

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**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 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).

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

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF THE PROVISION OF  
FINANCIAL SERVICES BY FINANCE COMPANY  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING**

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



---

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 5 to 31 of this circular. A letter from the Independent Board Committee is set out on pages 32 to 33 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 34 to 66 of this circular.

The Company will convene the EGM at the Company's conference room at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Tuesday, 19 January 2021. The notice convening the EGM has been despatched to the Shareholders on 31 December 2020.

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.

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Letter from the Independent Board Committee</b> .....	32
<b>Letter from the Independent Financial Adviser</b> .....	34
<b>Appendix I – Financial Information of the Group</b> .....	67
<b>Appendix II – General Information</b> .....	70
<b>Notice of 2021 First Extraordinary General Meeting</b> .....	75

---

## DEFINITIONS

---

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

“2017 Group Financial Services Agreement”	the financial services agreement entered into between the Company and Finance Company on 14 November 2017 for the provision of various financial services by Finance Company to the Group
“2017 Parent Group Financial Services Agreement”	the financial services agreement entered into between Shandong Zhaojin and Finance Company on 14 November 2017 for the provision of various financial services by Finance Company to the Shandong Zhaojin Group
“2020 Group Financial Services Agreement”	the financial services agreement entered into between the Company and Finance Company on 31 December 2020 for the provision of various financial services by Finance Company to the Group
“2020 Parent Group Financial Services Agreement”	the financial services agreement entered into between Shandong Zhaojin and Finance Company on 31 December 2020 for the provision of various financial services by Finance Company to the Shandong Zhaojin Group
“App1 Part B”	Appendix IB of Listing Rules
“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
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“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

---

## DEFINITIONS

---

“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
“EGM”	the 2021 first extraordinary general meeting to be held by the Company at the Company’s conference room at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Tuesday, 19 January 2021 to, amongst others, consider and approve the deposit and bills discounting services under the 2020 Group Financial Services Agreement and the deposit, loan and bills discounting services under the 2020 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 2020 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 Hong Kong 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 2020 Parent Group Financial Services Agreement and the 2020 Group Financial Services Agreement

---

## DEFINITIONS

---

“Independent Financial Adviser”	Maxa Capital Limited (邁時資本有限公司), 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 2020 Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the 2020 Parent Group Financial Services Agreement (including the relevant proposed annual caps)
“Independent Shareholders”	Shareholders other than (i) Shandong Zhaojin and its associates; and (ii) those with a material interest in the transactions contemplated under the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement, if any
“Latest Practicable Date”	31 December 2020, 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 2020 Parent Group Financial Services Agreement
“Shareholders”	shareholders of the Company

---

## DEFINITIONS

---

“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
“Transition Period”	the period from 1 January 2021 to the date of the EGM on which the Independent Shareholders approve (i) the provision of deposit and bills discounting services and the relevant proposed annual caps under the 2020 Group Financial Services Agreement entered into between the Company and Finance Company on 31 December 2020, and (ii) the provision of deposit, loan and bills discounting services and the relevant proposed annual caps under the 2020 Parent Group Financial Services Agreement entered into between Shandong Zhaojin and Finance Company on 31 December 2020

---

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. Dong Xin (*President*)  
Mr. Wang Ligang

*Non-executive Directors:*

Mr. Zhang Banglong (*Vice chairman*)  
Mr. Liu Yongsheng  
Mr. Gao Min  
Mr. Huang Zhen

*Independent Non-executive Directors:*

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

*Registered address:*

No. 299 Jinhui Road  
Zhaoyuan City  
Shandong Province  
PRC

*Principal place of business in Hong Kong:*

31st Floor  
Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

31 December 2020

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF THE PROVISION OF  
FINANCIAL SERVICES BY FINANCE COMPANY  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 31 December 2020 in respect of the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement and the announcement of proposed amendments to the Articles of Association.

\* 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 followings:

- (i) the deposit and bills discounting services under the 2020 Group Financial Services Agreement;
- (ii) the deposit, loan and bills discounting services under the 2020 Parent Group Financial Services Agreement; and
- (iii) proposed amendments to the Articles of Association.

### **(I) 2020 Group Financial Services Agreement**

On 31 December 2020, the Company and Finance Company entered into the 2020 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 2017 Group Financial Services Agreement.

The principal terms of the 2020 Group Financial Services Agreement are set out below:

***Date:***

31 December 2020

***Parties:***

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

***Term:***

1 January 2021 to 31 December 2023

The 2020 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 2020 Group Financial Services Agreement is subject to the approval of the Independent Shareholders at the EGM.

During the Transition Period, the Company and the Finance Company will monitor and keep the highest applicable percentage ratio 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 2020 Group Financial Services Agreement less than 5%, respectively.

---

## 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. approved insurance agency services;
  - iv. provision of guarantees;
  - v. entrusted loans and entrusted investment services;
  - vi. bill discounting services;
  - vii. settlement services and settlement proposal design services;
  - viii. deposit services;
  - ix. loans and finance leasing services;
  - x. interbank lending;
  - xi. portfolio investment (other than equity investments);
  - xii. spot settlement and sale of foreign exchange; and
  - xiii. other services as approved by the CBIRC.
  
- (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 2020 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 2020 Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2020 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 2020 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 CBIRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.

---

## LETTER FROM THE BOARD

---

- iii. Finance Company will monitor the transactions under the 2020 Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2020 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 loans, deposit, bill discounting and settlement services.

There are stringent internal control policies with regard to financial services transactions under the 2020 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 AMOUNTS

#### 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 2017 Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended		For the eleven
	31 December		months ended
	2018	2019	30 November
			2020
Maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB1,523 million	RMB2,256 million	RMB2,233 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 2020 contemplated under the 2017 Group Financial Services Agreement is RMB8,500 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2020.

#### 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 2017 Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended		For the eleven
	31 December		months ended
	2018	2019	30 November
			2020
Maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest accrued thereon)	RMB663 million	RMB739 million	RMB510 million

---

## LETTER FROM THE BOARD

---

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 2020 contemplated under the 2017 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 2020.

### 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 2017 Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended		For the eleven
	31 December		months ended
	2018	2019	30 November
			2020
Maximum outstanding loan amount provided by Finance Company to the Group (including interest accrued thereon)	RMB1,509 million	RMB981 million	RMB1,706 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 2020 contemplated under the 2017 Group Financial Services Agreement is RMB9,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2020.

### 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 2017 Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020 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 2020 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 2020 Group Financial Services Agreement for each of the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
Maximum daily outstanding balance of deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB5,000 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 2017, 31 December 2018 and 31 December 2019 were approximately RMB1,847 million, RMB1,143 million and RMB3,508 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2019 was approximately RMB2,166 million.
- (2) The expected increase in deposit of the Company and its subsidiaries in the three years ending 31 December 2023 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, medium-term notes, perpetual medium-term notes, 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, medium-term notes, perpetual medium-term notes, renewable corporate bonds and/or super-short-term notes are RMB2,500 million, RMB3,000 million and RMB3,000 million for each of the three financial years ending 31 December 2023, respectively, which is expected to bring an increase in cash inflow for the Company.

