps for loan services to be provided by Finance Company to the Shandong Zhaojin Group for the three years ending 31 December 2020.

Settlement Services

The Company expects that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the service fees payable by the Shandong Zhaojin Group to Finance Company for the provision of settlement services by Finance Company to the Shandong Zhaojin Group under the 2017 Parent Group Financial Services Agreement to be less than 0.1%. Accordingly, the service fees payable by the Shandong Zhaojin Group to Finance Company in respect of the settlement services to be provided by Finance Company under the 2017 Parent Group Financial Services Agreement are exempt from all reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the applicable reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules if the service fees for the settlement services to be provided by Finance Company to the Shandong Zhaojin Group under the 2017 Parent Group Financial Services Agreement exceed the relevant threshold.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2017 GROUP FINANCIAL SERVICES AGREEMENT AND THE 2017 PARENT GROUP FINANCIAL SERVICES AGREEMENT

1. The interest rate to be charged by/offered by Finance Company for the provision of deposit, bill discounting services and loans to the Group will be similar to or even more favourable than those charged by/offered by other major commercial banks in the PRC.
2. Finance Company will provide the Group and the Shandong Zhaojin Group with an advanced capital and settlement platform and high-quality fund settlement services. Through the Finance Company's online fund settlement system, the Group and the Shandong Zhaojin Group need not pay most of the fees to other commercial banks for such services, thus resulting in lower settlement and banking costs.
3. With the entry into the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement, the Group and Shandong Zhaojin Group will be able to centralize control and management of their financial resources, promote wider uses and effective management of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the utilization of returns on capital. Meanwhile, diverse services can be provided under the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement to satisfy the business needs of the Group and the Shandong Zhaojin Group.
4. Finance Company is a non wholly-owned subsidiary of the Company and the financial services it currently carries out will contribute to the Company in terms of revenue increase and new profit growth points.
5. Subject to supervision and regulation of the PBOC and the CBRC, Finance Company is a non-bank financial institute and provides services in accordance with rules and operation provisions of such regulatory bodies. In addition, capital risks may be reduced through risk control measures as stipulated in the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement.

DIRECTORS' VIEW

The Directors are of the view that the terms of the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms in ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole and that the relevant annual cap amounts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

BOARD'S APPROVAL

The Board has approved the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement. None of the Directors has any material interests in the proposed transactions under the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement.

Mr. Weng Zhanbin and Mr. Li Shousheng, being management personnel of Shandong Zhaojin, had abstained from voting at the Board meeting for approving the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement.

INFORMATION ON THE PARTIES

The Company is principally engaged in gold exploration, mining, ore processing and smelting, as well as processing and sale of by-products in the PRC.

Shandong Zhaojin is principally engaged in gold exploration, mining and refinery business, as well as investing in gold exploration, mining, smelting and refinery, and other gold-related industries.

The Finance Company, a non wholly-owned subsidiary of the Company, is a limited liability company established in the PRC on 1 July 2015 and is operating in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups as well as other applicable PRC laws and regulations. It is principally engaged in, among others, providing internal financial services to the Group and the Shandong Zhaojin Group. The Finance Company is a PRC non-bank financial institution and is regulated by the CBRC.

LISTING RULES IMPLICATIONS UNDER THE 2017 GROUP FINANCIAL SERVICES AGREEMENT AND THE 2017 PARENT GROUP FINANCIAL SERVICES AGREEMENT

As at the Latest Practicable Date, Shandong Zhaojin is the controlling shareholder of the Company and is therefore a connected person of the Company. Finance Company, being a non wholly-owned subsidiary of the Company held as to 40% by Shandong Zhaojin, is also a connected person of the Company given that it is a connected subsidiary of the Company and also an associate of Shandong Zhaojin. Accordingly, the transactions contemplated under the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2017 Group Financial Services Agreement

Deposit Services and Bill Discounting Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Group; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group under the 2017 Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services and bill

LETTER FROM THE BOARD

discounting services under the 2017 Group Financial Services Agreement constitutes (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loan Services

The provision of loan services by Finance Company to the Group under the 2017 Group Financial Services Agreement constitutes a form of financial assistance under the Listing Rules. Given that such financial assistance is on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC which is not secured by the assets of the Group, it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Settlement Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the service fees payable by the Group to Finance Company for the provision of settlement services by Finance Company to the Group under the 2017 Group Financial Services Agreement is less than 0.1%, the provision of settlement services under the 2017 Group Financial Services Agreement is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2017 Parent Group Financial Services Agreement

Deposit Services, Bill Discounting Services and Loan Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group; and (iii) the maximum outstanding loan amount at any one point in time that may be provided by Finance Company to the Shandong Zhaojin Group under the 2017 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2017 Parent Group Financial Services Agreement constitute (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Settlement Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the service fees payable by the Shandong Zhaojin Group to Finance Company for the provision of settlement services by Finance Company to the Shandong Zhaojin Group under the 2017 Parent Group Financial Services Agreement is less than 0.1%, the provision of settlement services under the 2017 Parent Group Financial Services Agreement is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The Chairman of the EGM shall therefore demand voting on all resolutions set out in the notice of EGM be taken by way of poll pursuant to Article 8.18 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each Share registered in his/her name in the register of Shareholders. A Shareholder entitled to more than one vote needs not use all his votes or cast all the votes he uses in the same manner.

Any connected person with a material interest in the transactions contemplated under the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement, and any Shareholder with a material interest in the transactions contemplated under the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement and its associates, will abstain from voting at the relevant resolutions approving the provision of deposit and bills discounting services under the 2017 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement at the EGM.

Shandong Zhaojin and its associates, which hold approximately 36.68% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM to approve the provision of deposit and bills discounting services under the 2017 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement and their respective annual caps.

RECOMMENDATIONS

The Directors consider that the proposed resolutions to be approved at the EGM are fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions as set out in the notice of the EGM.

Your attention is drawn to the recommendation of the Independent Board Committee as set out in pages 29 to 30 to this circular and the letter from the Independent Financial Adviser as set out on pages 31 to 55 to this circular.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
ZHAOJIN MINING INDUSTRY COMPANY LIMITED
Weng Zhanbin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the provision of deposit and bills discounting services under the 2017 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement prepared for the purpose of incorporation in this circular.



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)

8 December 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE PROVISION OF
FINANCIAL SERVICES BY FINANCE COMPANY**

We refer to the circular of the Company dated 8 December 2017 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise you on the terms of the provision of deposit and bills discounting services under the 2017 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 31 to 55 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the provision of deposit and bills discounting services under the 2017 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement contemplated thereunder and taking into account the independent advice of Trinity Corporate Finance Limited, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that (i) the terms of

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the provision of deposit and bills discounting services under the 2017 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the provision of deposit and bills discounting services under the 2017 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2017 Parent Group Financial Services Agreement and their respective annual caps.

Yours faithfully,
Independent Board Committee

Chen Jinrong

Choy Sze Chung Jojo

Wei Junhao

Shen Shifu

Independent non-executive Directors

TRINITY

Trinity Corporate Finance Limited

Suite 7B, 7th Floor,
Two Chinachem Plaza,
68 Connaught Road Central,
Hong Kong.

8 December 2017

*To the Independent Board Committee and the Independent Shareholders of
Zhaojin Mining Industry Company Limited*

Dear Sirs,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE PROVISION OF
FINANCIAL SERVICES BY FINANCE COMPANY**

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services and bill discounting services under the 2017 Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the 2017 Parent Group Financial Services Agreement (including the relevant proposed annual caps) (collectively, the “**Continuing Connected Transactions**”), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 8 December 2017 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 14 November 2017, the Company and Finance Company entered into the 2017 Group Financial Services Agreement, and Shandong Zhaojin and Finance Company entered into the 2017 Parent Group Financial Services Agreement, on terms which are similar to that of the 2015 Group Financial Services Agreement and the 2015 Parent Group Financial Services Agreement, respectively. The Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services under the 2017 Group Financial Services Agreement and agreed to provide financial services to Shandong Zhaojin Group, including deposit services, loan services, bill discounting services and settlement services under the 2017 Parent Group Financial Services Agreement.

As at the Latest Practicable Date, Shandong Zhaojin is the controlling shareholder of the Company and is therefore a connected person of the Company. Finance Company, being a non wholly-owned subsidiary of the Company held as to 40% by Shandong Zhaojin, is also a connected person of the Company given that it is a connected subsidiary of the Company and also an associate of Shandong

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zhaojin. Accordingly, the transactions contemplated under the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement (collectively the “**Agreements**”) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Group; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group under the 2017 Group Financial Services Agreement is more than 25% respectively, the provision of deposit services and bill discounting services under the 2017 Group Financial Services Agreement constitutes (i) major transactions subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group; and (iii) the maximum outstanding loan amount at any one point in time that may be provided by Finance Company to the Shandong Zhaojin Group under the 2017 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2017 Parent Group Financial Services Agreement constitute (i) major transactions subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising four independent non-executive Directors, namely Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu, has been established to advise the Independent Shareholders as to whether the Continuing Connected Transactions were entered into on normal commercial terms and are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether such terms are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM to approve, the Agreements and the transactions contemplated thereunder (including the relevant proposed annual caps). Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, Finance Company or Shandong Zhaojin that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between us and the Group. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, Finance Company or Shandong Zhaojin. Accordingly, we are qualified to give

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independent advice in respect of the provision of deposit services and bill discounting services under the 2017 Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the 2017 Parent Group Financial Services Agreement (including the relevant proposed annual caps).

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the EGM, Shareholders would be notified as soon as practicable.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties (including Finance Company or Shandong Zhaojin) involved in the continuing connected transactions under the Agreements.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes other than our role as the Independent Financial Adviser, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into account the following principal factors and reasons:

A. Information of the Group

The Company is an integrated large-scale enterprise with exploration, mining, processing and smelting operations, focusing on gold production business. The Company is one of the leading gold producers and one of the largest enterprises of gold smelting in the PRC.

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During the financial year ended 31 December 2016, the Company made a new record on the major production indicators, with a total output of gold amounted to 36,092.87 kg (1,160,411.85 ozs), representing an increase of 6.29% as compared with the corresponding period of last year. Among which, 20,379.81 kg (approximately 655,225.62 ozs) of gold was mine-produced gold, representing an increase of approximately 0.52% as compared to the previous year, and 15,713.06 kg (approximately 505,186.23 ozs) was smelted and processed gold, representing a rise of approximately 14.83% as compared to the previous year.

During the six months ended 30 June 2017, suffering from various factors such as the rate hike by the Federal Reserve and a tightening monetary policy since June, the gold price began to drop and even plunged to around US\$1,200. The overall trend of gold price started high and ended low obviously, experiencing volatile fluctuations. The international gold spot price rose from US\$1,150.40/oz at the beginning to US\$1,241.33/oz at the end of the period with its highest and lowest at US\$1,296.06/oz and US\$1,145.20/oz, respectively, representing an average price of US\$1,239/oz, increased by 1.46% as compared with US\$1,221.15/oz during the same period of last year.

The following table is a summary of the consolidated income statement of the Group for the three years ended 31 December 2014, 2015 and 2016 respectively and six months ended 30 June 2016 and 2017 respectively, as extracted from the annual reports and interim reports of the Company.

	For the year ended 31 December 2014 (audited) RMB'000	For the year ended 31 December 2015 (audited) RMB'000	For the year ended 31 December 2016 (audited) RMB'000	For the six months ended 30 June 2016 (unaudited) RMB'000	For the six months ended 30 June 2017 (unaudited) RMB'000
Revenue	5,606,182	5,886,845	6,664,785	3,234,800	3,037,528
Profit for the financial year/period	506,741	399,583	433,519	274,552	408,934
Profit for the financial year/period attributable to equity holders of the Company	455,388	308,140	353,322	254,557	396,641

During the financial year ended 31 December 2016, the Group's revenue was approximately RMB6,664,785,000 (2015: RMB5,886,845,000), representing an increase of approximately 13.21% as compared to the previous year. The Group's net profit was approximately RMB433,519,000 (2015: RMB399,583,000), representing an increase of approximately 8.49% as compared to the previous year. The increase in profit was primarily attributable to the rise of the gold price and the increase in product and sales quantity.

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During the six months ended 30 June 2017 (the “**Period**”), the Group’s revenue amounted to approximately RMB3,037,528,000 (corresponding period of 2016: approximately RMB3,234,800,000), representing a decrease of approximately 6.10% as compared to the corresponding period of last year. During the Period, the decrease in revenue was primarily due to the decrease in sales volume of gold and by-product. Net profit of the Group amounted to approximately RMB408,934,000 (corresponding period of 2016: approximately RMB274,552,000), representing an increase of approximately 48.95% as compared to the corresponding period of last year. The increase in net profit was primarily due to significant increase in the gold selling price during the Period compared to the same period last year, and a reduction in income tax rate for obtaining qualification of national high and new technology enterprise by the parent company.

The following table is a summary of the consolidated financial position of the Group as at 31 December 2014, 2015 and 2016 respectively and 30 June 2017, as extracted from the annual reports and interim reports of the Company.

	As at 31 December 2014 (audited) RMB’000	As at 31 December 2015 (audited) RMB’000	As at 31 December 2016 (audited) RMB’000	As at 30 June 2017 (unaudited) RMB’000
Non-current assets	20,556,815	24,531,255	25,353,283	25,303,618
Current assets	5,843,495	6,532,827	7,610,376	7,008,174
Total assets	26,400,310	31,064,082	32,963,659	32,311,792
Total liabilities	16,650,346	17,417,671	18,828,442	16,376,114
Net assets	9,749,964	13,646,411	14,135,217	15,935,678
Cash and cash equivalents	1,254,916	2,033,203	1,437,951	1,383,815
Interest-bearing bank and other borrowings	4,716,034	8,024,668	10,884,200	10,197,108

The Group’s non-current assets mainly included the property, plant and equipment and intangible assets including goodwill, exploration rights and assets and mining rights and reserves etc. and the Group’s current assets mainly included the inventories and cash and cash equivalents etc. The Group’s liabilities mainly included trade and other payables, corporate bonds and interest-bearing bank and other borrowings etc. Cash and cash equivalents represented approximately 21.5%, 31.1%, 18.9% and 19.7% of the total current assets of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively.