It is expected that the Company may also obtain loans from financial institutions other than Finance Company in the three years ending 31 December 2023. Such loan amounts are expected to be around RMB800 million for each of the three years ending 31 December 2023 and will be deposited with Finance Company, which is expected to bring an increase in cash inflow for the Company.

---

## LETTER FROM THE BOARD

---

- (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 hedging and other businesses. With the continuous development of cross-border funding business and the subsequent approval of hedging business, 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. The expected increase in deposit of foreign currencies of the offshore subsidiaries of the Company is also expected to bring an increase in cash inflow for the Group.
- (4) The highest daily income generated by the centralised sale of the products of the Company is expected to be RMB1,000 million for each of the three years ending 31 December 2023, which is expected to bring an increase in cash inflow for the Group.
- (5) 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.

As a result of the factors set out in (2) to (5) above, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2023.

### 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 2020 Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
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 2023 and the anticipated available balance of Finance Company to provide bill discounting services to the Group.

Finance Company 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. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between

---

## LETTER FROM THE BOARD

---

Finance Company and the Group were 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, and it is expected that the proportion of settlement by electronic bill discounting will further increase in the next three years ending 31 December 2023. The maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest thereon) reached approximately RMB663 million, RMB739 million and RMB510 million for the two years ended 31 December 2019 and eleven months ended 30 November 2020, respectively.

In September 2020, Finance Company completed the necessary regulatory filing process with CBIRC and obtained the qualification for providing extended industrial chain financing services which belongs to bill discounting services. The maximum amount to be generated between the Group and Finance Company is expected to reach RMB300 million, RMB500 million and RMB800 million for the three years ending 31 December 2023, respectively, which is expected to bring an increase in the daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services.

As at 30 November 2020, Finance Company has an available balance of RMB1,625 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,500 million by 31 December 2020 and will reach RMB2,000 million, RMB2,500 million and RMB3,000 million for the three years ending 31 December 2023, 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 2023.

### **Loan Services**

The provision of loan services by Finance Company to the Group under the 2020 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 2020 Group Financial Services Agreement for each of the three years ending 31 December 2023 shall not exceed RMB4,500 million, RMB5,000 million and RMB5,500 million, respectively.

---

## LETTER FROM THE BOARD

---

### 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 2020 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 2020 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 2020 Group Financial Services Agreement exceed the relevant threshold.

### (II) 2020 Parent Group Financial Services Agreement

On 31 December 2020, Shandong Zhaojin and Finance Company entered into the 2020 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 2017 Parent Group Financial Services Agreement.

The principal terms of the 2020 Parent Group Financial Services Agreement are set out below:

***Date:***

31 December 2020

***Parties:***

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

***Term:***

1 January 2021 to 31 December 2023

The 2020 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 2020 Parent Group Financial Services Agreement by Finance Company to Shandong Zhaojin Group is subject to the approval of the Independent Shareholders at the EGM.

---

## LETTER FROM THE BOARD

---

During the Transition Period, Shandong Zhaojin and the Finance Company will monitor and keep the highest applicable percentage ratio 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 2020 Parent Group Financial Services Agreement less than 5%, respectively.

*Major Terms:*

- (1) Finance Company agreed to provide the following major services to Shandong Zhaojin and its subsidiaries (other than the Company 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. approved insurance agency services;
  - iv. provision of guarantees;
  - v. entrusted loans and entrusted investment services;
  - vi. bill discounting services;
  - vii. settlement services and settlement proposal design services;
  - viii. deposit services;
  - ix. loans and finance leasing services;
  - x. interbank lending;
  - xi. portfolio investment (other than equity investments);
  - xii. spot settlement and sale of foreign exchange; and
  - xiii. other financial services as approved by the CBIRC.

---

## LETTER FROM THE BOARD

---

- (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.
- (5) The 2020 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 2020 Parent Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2020 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 2020 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.

---

## LETTER FROM THE BOARD

---

(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 CBIRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
- iii. Finance Company will monitor the transactions under the 2020 Parent Group Financial Services Agreement and ensure that the transaction amounts will not exceed the relevant annual caps under the 2020 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.

### 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 2020 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.

---

## LETTER FROM THE BOARD

---

### HISTORICAL TRANSACTION AMOUNTS

#### 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 2017 Parent Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended 31 December		For the eleven months ended 30 November
	2018	2019	2020
Maximum daily outstanding balance of deposits placed by the Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB1,106 million	RMB1,899 million	RMB3,569 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 Shandong Zhaojin Group for the year ending 31 December 2020 contemplated under the 2017 Parent Group Financial Services Agreement is RMB9,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2020.

#### 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 2017 Parent Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended 31 December		For the eleven months ended 30 November
	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)	RMB1,138 million	RMB1,760 million	RMB1,950 million

---

## LETTER FROM THE BOARD

---

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 2020 contemplated under the 2017 Parent 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 2020.

### 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 2017 Parent Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended		For the eleven
	31 December		months ended
	2018	2019	30 November
			2020
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB654 million	RMB1,036 million	RMB1,222 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 2020 contemplated under the 2017 Parent Group Financial Services Agreement is RMB6,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2020.

### 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 2017 Parent Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and eleven months ended 30 November 2020 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 2020 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 2020 Parent Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
Maximum daily outstanding balance of deposits placed by Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB5,000 million	RMB5,500 million	RMB6,000 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 2017, 31 December 2018 and 31 December 2019 were approximately RMB3,329 million, RMB2,253 million and RMB4,525 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2019 was approximately RMB3,369 million.
- (2) The expected increase in deposit of Shandong Zhaojin and its subsidiaries in the three years ending 31 December 2023 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 RMB2,000 million, RMB2,000 million and RMB2,000 million for the three financial years ending 31 December 2023, respectively, which is expected to bring an increase in cash inflow to Shandong Zhaojin.

It is expected that Shandong Zhaojin Group may also obtain loans from financial institutions other than Finance Company in the three years ending 31 December 2023. Such loan amounts are expected to be around RMB1,000 million, RMB1,500 million and RMB1,500 million for the three years ending 31 December 2023, respectively and will be deposited with Finance Company, which is expected to bring an increase in cash inflow for Shandong Zhaojin Group.

---

## LETTER FROM THE BOARD

---

- (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 hedging and other businesses. With the continuous development of cross-border funding business and the subsequent approval of hedging business, 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 highest daily income generated by the centralised sale of the products of Shandong Zhaojin Group is expected to be RMB1,000 million for each of the three years ending 31 December 2023, which is expected to bring an increase in cash inflow for Shandong Zhaojin Group.
- (5) 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 (5) 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 2023.

*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 Shandong Bureau of CBIRC, 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 CBIRC.

### 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 2020 Parent Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB2,000 million	RMB2,500 million	RMB2,500 million

---

## 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 2023 and the anticipated available balance of Finance Company to provide bill discounting services to the Shandong Zhaojin Group.

Finance Company 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. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and Shandong Zhaojin Group were 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, and it is expected that the proportion of settlement by electronic bill discounting will further increase in the next three years ending 31 December 2023. The maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest thereon) reached approximately RMB1,138 million, RMB1,760 million and RMB1,950 million for the two years ended 31 December 2019 and eleven months ended 30 November 2020.

In September 2020, Finance Company completed the necessary regulatory filing process with CBIRC and obtained the qualification for providing extended industrial chain financing services which belongs to bill discounting services. The maximum amount to be generated between Shandong Zhaojin Group and Finance Company is expected to reach RMB300 million, RMB500 million and RMB500 million for the three years ending 31 December 2023, respectively, which is expected to bring an increase in the daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services.

As at 30 November 2020, Finance Company has an available balance of RMB1,625 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,500 million by 31 December 2020 and will reach RMB2,000 million, RMB2,500 million and RMB3,000 million for the three years ending 31 December 2023, 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 2023.

---

## LETTER FROM THE BOARD

---

### 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 2020 Parent Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December		
	2021	2022	2023
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB5,000 million

The above amounts are arrived at after considering the maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group in the past three years, and 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 2023.

In 2021, 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 RMB2,000 million of the loan for repayment of due borrowing; and (ii) approximately RMB1,500 million of the loan as replenishment of liquid capital.

In 2022, 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 RMB2,500 million of the loan for repayment of due borrowing; and (ii) approximately RMB1,500 million of the loan as replenishment of liquid capital.

In 2023, the maximum outstanding amount of loan to be obtained by the Shandong Zhaojin Group from Finance Company is RMB5,000 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB2,500 million of the loan for repayment of due borrowing; and (ii) approximately RMB1,500 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 2023.

---

## LETTER FROM THE BOARD

---

### 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 2020 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 2020 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 2020 Parent Group Financial Services Agreement exceed the relevant threshold.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE 2020 GROUP FINANCIAL SERVICES AGREEMENT AND THE 2020 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 2020 Group Financial Services Agreement and the 2020 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 use efficiency of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the amount and utilization of capital. Meanwhile, diverse services can be provided under the 2020 Group Financial Services Agreement and the 2020 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 CBIRC, 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 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement.

---

## LETTER FROM THE BOARD

---

### DIRECTORS' VIEW

The Directors are of the view that the terms of the 2020 Group Financial Services Agreement and the 2020 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.

### BOARD'S APPROVAL

The Board has approved the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement. None of the Directors has any material interests in the proposed transactions under the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement.

Mr. Weng Zhanbin and Mr. Liu Yongsheng, being management personnel of Shandong Zhaojin, had abstained from voting at the Board meeting for approving the 2020 Group Financial Services Agreement and the 2020 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. Shandong Zhaojin is the controlling shareholder of the Company, directly holding 34.74% of the Shares of the Company. The ultimate beneficial owner of Shandong Zhaojin is People's Government of Zhaoyuan City (招遠市人民政府) which wholly owns Shandong Zhaojin.

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 CBIRC.

---

## LETTER FROM THE BOARD

---

### LISTING RULES IMPLICATIONS UNDER THE 2020 GROUP FINANCIAL SERVICES AGREEMENT, THE 2020 PARENT GROUP FINANCIAL SERVICES AGREEMENT AND THE TRANSACTIONS DURING THE TRANSITION PERIOD

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 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### **2020 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 2020 Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services and bill discounting services under the 2020 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 2020 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 2020 Group Financial Services Agreement is less than 0.1%, the provision of settlement services under the 2020 Group Financial Services Agreement is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

---

## LETTER FROM THE BOARD

---

### **2020 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 2020 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2020 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.

#### *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 2020 Parent Group Financial Services Agreement is less than 0.1%, the provision of settlement services under the 2020 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.

### **Transactions during the Transition Period**

Given that, during the Transition Period, 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 2020 Group Financial Services Agreement is more than 0.1% but less than 5%, the provision of deposit services and bill discounting services during the Transition Period under the 2020 Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given that, during the Transition Period, 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

---

## LETTER FROM THE BOARD

---

maximum outstanding loan amount at any one point in time that may be provided by Finance Company to the Shandong Zhaojin Group under the 2020 Parent Group Financial Services Agreement is more than 0.1% but less than 5%, the provision of deposit services, bill discounting services and loan services during the Transition Period under the 2020 Parent Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### (III) Proposed Amendments to the Articles of Association

In view of moving into the newly purchased office building by the Company, the Company's address changed, and the Articles of Association are required to be amended to reflect the relevant changes.

The Company proposes to amend the Articles of Association as follows:

#### **The existing Article 1.2 reads as:**

##### **Article 1.2** Registered name of the Company

Chinese name:	招金礦業股份有限公司
English name:	Zhaojin Mining Industry Company Limited
Address of the Company:	No. 299 Jinhui Road, Zhaoyuan City
Postal Code:	265400
Telephone number:	0535-8266009
Fax number:	0535-8227541

#### **It is proposed that Article 1.2 be amended to read as follows:**

##### **Article 1.2** Registered name of the Company

Chinese name:	招金礦業股份有限公司
English name:	Zhaojin Mining Industry Company Limited
Address of the Company:	No. 118 Wenquan Road, Zhaoyuan City
Postal Code:	265400
Telephone number:	0535-8266009
Fax number:	0535-8227541

---

## LETTER FROM THE BOARD

---

Save for the aforementioned article, the contents of other articles in the Articles of Association remain unchanged. The proposed amendments to the Articles of Association are subject to certain conditions including, among other things, the approval of the Shareholders by way of a special resolution at the EGM and the approval of, registration or filing with the relevant PRC government authorities.

After the proposed amendments to the Articles of Association becoming effective, the Company will carry out necessary filing procedures with the Companies Registry in Hong Kong.

### 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 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement, and any Shareholder with a material interest in the transactions contemplated under the 2020 Group Financial Services Agreement and the 2020 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 2020 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2020 Parent Group Financial Services Agreement at the EGM.

Shandong Zhaojin and its associates, which hold approximately 36.99% 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 2020 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2020 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 32 to 33 to this circular and the letter from the Independent Financial Adviser as set out on pages 34 to 66 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*

\* *For identification purpose only*

---

## 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 2020 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2020 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)**

31 December 2020

*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 31 December 2020 (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 2020 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2020 Parent Group Financial Services Agreement. Maxa Capital 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 34 to 66 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 2020 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2020 Parent Group Financial Services Agreement contemplated thereunder and taking into account the independent advice of Maxa Capital Limited, in

\* For identification purposes only

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

particular the principal factors, reasons and recommendation as set out in their letter, we consider that (i) the terms of the provision of deposit and bills discounting services under the 2020 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2020 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 2020 Group Financial Services Agreement and the 2020 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 2020 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2020 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*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the letter of advice from Maxa Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 1908, Harbour Center  
25 Harbour Road  
Wan Chai  
Hong Kong

31 December 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the provision of deposit services and bill discounting services under the 2020 Group Financial Services Agreement (including the relevant proposed annual caps) and deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement (including the relevant proposed annual caps), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular dated 31 December 2020 issued by the Company (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 requires otherwise.