As at 30 June 2017, the Group had outstanding bank borrowings, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through Shanghai Gold Exchange (“SGE”)) of RMB10,343,590,000 (31 December 2016: RMB11,971,906,000), of which RMB10,197,108,000 (31 December 2016: RMB10,884,200,000) was repayable within one year, RMB146,482,000 (31 December 2016: RMB1,087,706,000) was repayable within two to five years and RMB nil (31 December 2016: RMB nil) was repayable after 5 years. As at 30 June 2017, the Group had outstanding corporate bonds of approximately RMB1,199,333,000 (31 December 2016: RMB1,198,071,000), which will be repaid within one year and approximately RMB945,734,000 (31 December 2016: RMB945,101,000), which shall be repaid within two to five

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years. As at 30 June 2017, except for secured and guaranteed bank loans of RMB672,638,000 and RMB nil (31 December 2016: RMB715,511,000 and RMB76,307,000) denominated in Hong Kong dollars and United States dollars respectively, all borrowings were denominated in RMB. As at 30 June 2017, 73% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

The Company also issued the following super short-term bonds and renewable bonds in 2016 and 2017:

- (i) On 11 January 2016, the Company issued the first tranche of super short-term bonds for 2016 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.83% per annum. The proceeds are used as general working capital of the Company.
- (ii) On 12 July 2016, the Company issued the second tranche of super short-term bonds for 2016 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.82% per annum. The proceeds is used as general working capital of the Company.
- (iii) On 22 September 2016, the Company issued the third tranche of super short-term bonds for 2016 with a par value of RMB1 billion for a term of 270 days and bearing interest rate of 2.79% per annum. The proceeds is used as general working capital of the Company.
- (iv) On 20 April 2017, the Company issued the first tranche of renewable bonds in 2017 with a par value of RMB500 million. The term of the renewable bonds shall be 5 interest accruing years. At the end of each term, the issuer is entitled to renew the renewable bonds for an additional term, or repay and redeem the renewable bonds in full as they fall due at the end of the term. The interest for this tranche of renewable bonds was 5.43%.
- (v) On 8 August 2017, the Company issued the first tranche of super short-term bonds of 2017 with a par value of RMB500 million for a term of 180 days, and the coupon rate for this tranche of super short-term bonds was 4.35%.
- (vi) On 23 August 2017, the Company issued the second tranche of super short-term bonds of 2017 with a par value of RMB500 million for a term of 180 days, and the coupon rate for this tranche of super short-term bonds was 4.45%.

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The following table is a summary of the consolidated cash flow statements of the Group for the years ended 31 December 2014, 2015 and 2016 respectively and six months ended 30 June 2016 and 2017 respectively, as extracted from the annual reports and interim reports of the Company.

	For the year ended 31 December 2014 (audited) RMB'000	For the year ended 31 December 2015 (audited) RMB'000	For the year ended 31 December 2016 (audited) RMB'000	For the six months ended 30 June 2016 (unaudited) RMB'000	For the six months ended 30 June 2017 (unaudited) RMB'000
Net cash flows from operating activities	1,068,285	1,503,845	1,863,350	1,324,645	789,493
Net cash flows used in investing activities	(2,264,141)	(2,582,533)	(2,453,902)	(1,592,940)	(340,527)
Net cash flows used in/from financing activities	1,414,947	1,842,147	(21,225)	(461,991)	(522,882)

Set out below is the maximum month end cash and bank balance of the Group during the years ended 31 December 2014, 2015 and 2016 as provided by the Company:

	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2015 RMB'000	For the year ended 31 December 2016 RMB'000
Maximum month end cash and bank balance during the year	2,140,970	2,033,203	1,694,161

The Group handles a high volume of cash inflow and outflow from its operations through different banks. We understand from the Company that in selecting banks for placing cash deposits and financing, the Group will take into consideration of factors, such as the interest rates offered, credit rating, relationship with the banks and amount of credit facilities granted.

B. Information of Shandong Zhaojin and the Finance Company

Shandong Zhaojin is principally engaged in gold exploration, mining and refinery business, as well as investing in gold exploration, mining, smelting and refinery, and other gold-related industries. According to the website of Shandong Zhaojin (<http://www.gold-zhaoyuan.com>), Shandong Zhaojin and its subsidiaries had total assets of approximately RMB480.0 billion and maintained gold reserves of 1,300 tons. Shandong Zhaojin and its subsidiaries recorded revenue of over RMB50.0 billion in 2016.

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The Finance Company, a non wholly-owned subsidiary of the Company, is a limited liability company established in the PRC on 1 July 2015 and is operating in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups as well as other applicable PRC laws and regulations. It is principally engaged in, among others, providing internal financial services to the Group and the Shandong Zhaojin Group. The Finance Company is a PRC non-bank financial institution and is regulated by the CBRC.

C. Principal Terms of the Agreements

1. Deposit services and bill discounting services under the 2017 Group Financial Services Agreement

Major terms

On 14 November 2017, the Company and Finance Company entered into the 2017 Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services.

The Group shall choose Finance Company to provide deposit services to the Group and the deposit services and deposit products to be provided shall comply with the requirements of the PBOC. According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups” issued by the CBRC, Finance Company shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit services provided by Finance Company shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e., any adjustment on the interest rate offered by Finance Company shall be within the interest rate offered by PBOC on comparable deposit. The interest rate for the deposit paid by Finance Company shall not be lower than the interest rate paid by other independent major commercial banks for the provision of same services in the PRC.

The Group shall choose Finance Company to provide financing (including bill discounting) services to the Group and the interest rate for the provision of financing (including bill discounting) services to be charged by Finance Company shall not be higher than the interest rate charged by other independent major commercial banks for the provision of same level of financing (including bill discounting) services in the PRC.

The 2017 Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangement in relation to the services to be provided under the 2017 Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2017 Group Financial Services Agreement.

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Capital Risks Control Measures

Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of the Group.

Finance Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.

Finance Company will monitor the transactions under the 2017 Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2017 Group Financial Services Agreement.

A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company before the tenth day of each month so that the Company can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps.

Internal control on pricing

As disclosed in the Letter from the Board, the interest rates for deposit and bill discounting services are arrived at after considering the interest rates charged by/offered by other independent commercial banks and financial institutions in the PRC for the provision of similar level of deposit and bill discounting services.

There are stringent internal control policies with regard to financial services transactions under the 2017 Group Financial Services Agreement. The finance department of the Company would compare the deposit rates quoted from the counterparties with the terms from other independent third parties (including at least three financial institutions and commercial banks in the PRC) to ensure that the most favourable terms are obtained from Finance Company. The transactions will be reported to and approved by the head of the finance department of the Company. The internal control policies will also be applied to the transactions with Finance Company to ensure the interest rate payable for the Company’s deposits with Finance Company shall not be lower than the interest rate payable by other independent commercial banks for comparable deposits.

By adopting the policy set out above, the Company can ensure that (i) the interest rate payable for the Company’s deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the bill discounting interest rates and services fees charged by Finance Company shall not be higher than that charged by other independent commercial banks for providing comparable services in the PRC.

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Based on the above, we are of the view that internal control policies are fair and reasonable and can help to ensure that the terms of the services will be on normal commercial terms and are fair and reasonable.

Historical transaction amounts, proposed annual caps and basis of determination

Deposit services

The table below summarises the existing annual caps for the deposits services (including interest accrued thereon) pursuant to the 2015 Group Financial Services Agreement for the three years ending 31 December 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB1,500 million	RMB2,000 million	RMB2,500 million

The table below sets forth the historical maximum daily outstanding balance of deposits (including interest accrued thereon) and the respective utilization rates in relation to the provision of deposit services by Finance Company to the Group under the 2015 Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and nine months ended 30 September 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017
Maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB585.9 million	RMB1,807.4 million	RMB1,599.0 million
Utilization rate	39.06%	90.37%	63.96%

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Group for the year ending 31 December 2017 contemplated under the 2015 Group Financial Services Agreement is RMB2,500 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

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The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Group pursuant to the 2017 Group Financial Services Agreement for each of the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB5,500 million	RMB7,000 million	RMB8,500 million

As stated in the Letter from the Board, the above amounts are arrived at after considering the following factors:

- (1) The level of cashflow of the Company and its subsidiaries in the past, for example, the cash and cash equivalent of the Company and its subsidiaries as at 31 December 2014, 31 December 2015 and 31 December 2016 were approximately RMB1,254 million, RMB2,033 million and RMB1,438 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2016 is approximately RMB1,575 million.
- (2) The expected increase in deposit of the Company and its subsidiaries in the three years ending 31 December 2020 resulting from the expected increase in cashflow of the Company and its subsidiaries resulting from the possible implementation of financing plan of the Company in the ensuing three years, including the possible issue of corporate bonds, renewable corporate bonds and/or super-short-term notes, etc.

According to the possible financing plan of the Company, the expected capital to be raised by the Company through possible issue of corporate bonds, renewable corporate bonds and/or super-short-term notes are RMB2,600 million, RMB4,000 million and RMB8,000 million for each of the three financial years ending 31 December 2020, respectively, which is expected to bring an increase in cash inflow for the Company.

- (3) As Finance Company increases its service capacity, enhances its social credibility and enlarges its business scope in the future, it may be qualified to carry out more businesses, such as cross-border funding, hedging and other businesses. If the relevant business qualifications are approved, the offshore capital collection and margin business will increase, and thus resulting in a rise of the Company's maximum daily outstanding balance of deposit in Finance Company.
- (4) The expected increasing level of deposit of the Group every year as a result of the increasing scale of assets of the Group in the ensuing three years.

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We have discussed with the management of the Group on the bases and assumptions adopted in determining the above proposed annual caps for the deposit services under 2017 Group Financial Services Agreement. We are also informed that the 2017 Group Financial Services Agreement does not preclude the Group from using the deposit services of other financial institutions and the Group has the right to select any other independent major commercial banks or financial institutions in the PRC as its financial services providers as it, from time to time, thinks fit and appropriate for the benefit of the Group and thus it creates greater flexibility to the Group. After considering the factors set out in (2) to (4) above, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2020. We are of the view that the maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon) for the three years ending 31 December 2020 are fair and reasonable.

Bill Discounting Services

The table below summarises the existing annual caps for bill discounting services (including interest accrued thereon) pursuant to the 2015 Group Financial Services Agreement for the three years ending 31 December 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest accrued thereon)	RMB500 million	RMB1,000 million	RMB1,000 million

The table below sets forth the historical maximum daily outstanding balance of funds (including interest accrued thereon) and the respective utilization rates in relation to the provision of bill discounting services by Finance Company to the Group under the 2015 Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and nine months ended 30 September 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017
Maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest accrued thereon)	RMB0 million	RMB0 million	RMB130 million
Utilization rate	0.0%	0.0%	13.0%

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As disclosed in the circular of the Company dated 31 August 2015, the Company planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Group for the two years ended 31 December 2016.

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group for the year ending 31 December 2017 contemplated under the 2015 Group Financial Services Agreement is RMB1,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group pursuant to the 2017 Group Financial Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest accrued thereon)	RMB1,500 million	RMB2,000 million	RMB2,500 million

As stated in the Letter from the Board, the above amounts are arrived at after considering the business plan of the Group to fully utilize the electronic bill discounting system of Finance Company, the anticipated level of bill discounting services required by the Group for the three years ending 31 December 2020 and the anticipated available balance of Finance Company to provide bill discounting services to the Group.

As disclosed in the circular of the Company dated 31 August 2015, the Company planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Group for the two years ended 31 December 2016. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and the Group will be gradually changed from cash settlement to settlement by electronic bill discounting since under the policy of the PBOC, the use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that the Finance Company lowers its financing cost and provides bill discounting services to the Group in a more cost-efficient manner. Hence, the maximum daily outstanding balance of

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funds provided by Finance Company to the Group for bill discounting services (including interest thereon) already reached approximately RMB130 million for the few months ended 30 September 2017 since Finance Company obtained the necessary regulatory authorisations in May 2017.

As at 31 October 2017, Finance Company has an available balance of RMB810 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,000 million by 31 December 2017 and will reach RMB1,500 million, RMB2,000 million and RMB2,500 million for the three years ending 31 December 2020, respectively.

Taking into account the increasing use of bill discounting services to provide funding to the Group and the availability of Finance Company to provide such services, it is expected that there is an increasing trend for the maximum daily outstanding balance of funds to be provided by Finance Company to the Group for the three years ending 31 December 2020. After considering the above factors, we are of the view that the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Group for the three years ending 31 December 2020 are fair and reasonable.

2. *Deposit services, loan services and bill discounting services under the 2017 Parent Group Financial Services Agreement*

Major terms

On 14 November 2017, Shandong Zhaojin and Finance Company entered into the 2017 Parent Group Financial Services Agreement pursuant to which Finance Company agreed to provide financial services, including deposit services, loan services, bill discounting services and settlement services to Shandong Zhaojin Group.

Shandong Zhaojin shall choose Finance Company to provide deposit services to the Shandong Zhaojin Group and the deposit services and deposit products to be provided by Finance Company to the Shandong Zhaojin Group shall comply with the requirements of the PBOC. According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups” issued by the CBRC, Finance Company shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit services provided by Finance Company shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e., any adjustment on the interest rate offered by Finance Company shall be within the interest rate offered by PBOC on comparable deposit. The interest rate for the deposit paid by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rate offered by other independent major commercial banks for the provision of same deposit services in the PRC and the interest rate to be offered shall not be higher than the interest rate paid by Finance Company for the provision of same services to other parties.