On 31 December 2020, the Company and Finance Company entered into the 2020 Group Financial Services Agreement, and Shandong Zhaojin and Finance Company entered into the 2020 Parent Group Financial Services Agreement, on terms which are similar to those of the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement, respectively. Finance Company agreed to provide financial services, including deposit services, loan services, bill discounting services and settlement services to the Group under the 2020 Group Financial Services Agreement and to Shandong Zhaojin Group under the 2020 Parent Group Financial Services Agreement, respectively.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement (collectively the “**2020 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 2020 Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services and bill discounting services under the 2020 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 2020 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2020 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 all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the provision of deposit services and bill discounting services under the 2020 Group Financial Services Agreement and deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence. We are not associated or connected with the Company, Shandong Zhaojin and Finance Company or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the provision of deposit services and bill discounting services under the 2020 Group Financial Services Agreement and deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement. Save for this appointment as the Independent Financial Adviser in respect of the 2020 Agreements, there was no other engagement between the Company and us in the last two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Shandong Zhaojin and Finance Company or their respective substantial shareholders or associates.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the 2017 Group Financial Services Agreement, the 2017 Parent Group Financial Services Agreement, the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement; (ii) the annual reports of the Company for the two years ended 31 December 2019 (the “**2018 Annual Report**” and “**2019 Annual Report**”, respectively); (iii) the third quarterly report of the Company for the nine months ended 30 September 2020 (the “**2020 Third Quarterly Report**”); (iv) the audit report of Finance Company for the year ended 31 December 2019; (v) the management accounts of Finance Company for the eleven months ended 30 November 2019 and 2020; (vi) the audit report of Shandong Zhaojin for year ended 31 December 2019; (vii) the unaudited third quarterly report of Shandong Zhaojin for nine months ended 30 September 2020; (viii) the business license and financial licenses of Finance Company; (ix) the internal control policies of Finance Company and the Measures for the Administration of Information Disclosure of the Company; (x) receipts for the deposit services, bill discounting services and loan services with the principal amounts and relevant interest rate provided by Finance Company to the Group, Shandong Zhaojin and other members in the group and receipts for the deposit services, bill discounting services and loan services provided by commercial banks in the PRC to the Group and Shandong Zhaojin; (xi) Finance Company’s qualification of extended industrial chain financing services and (xii) the Administrative Measures for Enterprise Group Finance Companies (“**企業集團財務公司管理辦法**”) promulgated by CBRC. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of this letter. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors’ representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor do we doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, Shandong Zhaojin and Finance Company and each of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the 2020 Agreements

##### 1.1 Information on the Group

The Company is an integrated large-scale enterprise listed on the Hong Kong Stock Exchange (HK 1818). Combining exploration, mining, processing and smelting operations, the Group primarily focuses on gold industry, especially the production of the two principal products Au9995 and Au9999 standard gold bullion. Taking advantage of its geographical superiority, advanced equipment and international standard technologies, the Company achieved to be one of the leading gold producers as well as one of the largest enterprises of gold smelting in the PRC.

Set out below is the financial information of the Group for the years ended 31 December 2018 and 2019 and for the nine months ended 30 September 2019 and 2020 prepared in accordance with Hong Kong Financial Reporting Standards and extracted from the Company's 2019 Annual Report and 2020 Third Quarterly Report:

	For the nine months ended 30 September		For the year ended 31 December	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2019 RMB'000 (audited)	2018 RMB'000 (audited)
<b>Revenue</b>	5,800,811	4,634,174	6,329,928	7,177,057
<b>Gross profit</b>	2,816,675	1,804,753	2,289,963	2,482,208
<b>Net profit</b>	1,078,877	361,528	438,235	576,303

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>As at</b>	<b>As at 31 December</b>	
	<b>30 September</b>	<b>2019</b>	<b>2018</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)
<b>Cash and cash equivalent</b>	2,783,267	3,508,307	1,143,299
<b>Total assets</b>	42,846,530	40,251,780	35,887,179
<b>Total liabilities</b>	25,993,646	22,888,922	19,079,614
<b>Net asset value</b>	16,914,883	17,362,858	16,807,565

As has been illustrated in the above table, the Group's revenue amounted to approximately RMB6.33 billion for the year ended 31 December 2019 ("FY2019"), representing a decrease of approximately 11.80% as compared to approximately RMB7.18 billion for the year ended 31 December 2018 ("FY2018"). According to the 2019 Annual Report, the decrease in revenue was mainly due to the decrease in volumes of sales of gold by the Group. The decrease in gross profit leads to a reduction of 23.96% in net profit, to approximately RMB0.44 billion in FY2019 from approximately RMB0.58 billion in FY2018.

The Group's total assets increased by 12.16% from approximately RMB35.89 billion as at 31 December 2018 to approximately RMB40.25 billion as at 31 December 2019, which was primarily due to the large increase in cash and cash equivalent. The total liabilities of the Group increased by 19.97% from approximately RMB19.08 billion at 31 December 2018 to approximately RMB22.89 billion as at 31 December 2019, respectively. Such increase in total liabilities of the Group was mainly due to the issue of corporate bonds of RMB3.5 billion in 2019. The Group's net asset value amounted approximately RMB17.36 billion as at 31 December 2019, representing an increase of 3.30% from approximately RMB16.81 billion as at 31 December 2018. The Group's cash and cash equivalent increased by 206.86% from RMB1.14 billion as at 31 December 2018 to approximately RMB3.51 billion as at 31 December 2019, which was mainly because the cash inflow from operating and financing activities of the Group was more than the net cash outflow of investing activities of the Group.

For the nine months ended 30 September 2020, the Group's revenue increased by 25.17% as compared with that for the same period in 2019 to approximately RMB5.80 billion, which was primarily due to the substantial increase of gold price and effective organisation of production. Net profit of the Group recorded an impressive growth by 198.42% for the nine months ended 30 September 2020 as compared with that for the same period in 2019, from approximately RMB0.36 billion to approximately RMB1.08 billion. Such significant increase in net profit mainly benefited from the substantial increase of gold price and the strengthening of operation management.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Group's cash and cash equivalents declined by 20.67% from approximately RMB3.51 billion as at 31 December 2019 to approximately RMB2.78 billion as at 30 September 2020, which is primarily because the cash inflow from operating and financing activities was less than the net cash outflow of investing activities. The total assets and total liabilities of the Group as at 30 September 2020 increased by approximately 6.45% and 13.56%, respectively, as compared with those as at 31 December 2019. The increase of total assets was mainly due to the increase of financial assets at fair value through profit or loss and the increase of total liabilities was mainly due to the increase of deposits from customers. The Group's net asset value as at 30 September 2020 maintained at a level similar with that as at 31 December 2019.

### 1.2 Information on Shandong Zhaojin

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. Shandong Zhaojin is the controlling shareholder of the Company, directly holding 34.74% of the Shares of the Company. The ultimate beneficial owner of Shandong Zhaojin is People's Government of Zhaoyuan City (招遠市人民政府) which wholly owns Shandong Zhaojin. According to the website of Shandong Zhaojin (<http://www.gold-zhaoyuan.com>), Shandong Zhaojin and its subsidiaries recorded revenue of RMB65.7 billion in 2019 and maintained gold reserves of 1,300 tons.

We have obtained and reviewed a credit rating report of Shandong Zhaojin issued by China Chengxin International Credit Rating Co., Ltd dated 23 June 2020. The credit rating of Shandong Zhaojin was the AAA grade with a stable outlook, which indicates that Shandong Zhaojin has good capability for loan repayment.

Set out below is the financial information of Shandong Zhaojin Group for the years ended 31 December 2018 and 2019 and for the nine months ended 30 September 2019 and 2020 prepared in accordance with China Accounting Standards for Business Enterprises and extracted from the Shandong Zhaojin's 2019 annual report and 2020 unaudited third quarterly report:

	For the nine months ended 30 September		For the year ended 31 December	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2019 RMB'000 (audited)	2018 RMB'000 (audited)
<b>Revenue</b>	60,324,307	48,997,114	65,708,328	37,060,666
<b>Operating profit</b>	993,525	409,421	470,261	679,049
<b>Net profit</b>	741,296	308,209	294,030	502,514

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

	As at 30 September 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)	2018 RMB'000 (audited)
<b>Cash and cash equivalent</b>	4,035,393	4,894,400	2,651,768
<b>Total assets</b>	64,346,155	60,004,402	50,282,500
<b>Total liabilities</b>	44,347,643	40,231,565	31,933,714
<b>Net asset value</b>	19,998,512	19,772,836	18,348,786

As illustrated in the above table, Shandong Zhaojin Group recorded total revenue of approximately RMB65.71 billion for the year ended 31 December 2019, representing an increase of approximately 77.30% as compared with the previous year, which is mainly due to the substantial increase of gold price and the consolidation of Shandong Zhaojin Group Zhaoyuan Gold Smelting Co. Ltd. Shandong Zhaojin Group recorded net profit of approximately RMB0.29 billion for the year ended 31 December 2019, representing a decrease of approximately 41.49% as compared with the previous year, which is mainly due to the low profitability in gold smelting industry. As at 31 December 2019, the net asset value of Shandong Zhaojin Group increased by approximately 7.76% to approximately RMB19.77 billion from RMB18.35 billion as at 31 December 2018.

For the nine months ended 30 September 2020, Shandong Zhaojin Group's revenue increased by approximately 23.12% as compared with the same period last year to approximately RMB60.32 billion, which is mainly due to the increased volume of gold production and the substantial increase of gold price. The net profit of Shandong Zhaojin for the nine months ended 30 September 2020 amounted approximately RMB0.74 billion, increased significantly by approximately 140.52% as compared with the same period last year, which is mainly due to the substantial increase of gold price. Shandong Zhaojin Group's total assets and total liabilities as at 30 September 2020 increased by approximately 7.24% and 10.23% to RMB64.35 billion and RMB44.35 billion respectively as compared with that as at 31 December 2019 while the net asset value of Shandong Zhaojin Group increased slightly by approximately 1.14%.

### **1.3 Information on Finance Company**

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. Finance Company is a PRC non-bank financial institution and is regulated by the CBIRC.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Set out below is the financial information on Finance Company for the two years ended 31 December 2019 and the eleven months ended 30 November 2019 and 2020 prepared in accordance with China Accounting Standards for Business Enterprises and extracted from its 2019 audit report and its unaudited management accounts for the eleven months ended 30 November 2019 and 2020:

	<b>For the eleven months ended 30 November</b>		<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<b>Revenue</b>	171,032	134,702	80,571	81,615
<b>Operating profit</b>	52,786	55,778	56,708	53,331
<b>Net profit</b>	41,577	43,325	44,212	41,599
	<b>As at 30 November</b>		<b>As at 31 December</b>	
	<b>2020</b>		<b>2019</b>	<b>2018</b>
	<i>RMB'000</i> (unaudited)		<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<b>Total assets</b>	5,511,786		5,891,797	3,941,791
<b>Total liabilities</b>	3,875,502		4,290,397	2,354,560
<b>Net asset value</b>	1,636,283		1,607,400	1,587,231

As illustrated in the above table, Finance Company recorded total revenue and net profit of approximately RMB80.57 million and RMB44.21 million for the year ended 31 December 2019, representing a slight decrease of approximately 1.28% and an increase of approximately 6.28% respectively as compared with the previous year. As at 31 December 2019, the net asset value of Finance Company increased by approximately 1.27% to approximately RMB1,607.40 million from RMB1,587.23 million as at 31 December 2018.

For the eleven months ended 30 November 2020, Finance Company's revenue increased by approximately 26.97% as compared with the same period last year to approximately RMB171.03 million, which is mainly due to the increased revenue in loan services. The net profit of Finance Company for the eleven months ended 30 November 2020 amounted approximately RMB41.58 million, decreased by approximately 4.03% as compared with the same period last year. Finance Company's total assets and total liabilities as at 30 November 2020 decreased by approximately 6.45% and 9.67% to RMB5,511.79 million and RMB3,875.50 million respectively as compared with that as at 31 December 2019 while the net asset value of Finance Company increased slightly by approximately 1.80%.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As a licensed financial institution in the PRC, Finance Company is subject to stringent regulations and is regulated by PBOC and CBIRC. In accordance with the relevant requirements under the Measures for Administration of Finance Companies of Enterprise Groups promulgated by CBRC, group finance companies, including Finance Company:

- (a) are not allowed to engage in non-financial services business, including property investment or trading; and
- (b) must comply with the following ratio requirements: (i) the capital adequacy ratio shall not be lower than 10%; (ii) the inter-bank borrowing balance shall not exceed the total registered capital of the relevant finance company; (iii) the total amount of outstanding guarantees shall not exceed the total registered capital of the relevant finance company; (iv) the ratio of total amount of investment to total registered capital shall not exceed 70%; and (v) the ratio of self-owned fixed assets to total registered capital shall not exceed 20%.

We have obtained and reviewed the regulatory indicators reporting table of Finance Company for three years ended 31 December 2019 and noted Finance Company has complied with the Measures for Administration of Finance Companies of Enterprise Groups in this regard. According to the management of the Company, up to the Latest Practicable Date, there had been no record of non-compliance with relevant laws, rules and regulations of the PRC on Finance Company.

In assessing the financial risks of Finance Company, we have taken into consideration that:

- (a) the operations of Finance Company are subject to the supervision of CBIRC and PBOC and are regulated by the relevant PRC financial regulation and rules;
- (b) Finance Company has established internal control and risk management system in accordance with the relevant PRC financial services rules and regulations; and
- (c) Finance Company has solid financial track record, financial position and compliance record.