Shandong Zhaojin shall choose Finance Company to provide financing (including bill discounting) services to the Shandong Zhaojin Group and the interest rate for the financing (including bill discounting) services provided by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rate offered by other

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independent major commercial banks for the provision of same financing (including bill discounting) services in the PRC. The interest rate for the provision of financing (including bill discounting) services to be charged by Finance Company shall not be lower than the interest rate charged by Finance Company for the provision of same level of financing (including bill discounting) services to other parties.

The 2017 Parent Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangement in relation to the services to be provided under the 2017 Parent Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2017 Parent Group Financial Services Agreement.

Capital Risks Control Measures

Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of Shandong Zhaojin Group.

Finance Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.

Finance Company will monitor the transactions under the 2017 Parent Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2017 Parent Group Financial Services Agreement.

A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company and Shandong Zhaojin before the tenth day of each month so that the Company and Shandong Zhaojin can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps.

Internal control on pricing

As disclosed in the Letter from the Board, the interest rates for the provision of deposit services, loan services and bill discounting services have been determined after taking into account the interest rates and service fees charged by/offered by other independent major commercial banks and financial institutions in the PRC for provision of similar loan services, deposit services and bill discounting services.

The Company has adopted stringent internal control policies for the service dealings between the Shandong Zhaojin Group and Finance Company. The finance department of the Company will compare the interest rates on deposits, loans and bill discounting and the service fees charged for settlement services offered by Finance Company to the Shandong Zhaojin Group with those offered by Finance Company to other parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company's finance department will review the relevant interest rates and fees on a regular basis to ensure due observance and performance of the 2017 Parent Group Financial Services Agreement.

By adopting the above measures, the Company can ensure that (i) the interest rates provided on deposits placed by the Shandong Zhaojin Group will not be higher than those to be provided by Finance Company to other parties for comparable deposits; and (ii) the interest rates on loans, bill discounting and service fees charged by Finance Company will not be lower than those to be charged by Finance Company to other parties for the provision of comparable loans and services.

Based on the above, we are of the view that internal control policies are fair and reasonable and can help to ensure that the terms of the services will be on normal commercial terms and are fair and reasonable.

Historical transaction amounts, proposed annual caps and basis of determination

Deposit services

The table below summarises the existing annual caps for the deposits services (including interest accrued thereon) pursuant to the 2015 Parent Group Financial Services Agreement for the three years ending 31 December 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Maximum daily outstanding balance of deposits placed by the Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB1,500 million	RMB2,000 million	RMB3,000 million

The table below sets forth the historical maximum daily outstanding balance of deposits (including interest accrued thereon) and the respective utilization rates in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group under the 2015 Parent Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and nine months ended 30 September 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017
Maximum daily outstanding balance of deposits placed by the Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB405.2 million	RMB1,898.9 million	RMB1,096.2 million
Utilization rate	27.0%	94.9%	36.5%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group for the year ending 31 December 2017 contemplated under the 2015 Parent Group Financial Services Agreement is RMB3,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Shandong Zhaojin Group pursuant to the 2017 Parent Group Financial Services Agreement for each of the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Maximum daily outstanding balance of deposits placed by the Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB6,000 million	RMB7,000 million	RMB9,000 million

As stated in the Letter from the Board, the above amounts are arrived at after considering the following factors:

- (1) The level of cashflow of Shandong Zhaojin and its subsidiaries in the past, for example, the cash and cash equivalent of Shandong Zhaojin and its subsidiaries as at 31 December 2014, 31 December 2015 and 31 December 2016 were approximately RMB3,684 million, RMB3,369 million and RMB3,246 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2016 is approximately RMB3,433 million.
- (2) The expected increase in deposit of Shandong Zhaojin and its subsidiaries in the three years ending 31 December 2020 resulting from the expected increase in cashflow of Shandong Zhaojin and its subsidiaries resulting from the possible implementation of financing plan of Shandong Zhaojin and its subsidiaries in the ensuing three years, including the possible issue of corporate bonds, medium-term notes and/or super-short-term notes, etc.

According to the possible financing plan of Shandong Zhaojin, the expected capital to be raised by Shandong Zhaojin through possible issue of corporate bonds, medium-term notes and/or super-short-term notes are RMB1,200 million, RMB2,000 million and RMB6,000 million for the three financial years ending 31 December 2020, respectively, which is expected to bring an increase in cash inflow to Shandong Zhaojin.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) As Finance Company increases its service capacity, enhances its social credibility and enlarges its business scope in the future, it may be qualified to carry out more businesses, such as cross-border funding, hedging and other businesses. If the relevant business qualifications are approved, the offshore capital collection and margin business will increase, and ultimately resulting in a rise of Shandong Zhaojin's maximum daily outstanding balance of deposit in Finance Company.
- (4) The expected increasing level of deposit of Shandong Zhaojin and its subsidiaries every year as a result of the increasing scale of assets of Shandong Zhaojin and its subsidiaries in the ensuing three years.

In accordance with the relevant requirements of the Banking Regulatory Commission of Shandong Province, the pool rate of financial companies or institutions in Shandong Province shall not be lower than 50%. Pursuant to the "Finance Companies of Enterprises Groups risk assessment grading operation checklist" 《企業集團財務公司風險評價評分操作表》, financial companies with pool rate of approximately 60% may be awarded with better year end assessment results by the relevant authority and is beneficial for Finance Company to apply for operation of new business from CBRC. Pool rate is arrived at by dividing the amount of deposit of the member companies of Shandong Zhaojin Group in Finance Company with the total cash and cash equivalents of Shandong Zhaojin Group.

We have discussed with the management of the Group on the bases and assumptions adopted in determining the above proposed annual caps for the deposit services under 2017 Parent Group Financial Services Agreement. After considering the factors set out in (2) to (4) and the relevant pool rate of approximately 50% of Shandong Zhaojin, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2020. We are of the view that the maximum daily outstanding balance of deposits placed by the Shandong Zhaojin Group with Finance Company (including interest accrued thereon) for the three years ending 31 December 2020 are fair and reasonable.

Bill Discounting Services

The table below summarises the existing annual caps for bill discounting services (including interest accrued thereon) pursuant to the 2015 Parent Group Financial Services Agreement for the three years ending 31 December 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB500 million	RMB1,000 million	RMB1,000 million

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below sets forth the historical maximum daily outstanding balance of funds (including interest accrued thereon) and the respective utilization rates in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group under the 2015 Parent Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and nine months ended 30 September 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB0 million	RMB59.98 million	RMB400 million
Utilization rate	0.0%	6.0%	40.0%

As disclosed in the circular of the Company dated 31 August 2015, the Shandong Zhaojin Group planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Shandong Zhaojin Group for the year ended 31 December 2015 and provided some paper bill discounting services to Shandong Zhaojin Group for the year ended 31 December 2016.