In light of the aforementioned, we believe that the financial risks involved in placing deposits with Finance Company is low and manageable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *1.4 Reasons for and benefits of Entering into the 2020 Agreements*

As stated in the Letter from the Board, the reasons for and possible benefits of entering into the 2020 Agreements are as follows:

- (i) 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.
- (ii) 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.
- (iii) With the entry into the 2020 Agreements, the Group and Shandong Zhaojin Group will be able to centralize control and management of their financial resources, promote wider uses and use efficiency management of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the amount and utilisation of capital. Meanwhile, diverse services can be provided under the 2020 Agreements to satisfy the business needs of the Group and the Shandong Zhaojin Group.
- (iv) 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.
- (v) Subject to supervision and regulation of the PBOC and the CBIRC, 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 2020 Agreements.

We concur with the Company that the transactions contemplated under the 2020 Group Financial Services Agreement facilitate the Group to optimize its financial management, increase the efficiency of fund utilisation, and reduce the cost of financing and financing risks. It will not be detrimental to the interests of the Group. The deposit services under the 2020 Parent Group Financial Services Agreement generates additional revenue for the Group and further strengthen the centralization of Finance Company as a financial platform in the Group to facilitate treasury operations within the Group. The bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement facilitate increase the efficiency of fund utilisation of Finance Company to increase the Group's revenue.

On the basis of the aforesaid reasons for and possible benefits of the 2020 Agreements as represented by Directors and given that (i) entering into the 2020 Group Financial Services Agreement with Finance Company is in line with the Company's need for future capital control; (ii) entering into the 2020 Parent Group Financial Services Agreement by Shandong Zhaojin with Finance Company benefits the Company's revenue; and (iii) the credit risks of Finance Company is likely to be low and manageable and Shandong Zhaojin has good credit capability concluded in the sections headed "1.2 Information on Shandong Zhaojin" and "1.3 Information on Finance Company", we are of the view that the transactions under the 2020 Agreements are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

## 2. Principal terms of the 2020 Agreements

### 2.1 *Deposit services and bill discounting services under the 2020 Group Financial Services Agreement*

#### *Major Terms*

On 31 December 2020, the Company and Finance Company entered into the 2020 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 2017 Group Financial Services Agreement.

The term of the 2020 Group Financial Services Agreement is from 1 January 2021 to 31 December 2023. The deposit services and bill discounting services under the 2020 Group Financial Services Agreement is subject to the approval from the Independent Shareholders at the EGM. During the Transition Period, the Company and Finance Company will monitor and keep the highest applicable percentage ratio 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 2020 Group Financial Services Agreement less than 5%, respectively.

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 promulgated 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. The interest rate for the deposit paid by Finance

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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.

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 2020 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 2020 Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2020 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 the Group.

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

Finance Company will monitor the transactions under the 2020 Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2020 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.

In assessing the fairness and reasonableness of the terms in the 2020 Group Financial Services Agreement, we have obtained and reviewed both the 2017 Group Financial Services Agreement and the 2020 Group Financial Services Agreement and we concur with the Board that the major terms in the 2020 Group Financial Services Agreement are similar with those in the 2017 Group Financial Services Agreement, which was approved by the independent shareholders in the extraordinary general meeting held on 29 December 2017.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In respect of the pricing policy, we have obtained and reviewed the receipts for deposit services and bill discounting services provided by Finance Company to the Group from 2018 to 2020 and compared such interests rates with the interest rates for the same type of deposit services, bill discounting services and loan services for the same period provided by major commercial banks in the PRC to the Group and announced by the PBOC, and noted that the pricing policies under the 2017 Group Financial Services Agreement, which are the same as those under the 2020 Group Financial Services Agreement, have been complied with strictly. Please refer to the section headed “4. Internal Control Policies” below for further details in this regard. In other words, the interest rates for the deposit services offered by Finance Company will not be lower than the interest rate paid by other independent major commercial banks for the provision of the same services in the PRC and the interest rates for the bill discounting services offered by Finance Company will not be higher than the interest rate charged by other independent major commercial banks for the provision of same level of bill discounting services in the PRC, which we consider to be fair and reasonable.

In view of the above, we consider that the terms of the deposit services and bill discounting services under the 2020 Group Financial Services Agreement are on normal commercial terms, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned.

### ***2.2 Deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement***

#### *Major Terms*

On 31 December 2020, Shandong Zhaojin and Finance Company entered into the 2020 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 2017 Parent Group Financial Services Agreement.

The term of the 2020 Parent Group Financial Services Agreement is from 1 January 2021 to 31 December 2023. The provision of deposit acceptance services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement by Finance Company to the Shandong Zhaojin Group is subject to the approval of the Independent Shareholders at the EGM. During the Transition Period, Shandong Zhaojin and Finance Company will monitor and keep the highest applicable percentage ratio 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 2020 Parent Group Financial Services Agreement less than 5%, respectively.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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 promulgated 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. 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.

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.

The 2020 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 2020 Parent Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2020 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 the Shandong Zhaojin Group.

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Finance Company will monitor the transactions under the 2020 Parent Group Financial Services Agreement and ensure that the transaction amounts will not exceed the relevant annual caps under the 2020 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.

In assessing the fairness and reasonableness of the terms in the 2020 Parent Group Financial Services Agreement, we have obtained and reviewed both the 2017 Parent Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement and we concur with the Board that the major terms in the 2020 Parent Group Financial Services Agreement are similar with those in the 2017 Parent Group Financial Services Agreement, which was approved by the independent shareholders in the extraordinary general meeting held on 29 December 2017.

In respect of the pricing policy, we have obtained and reviewed the receipts for deposit services, bill discounting services and loan services provided by Finance Company to Shandong Zhaojin from 2018 to 2020 and compared such interests rates with the interest rates for the same type of deposit for the same period provided by Finance Company to other parties and provided by major commercial banks in the PRC to Shandong Zhaojin, and noted that the pricing policies under the 2017 Parent Group Financial Services Agreement, which are the same as those under the 2020 Parent Group Financial Services Agreement, have been complied with strictly. Please refer to the section headed “4. Internal Control Policies” below for further details in this regard. In other words, the interest rates for the deposit services offered by Finance Company will not be higher than the interest rate paid by Finance Company for the provision of the same services to other parties and the interest rates for the bill discounting services and loan services offered by Finance Company will 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, which we consider to be fair and reasonable.

In view of the above, we consider that the terms of the deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement are on normal commercial terms, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 3. The Proposed Annual Caps

#### 3.1 Historical Transaction Amounts

##### 3.1.1 Historical Transaction Amounts of the 2017 Group Finance Services Agreement

###### *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 2017 Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the eleven months ended 30 November 2020
Maximum daily outstanding balance of the deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB1,523 million	RMB2,256 million	RMB2,233 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 2020 contemplated under the 2017 Group Financial Services Agreement is RMB8,500 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2020.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *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 2017 Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the eleven months ended 30 November 2020</b>
Maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest accrued thereon)	RMB663 million	RMB739 million	RMB510 million

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 2020 contemplated under the 2017 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 2020.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 3.1.2 *Historical Transaction Amounts of the 2017 Parent Group Finance Services Agreement*

#### *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 2017 Parent Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the eleven months ended 30 November 2020
Maximum daily outstanding balance of the deposits placed by the Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB1,106 million	RMB1,899 million	RMB3,569 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 Shandong Zhaojin Group for the year ending 31 December 2020 contemplated under the 2017 Parent Group Financial Services Agreement is RMB9,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2020.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *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 2017 Parent Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the eleven months ended 30 November 2020</b>
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB1,138 million	RMB1,760 million	RMB1,950 million

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 2020 contemplated under the 2017 Parent 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 2020.

### *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 2017 Parent Group Financial Services Agreement for each of the two years ended 31 December 2018 and 31 December 2019, and the eleven months ended 30 November 2020:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the eleven months ended 30 November 2020</b>
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB654 million	RMB1,036 million	RMB1,222 million

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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 2020 contemplated under the 2017 Parent Group Financial Services Agreement is RMB6,000 million which has not been exceeded as at the Latest Practicable Date and is not expected to be exceeded before 31 December 2020.

### 3.2 *Proposed Caps*

#### 3.2.1 *Proposed Annual Caps of the 2020 Group Finance Services Agreement*

##### *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 2020 Parent Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Maximum daily outstanding balance of the deposits placed by the Group with Finance Company (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB5,000 million

We note from the Letter from the Board that the Board has taken into account that:

- (a) 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 2017, 31 December 2018 and 31 December 2019 were approximately RMB1,847 million, RMB1,143 million and RMB3,508 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2019 is approximately RMB2,166 million.
- (b) The expected increase in deposit of the Company and its subsidiaries in the three years ending 31 December 2023 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, medium-term notes, perpetual medium-term notes, renewable corporate bonds and/or super-short-term notes, etc.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

According to the possible financing plan of the Company, the expected capital to be raised by the Company through possible issue of corporate bonds, medium-term notes, perpetual medium-term notes, renewable corporate bonds and/or super-short-term notes are RMB2,500 million, RMB3,000 million and RMB3,000 million for each of the three financial years ending 31 December 2023, respectively, which is expected to bring an increase in cash inflow for the Company.

It is expected that the Company may also obtain loans from financial institutions other than Finance Company in the three years ending 31 December 2023. Such loan amounts are expected to be around RMB800 million for each of the three years ending 31 December 2023 and will be deposited with Finance Company, which is expected to bring an increase in cash inflow for the Company.

- (c) 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. With the continuous development of cross-border funding business and the subsequent approval of hedging business, 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. The expected increase in deposit of foreign currencies of the offshore subsidiaries of the Company is also expected to bring an increase in cash inflow for the Group.
- (d) The highest daily income generated by the centralised sale of the products of the Company is expected to be RMB1,000 million for each of the three years ending 31 December 2023, which is expected to bring an increase in cash inflow for the Group.
- (e) 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.

Thus, the Board proposed that under the 2020 Group Financial Services Agreement, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2023.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *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 2020 Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
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

We note from the Letter from the Board that the Board has taken into account the business plan of the Group to fully utilise 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 2023 and the anticipated available balance of Finance Company to provide bill discounting services to the Group.

Finance Company 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. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and the Group were 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 Finance Company lowers its financing cost and provides bill discounting services to the Group in a more cost-efficient manner, and it is expected that the proportion of settlement by electronic bill discounting will further increase in the next three years ending 31 December 2023. The maximum daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services (including interest thereon) reached approximately RMB663 million, RMB739 million and RMB510 million for the two years ended 31 December 2019 and eleven months ended 30 November 2020, respectively.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In September 2020, Finance Company completed the necessary regulatory filing process with CBIRC and obtained the qualification for providing extended industrial chain financing services which belongs to bill discounting services. The maximum amount to be generated between the Group and Finance Company is expected to reach RMB300 million, RMB500 million and RMB800 million for the three years ending 31 December 2023, respectively, which is expected to bring an increase in the daily outstanding balance of funds provided by Finance Company to the Group for bill discounting services.

As at 30 November 2020, Finance Company has an available balance of RMB1,625 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,500 million by 31 December 2020 and will reach RMB2,000 million, RMB2,500 million and RMB3,000 million for the three years ending 31 December 2023, 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, the Board expect 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 2023.

### *Assessment on the proposed caps*

In assessing the fairness and reasonableness of the proposed caps under the 2020 Group Financial Services Agreement, we have reviewed and noted the proposed caps for deposit services decrease as compared with the existing annual caps under the 2017 Group Financial Services Agreement (“**Existing Deposit Caps**”) and the proposed caps for bill discounting services remain the same as caps under the 2017 Group Finance Services Agreement (“**Existing Bill Discounting Caps**”), which were approved by the independent shareholders in the extraordinary general meeting held on 29 December 2017.

We have discussed with the management of the Group the basis and assumptions in setting the proposed caps for deposit services and bill discounting services under the 2020 Group Financial Services Agreement. We have reviewed the Company’s 2019 annual report and 2020 Third Quarterly Report and noted that there is a continued expansion in the Group’s business scale. The Group’s revenue and net profits achieved growth of 25.17% and 198.42% for nine months ended 30 September 2020 as compared with the same period last year. Also, the Group’s total assets increased by 19.39% from approximately RMB35.89 billion as at 31 December 2018 to RMB42.85 billion as at 30 September 2020 and the Group’s cash and cash equivalents increased by 143.44% from approximately RMB1.14 billion as at 31 December 2018 to approximately RMB2.78 billion as at 30 September 2020. We have also reviewed the Company’s bond issue plan which was approved on the extraordinary general meeting held on 15 September 2020 in respect of corporate bond, medium-term notes and perpetual medium-term notes and we noted the total amount of potential issued bond will be up to RMB18 billion for the three years after such extraordinary general meeting. In addition, as advised by the management of

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

the Company, the potential large amount sales of gold affected by the increasing gold price may also significantly increase the overall assets scale of the Group as the historical highest daily sales of gold of the Company in the previous three years reached approximately RMB0.3 billion. Although the highest historical utilisation rate of the Existing Deposits Caps only reached 32.23%, given (i) the proposed caps will be lower than the Parent Group Existing Deposits Caps; (ii) the Group's business scale is continued to expand; (iii) the Group's cash may increase significantly due to the future business plan, we concur with the Board that the proposed caps for deposit services with a yearly growth under the 2020 Group Financial Services Agreement are reasonable.

We noted the highest historical utilisation rate of Existing Bill Discounting Caps reached 44.21%. We have reviewed the proportion of the electronic bill discounting services and noted the electronic bill settlement amount maintain a stable growth during the past two years and eleven months ended 30 November 2020 and bill discounting business is replacing other credit varieties gradually. We have also obtained and reviewed the Finance Company's qualification of extended industrial chain financing services which could enable Finance Company to provide bill discounting services to much more upstream clients who carry the bills issued by the Company. As advised by the management of the Company, the expanded sphere of services of Finance Company may significantly increase the bill discounting business.