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group for the year ending 31 December 2017 contemplated under the 2015 Parent Group Financial Services Agreement is RMB1,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group pursuant to the 2017 Parent Group Financial Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB1,500 million	RMB2,000 million	RMB2,500 million

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As stated in the Letter from the Board, the above amounts are arrived at after considering the business plan of the Shandong Zhaojin Group to fully utilize the electronic bill discounting system of Finance Company, the anticipated level of bill discounting services required by the Shandong Zhaojin Group for the three years ending 31 December 2020 and the anticipated available balance of Finance Company to provide bill discounting services to the Shandong Zhaojin Group.

As disclosed in the circular of the Company dated 31 August 2015, the Shandong Zhaojin Group planned to promote the use of online commercial bill services. However, as Finance Company only obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017, it did not provide any bill discounting services to the Shandong Zhaojin Group for the year ended 31 December 2015 and provided some paper bill discounting services to Shandong Zhaojin Group for the year ended 31 December 2016. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and Shandong Zhaojin Group will be gradually changed from cash settlement to settlement by electronic bill discounting since under the policy of the PBOC, the use of electronic bill discounting enables the Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that the Finance Company lowers its financing cost and provides bill discounting services to Shandong Zhaojin Group in a more cost-efficient manner. Hence, the maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest thereon) already reached approximately RMB400 million for the few months ended 30 September 2017 since Finance Company obtained the necessary regulatory authorisations in May 2017.

As at 31 October 2017, Finance Company has an available balance of RMB810 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,000 million by 31 December 2017 and will reach RMB1,500 million, RMB2,000 million and RMB2,500 million for the three years ending 31 December 2020, respectively.

Taking into account the increasing use of bill discounting services to provide funding to the Shandong Zhaojin Group and the availability of Finance Company to provide such services, it is expected that there is an increasing trend for the maximum daily outstanding balance of funds to be provided by Finance Company to the Shandong Zhaojin Group for the three years ending 31 December 2020.

After considering the above factors, we are of the view that the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Shandong Zhaojin Group for the three years ending 31 December 2020 are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loan Services

The table below summarises the existing annual caps for loan services (including interest accrued thereon) pursuant to the 2015 Parent Group Financial Services Agreement for the three years ending 31 December 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB4,000 million	RMB6,000 million	RMB8,000 million

The table below sets forth the historical maximum outstanding loan amount at any one point in time provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon) and the respective utilization rates under the 2015 Parent Group Financial Services Agreement for each of the two years ended 31 December 2015 and 31 December 2016, and nine months ended 30 September 2017:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB363.5 million	RMB1,877.0 million	RMB927.7 million
Utilization rate	9.1%	31.3%	11.6%

The maximum outstanding loan amount at any one point in time provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon) for the year ending 31 December 2017 contemplated under the 2015 Parent Group Financial Services Agreement is RMB8,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2017.

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The maximum outstanding loan amount at any one point in time to be provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon) pursuant to the 2017 Parent Group Financial Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB6,000 million

As stated in the Letter from the Board, the above amounts are arrived at after considering the level of loan and financing services required by the Shandong Zhaojin Group in view of the development and operation plan of the Shandong Zhaojin Group in the three years ending 31 December 2020. According to the 13th five-year plan of Shandong Zhaojin, Shandong Zhaojin will focus on investment in internet, finance and logistics industries, construction of intelligent mine and intelligent city, improvement and upgrading work of technology and equipment, and real estates and other related businesses in the coming three years.

In 2018, the maximum outstanding amount of loans proposed to be obtained by the Shandong Zhaojin Group from Finance Company is RMB4,000 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB2,500 million for repayment of borrowings which fall due; (ii) approximately RMB200 million for the conducting of water treatment cooperation project by its subsidiaries and for the upgrading of production facilities; (iii) approximately RMB300 million for Yinlou Building Project and Zhaojin Building Project; and (iv) approximately RMB1,000 million as replenishment of liquid capital.

In 2019, the maximum outstanding amount of loans proposed to be obtained by the Shandong Zhaojin Group from Finance Company is RMB4,500 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB500 million for the business expansion of its subsidiaries in finance sector; (ii) approximately RMB300 million as investment fund of real estate development projects; (iii) approximately RMB2,700 million for repayment of borrowings which fall due; and (iv) approximately RMB1,000 million as replenishment of liquid capital.

In 2020, the maximum outstanding amount of loans proposed to be obtained by the Shandong Zhaojin Group from Finance Company is RMB6,000 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB200 million for real estate development projects; (ii) approximately RMB300 million for the Gold Vocational College Project (Phase II); (iii) approximately RMB500 million as investment fund for development of overseas mine investments and gold concentrates import projects; (iv) approximately RMB4,000 million for repayment of borrowings which fall due; and (v) approximately RMB1,000 million as replenishment of liquid capital.

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As a result of the factors set out above, there is an increasing trend of the annual caps for loan services to be provided by Finance Company to the Shandong Zhaojin Group for the three years ending 31 December 2020. After considering the above factors, we are of the view that the maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon) for the three years ending 31 December 2020 are fair and reasonable.

D. Reasons for and Benefits of Entering into the Agreements

As stated in the Letter from the Board, the interest rate to be charged by/offered by Finance Company for the provision of deposit, bill discounting services and loans to the Group will be similar to or even more favourable than those charged by/offered by other major commercial banks in the PRC.

Finance Company will provide the Group and the Shandong Zhaojin Group with an advanced capital and settlement platform and high-quality fund settlement services. Through the Finance Company's online fund settlement system, the Group and the Shandong Zhaojin Group need not pay most of the fees to other commercial banks for such services, thus resulting in lower settlement and banking costs.

With the entry into the Agreements, the Group and Shandong Zhaojin Group will be able to centralize control and management of their financial resources, promote wider uses and effective management of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the utilization of returns on capital. Meanwhile, diverse services can be provided under the Agreements to satisfy the business needs of the Group and the Shandong Zhaojin Group.

Finance Company is a non wholly-owned subsidiary of the Company and the financial services it currently carries out will contribute to the Company in terms of revenue increase and new profit growth points.

Subject to supervision and regulation of PBOC and CBRC, Finance Company is a non-bank financial institute and provides services in accordance with rules and operation provisions of such regulatory bodies. In addition, capital risks may be reduced through risk control measures as stipulated in the Agreements. We have discussed with the Company and understand that the standing of Finance Company as a non-bank financial institution in the PRC is subject to periodic review by CBRC and the relevant regulations in the PRC, and its pricing policies and the operation of which are subject to guidelines issued by CBRC. We concur with the Company that despite Finance Company is not a licensed bank in the PRC, it is a regulated financial institution subject to compliance of the relevant regulations in the PRC and the interests of the Shareholders will not be hindered under the deposit services and bill discounting services under the 2017 Group Financial Services Agreement.

The deposit services pursuant to the 2017 Parent Group Financial Services Agreement not only creates additional revenue to the Group, but also further strengthens the centralisation of Finance Company as a financial platform in the Group in order to facilitate treasury operations within the Group. The loan and bill discounting services pursuant to the 2017 Parent Group Financial Services Agreement provides better use of funds of Finance Company which streamed from the funds of the Group and increases the income of the Group.

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As stated in the Letter from the Board, Finance Company has set up internal guidelines of capital risks control measures, amongst other things, the safety and stability operation of the funds management information system, strict compliance with the risk management with reference to indicators for financial institutions issued by CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of CBRC. According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups” issued by CBRC, Finance Company shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit services provided by Finance Company shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e. any adjustment on the interest rate offered by Finance Company shall be within the interest rates offered by PBOC on comparable deposits.

Moreover, the transactions will be reported to and approved by the head of the finance department of the Company. Based on the above, we are of the view that the setting up of internal control measures can help to ensure the pricing terms of deposit services pursuant to the 2017 Group Financial Services Agreement to follow the relevant pricing policy regulated by CBRC and the deposit services, loan services and bill discounting services under the 2017 Parent Group Financial Services Agreement are fair and reasonable and on normal commercial terms.

We have obtained and reviewed the credit rating report of Shandong Zhaojin issued by a credit rating agency in China dated 10 November 2017 provided by the Company. The credit rating of Shandong Zhaojin was the AAA grade, which indicates that Shandong Zhaojin has good capability for loan repayment. As advised by the management of the Company, the Group will review the financial statements, repayment history, and credit report of Shandong Zhaojin before entering into formal bill discounting and loan agreements. As a result, the Group can evaluate the latest financial performance and position of Shandong Zhaojin before providing funds to Shandong Zhaojin, which allows the Group to effectively control the default risks arising from the provision of funds to Shandong Zhaojin.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular:–

- (1) the financial performance and financial position and cashflow of the Group in the last three financial years as stated above;
- (2) the historical transaction amounts of the Continuing Connected Transactions;
- (3) the internal control policies for the Continuing Connected Transactions as mentioned above;
- (4) the expected increase in deposits of the Company, Shandong Zhaojin and their subsidiaries in the three years ending 31 December 2020 and their relevant proposed financial plans;
- (5) the financial benefits brought about by the deposit services, loan services and bill discounting services under the 2017 Parent Group Financial Services Agreement to the Group;

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- (6) the funds of the members of the Group may be efficiently utilised;
- (7) Finance Company will be able to provide the Group with potentially better rates and services than those available from other independent major commercial banks or financial institutions in the PRC; and
- (8) the credit rating of Shandong Zhaojin,

we are of the opinion that the terms and the Continuing Connected Transactions are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the ordinary and usual course of business of the Group, and the said terms are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Continuing Connected Transactions at the EGM.

Yours faithfully,

For and on behalf of

Trinity Corporate Finance Limited

Keith Jacobsen
Responsible Officer

Joanne Pong
Responsible Officer

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2014 has been disclosed on pages 107 to 260 of the annual report of the Company for the year ended 31 December 2014 published on 9 April 2015; (ii) for the year ended 31 December 2015 has been disclosed on pages 89 to 196 of the annual report of the Company for the year ended 31 December 2015 published on 20 April 2016; (iii) for the year ended 31 December 2016 has been disclosed on pages 91 to 208 of the annual report of the Company for the year ended 31 December 2016 published on 20 April 2017; and (iv) for the six months ended 30 June 2017 has been disclosed on pages 25 to 58 of the interim report of the Company for the six months ended 30 June 2017 published on 6 September 2017. All the above annual reports and interim report of the Company have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zhaojin.com.cn).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The year 2017 marks a critical point for implementing the “13th Five-year” plan, as well as a critical year for comprehensively deepening the internal enterprise reform and improving development quality and efficiency. The Company will firmly grasp the characteristics of the trend of economic development, firmly stick to the strategic objective of becoming a world-leading gold company with strong determination, upholding the keynote of our development of “concentration, in-depth development and conquest”, and following the principle of “supplementing the shortfall, strengthening the foundation, reinvigorating the systems and grasping the keys”, with an aim to put all efforts in focusing on carrying out the main work and tasks of each specialization and each sector, to fulfil all targeted missions of the year with unwavering conviction and strive to take the business development of the Company to a new height, and endeavor to speed up the development of the Group with revitalization, higher quality and efficiency and greater development momentum that all the staff are proud of.

- I. The Company will strictly implement the concept of economical operation, in the eight areas of basic management, project management, energy consumption management, material management, financial expense management, production process management, non-productive expenditure management and human resource management, conduct basic management upgrade and standardize work, make greater efforts to save expenditure and reduce energy consumption and prohibit all kinds of extravagance. The Company will fully mobilize the motivation and initiative of each department to maintain efficient production, reduce cost, improve quality and increase effectiveness, lead every enterprise to establish a comprehensive and full-cost assessment and control system, and achieve a new breakthrough on operation results compared with that of last year and in the annual budget.
- II. The Company will organize various competitive activities in the fields of production organization optimization, site civilization hygiene, operation regulation and standardization, employee quality promotion and so on. Taking “three systems” construction and TOPS management as the essential, the Company will narrow its focus on the treatment of hardware and software for on-site management, and promote greater breakthrough and improvement on the quality and level of on-site management.

- III. The Company will thoroughly implement the requirements of “basic management promotion year”, consolidate the foundation, strengthen internal approaches, and strive to create a typical leading enterprise management model in the Company and its industry. At the same time, it will lead enterprises to establish a scientific, rational, standardized and fair management system, and constantly optimize the economic responsibility system, reward and punishment assessment, risk control and other systems, to effectively increase the initiative and creativity of the staff, and put the requirements of utilizing systems to govern staff and manage issues and handling businesses with procedures in place.
- IV. The Company will continue to focus on the progress and quality of tackling tough work and overcoming difficulties. The Company will continue to carry forward the spirit of tackling tough work and overcoming difficulties and firmly instill the concept that time is of essence. The Company will concentrate our forces to work on tough projects, sweep barriers and overcome difficulties. In addition, we must use all our efforts to break major bottlenecks restricting production, to ensure that “three tails” are comprehensively developed and utilized, break through crisis mines exploration, achieve new progress and breakthrough in Laizhou Ruihai project and other projects that are under construction or new construction projects, continue to promote “10 major infrastructure and technological transformation projects”, focus on Ruihai Mining and Wu Cai Long Company (五彩龍公司) tunnel construction projects, promote projects such as “Internet +” intelligent processing plants for Tonghui Mining and vertical well construction projects of Yuantong Mining and build good basis for capacity enhancement and production continuation. At the same time, the Company will continue to adhere to the strict, prudent and scientific investment principles to accelerate mining rights projects in Inner Mongolia, Gansu, Hebei, Xinjiang and other key areas.
- V. Development is the absolute principle and stability is the challenge. The Company will continue to attach great importance to the safety and environmental protection work in key sensitive periods and ensure that there will be no failure of safety and environmental protection work. The Company will make sure to keep the bottom lines of community construction and petition stability, put more intelligence and efforts in areas such as community stability and security and jointly maintain a stable environment for corporate development.
- VI. The Company will continue to strengthen the management and control functions of the headquarters, carry out the research work at the grassroots level from the headquarters, which is mainly to find out and help enterprises identify and solve problems. At the same time, enterprises will continue to increase their interaction, in the areas of personnel training, experience exchange, technology promotion, on-site management, responsibility optimization, etc., and implement integration, so as to expand the influence.

3. INDEBTEDNESS

As at the close of business on 31 October 2017, the Group had unaudited outstanding interest-bearing bank and other borrowings of approximately RMB4.688 billion, bonds outstanding of RMB5.25 billion and outstanding principal of gold lease of RMB4.402 billion.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 31 October 2017.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 31 October 2017.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available banking facilities and the internally generated resources of the Group, the Group has sufficient working capital for its requirements with the next 12 months from the date of this circular.

5. EFFECT ON EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

The Company entered into the 2017 Group Financial Services Agreement with Finance Company for the purpose of strengthening the supervision and control of funds and the account management, raising lower-interest-rate loans and bill discounting and accessing higher interest rate on deposits and lower-rate payment and settlement services through the funds management platform of Finance Company, which will not only help further enhance the capital usage efficiency and improve the overall operational standards of the corporate funds, but reinforce the bargain power of the Group for external financing. Despite of this, it is expected that the Group will not have dependence on Finance Company for accessing such services, and that the entering into of the 2017 Group Financial Services Agreement will not also impede the Group from entering into similar agreements with other financial institutes when it considers necessary.

The Company can concentrate the idle funds within the Group quickly through the capital pool of Finance Company and apply them through unified allocation, which will effectively save the financial costs and increase the profit potential of the Company; the improvement of the capital usage efficiency will reduce the dependence of the Group on external financing and the lines of credit, which will in turn decrease the overall gearing of the Company to some extent.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, 80 million Domestic Shares were registered under the name of Zhaojin Mining Industry Company Limited First Employee Shares Subscription Plan. Such 80 million Domestic Shares correspond to the 80 million employee shares subscription plan portions (“**ESSP Portions**”) subscribed by eligible participants of the first employee shares subscription plan of the Company (“**ESSP**”). Among the 80 million ESSP Portions subscribed, 10,815,000 ESSP Portions have been subscribed by connected participants (i.e. participants of the ESSP who are connected persons to the Company). For further details, please refer to the circular of the Company dated 29 July 2016 and the announcement of the Company dated 31 March 2017 on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

The table below set forth the ESSP Portions subscribed by Directors, supervisors and chief executive of the Company:

Name	Position	ESSP Portions Subscribed	Corresponding number of Domestic Shares	Approximate percentage of interest in the Company	Approximate percentage of interest in the total number of Domestic Shares
Weng Zhanbin	Chairman and Executive Director	1,200,000	1,200,000	0.037%	0.055%
Li Xiucheng	Executive Director and President	1,000,000	1,000,000	0.031%	0.046%
Cong Jianmao	Executive Director	500,000	500,000	0.016%	0.023%
Zhao Hua	Supervisor	200,000	200,000	0.006%	0.009%

As at the Latest Practicable Date, save as disclosed above, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section

352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company had entered into or had proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. INTEREST IN ASSETS AND CONTRACTS

No contract or arrangement in which any of the Directors, proposed Directors, supervisors or proposed supervisors of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company had any direct or indirect interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPETING BUSINESS

Mr. Weng Zhanbin and Mr. Li Shousheng are directors of Shandong Zhaojin. Shandong Zhaojin is principally engaged in the business of gold exploration, mining and refining and has investments in gold exploration, mining, smelting and refining and other gold-related businesses.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given advice or opinions contained in this circular:

Name	Qualifications
Trinity Corporate Finance Limited	A corporation licensed to carry out regulated activity type 6 (advising on corporate finance) under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group and it does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. The letter and recommendation given by the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

No member of the Company and its subsidiaries is at present engaged in any litigation or arbitration of material importance to the Company and its subsidiaries and no litigation or claim of material importance to the Company and its subsidiaries is known to the Directors or the Company to be pending or threatened by or against any member of the Company and its subsidiaries.

9. GENERAL

- (a) The branch share registrar and transfer office for H Shares is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Ms. Mok Ming Wai, who is a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (c) The qualified accountant of the Company is Mr. Nelson Ving Lung Ma, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the event of inconsistency, the English texts of this circular and the accompanying form of proxy prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. (save for Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Articles of Association;
- (b) the financial information of the Company as set out in Appendix I – Financial Information of the Group of this Circular;
- (c) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this Appendix;
- (d) the 2017 Group Financial Services Agreement;
- (e) the 2017 Parent Group Financial Services Agreement;
- (f) the consent letter and letter of advice from Trinity Corporate Finance Limited dated 8 December 2017; and
- (g) this circular.

11. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (1) the asset management agreement dated 24 December 2015 entered into among the Company (on behalf of the ESSP), Minmetals Securities Co., Ltd. (as asset manager) and Bank of Ningbo (as asset custodian) to establish the Minmetals Securities Zhaojin Mining No. 1 Directional Asset Management Plan;
- (2) the conditional subscription agreement dated 29 December 2015 entered into between the Company and Minmetals Securities Co., Ltd. for the subscription of not more than 80 million Domestic Shares for the ESSP;
- (3) the transfer agreement dated 29 December 2015 entered into between the Company and Shandong Zhaojin in respect of the acquisition (the “**Acquisition**”) of two mining rights in Luanjiahe gold mine and Zhangjiazhuang gold mine in Zhaoyuan city, Shandong province, land use rights in 20 pieces of state-owned land parcels, and 100% equity interest in Zhaoyuan Gold Supplies Centre Company Limited by the Company from Zhaojin Group;

- (4) the termination agreement dated 28 June 2016 entered into between the Company and Shandong Zhaojin in respect of the termination of the Acquisition;
- (5) the placing agreement dated 29 March 2017 entered into among the Company, UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited and CMB International Capital Limited in respect of the placing of 174,869,000 new H Shares;
- (6) the equity transfer agreement dated 18 April 2017 entered into among the Company, Shanghai Fosun Industrial Investment Co., Ltd., Shanghai Fosun High Technology (Group) Co., Ltd. and Hainan Mining Co., Ltd. in relation to the equity transfer of Shanghai Pingju Investment Management Co. Ltd;
- (7) the investment co-operation agreement dated 9 June 2017 entered into among the Company, Shanghai Fosun High Technology (Group) Co., Ltd. and Hainan Mining Co., Ltd. to establish the co-operation arrangement in relation to Shanghai Pingju Investment Management Co. Ltd; and
- (8) the capital increase agreement dated 11 September 2017 entered into among the Company, Shandong Zhaojin and Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited regarding the capital increase in Finance Company.