Based on the above and given the 2020 Group Financial Services Agreement will be on a non-exclusive basis and the proposed caps provides the Group the right but not the obligation to utilise the deposit services and the bill discounting services under such agreement, we consider that the proposed caps for deposit services and bill discounting services under 2020 Group Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 3.2.2 Proposed Annual Caps of the 2020 Parent Group Finance Services Agreement

#### *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 2020 Parent Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Maximum daily outstanding balance of the deposits placed by Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB5,000 million	RMB5,500 million	RMB6,000 million

We note from the Letter from the Board that the Board has taken into account that:

- (a) 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 2017, 31 December 2018 and 31 December 2019 were approximately RMB3,329 million, RMB2,253 million and RMB4,525 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2019 is approximately RMB3,369 million.
- (b) The expected increase in deposit of Shandong Zhaojin and its subsidiaries in the three years ending 31 December 2023 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.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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 RMB2,000 million, RMB2,000 million and RMB2,000 million for the three financial years ending 31 December 2023, respectively, which is expected to bring an increase in cash inflow to Shandong Zhaojin.

It is expected that Shandong Zhaojin Group may also obtain loans from financial institutions other than Finance Company in the three years ending 31 December 2023. Such loan amounts are expected to be around RMB1,000 million, RMB1,500 million and RMB1,500 million for the three years ending 31 December 2023, respectively and will be deposited with Finance Company, which is expected to bring an increase in cash inflow for Shandong Zhaojin Group.

- (c) 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. With the continuous development of cross-border funding business and the subsequent approval of hedging business, 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.
- (d) The highest daily income generated by the centralised sale of the products of Shandong Zhaojin Group is expected to be RMB1,000 million for each of the three years ending 31 December 2023, which is expected to bring an increase in cash inflow for Shandong Zhaojin Group.
- (e) 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 Shandong Bureau of CBIRC, the pool rate (calculated 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) 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 CBIRC.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Thus, considering the factors set out above and the relevant pool rate of approximately 50% of Shandong Zhaojin, the Board proposed that under the 2020 Group Financial Services Agreement, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2023.

### *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 2020 Parent Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
Maximum daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services (including interest accrued thereon)	RMB2,000 million	RMB2,500 million	RMB2,500 million

We note from the Letter from the Board that the Board has taken into account the business plan of the Shandong Zhaojin Group to fully utilise 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 2023 and the anticipated available balance of Finance Company to provide bill discounting services to the Shandong Zhaojin Group.

Finance Company 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. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and Shandong Zhaojin Group were 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 Finance Company lowers its financing cost and provides bill discounting services to Shandong Zhaojin Group in a more cost-efficient manner, and it is expected that the proportion of settlement by electronic bill discounting will further increase in the next three years ending 31 December 2023. 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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

RMB1,138 million, RMB1,760 million and RMB1,950 million for the two years ended 31 December 2019 and eleven months ended 30 November 2020.

In September 2020, Finance Company completed the necessary regulatory filing process with CBIRC and obtained the qualification for providing extended industrial chain financing services which belongs to bill discounting services. The maximum amount to be generated between Shandong Zhaojin Group and Finance Company is expected to reach RMB300 million, RMB500 million and RMB500 million for the three years ending 31 December 2023, respectively, which is expected to bring an increase in the daily outstanding balance of funds provided by Finance Company to the Shandong Zhaojin Group for bill discounting services.

As at 30 November 2020, Finance Company has an available balance of RMB1,625 million to provide bill discounting services. It is expected that such balance amount will reach RMB1,500 million by 31 December 2020 and will reach RMB2,000 million, RMB2,500 million and RMB3,000 million for the three years ending 31 December 2023, 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, the Board expect 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 2023.

### *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 2020 Parent Group Financial Services Agreement for the three years ending 31 December 2023 are as follows:

	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
Maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB5,000 million

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As stated in the Letter from the Board, the above amounts are arrived at after considering the maximum outstanding loan amount provided by Finance Company to the Shandong Zhaojin Group in the past three years and 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 2023.

In 2021, 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 RMB2,000 million of the loan for repayment of due borrowing; and (ii) approximately RMB1,500 million of the loan as replenishment of liquid capital.

In 2022, 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 RMB2,500 million of the loan for repayment of due borrowing; and (ii) approximately RMB1,500 million of the loan as replenishment of liquid capital.

In 2023, the maximum outstanding amount of loan to be obtained by the Shandong Zhaojin Group from Finance Company is RMB5,000 million. It is expected that Shandong Zhaojin Group will use (i) approximately RMB2,500 million of the loan for repayment of due borrowing; and (ii) approximately RMB1,500 million of 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 2023.

### *Assessment on the proposed caps*

In assessing the fairness and reasonableness of the proposed caps under the 2020 Parent Group Financial Services Agreement, we have reviewed and note the proposed caps for deposit services and loan services are lower than those caps in the 2017 Parent Group Financial Services Agreement, which were approved by the independent shareholders in the extraordinary general meeting held on 29 December 2017 ("**Parent Group Existing Deposit Caps**" and "**Parent Group Existing Loan Caps**", respectively) and the proposed caps for bill discounting services increase as compared with the caps in the 2017 Parent Group Financial Services Agreement ("**Parent Group Existing Bill Discounting Caps**").

We have discussed with the management of the Group the basis and assumptions in setting the proposed caps for deposit services and bill discounting services under the 2020 Parent Group Financial Services Agreement. We have reviewed Shandong Zhaojin's 2019 annual report and 2020 Third Quarterly Report and noted that there is a continued expansion in Shandong Zhaojin's business scale. Shandong Zhaojin's revenue and net profits achieved growth of 23.12% and 140.52% for nine months ended 30 September 2020 as compared with the same period last

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

year. Also, Shandong Zhaojin's total assets increased by 27.97% from approximately RMB50.28 billion as at 31 December 2018 to RMB64.35 billion as at 30 September 2020 and the Group's cash and cash equivalents increased by 52.18% from approximately RMB2.65 billion as at 31 December 2018 to approximately RMB4.04 billion as at 30 September 2020. We have also reviewed Notice of Acceptance of Registration release by the National Association of Financial Market Institutional Investors on 17 September 2020 and noted Shandong Zhaojin was approved to issue RMB4 billion medium-term notes in the coming two years. In addition, as advised by the management of the Company, the potential large amount sales of gold affected by the increasing gold price may also significantly increase the overall assets scale of Shandong Zhaojin as the historical highest daily sales of gold of the Company in the previous three years reached approximately RMB0.4 billion. Although the highest historical utilisation rate of the Parent Group Existing Deposits Caps only reached 39.66%, given (i) the proposed caps will be lower than the Existing Deposits Caps; (ii) Shandong Zhaojin Group's business scale is continued to expand; (iii) Shandong Zhaojin Group's cash may increase significantly due to the future business plan, we concur with the Board that the proposed caps for deposit services with a yearly growth under the 2020 Parent Group Financial Services Agreement are reasonable.

We noted the highest historical utilisation rates of Parent Group Existing Bill Discounting Caps reached 88.00%. We have reviewed the proportion of the electronic bill discounting services and we noted the electronic bill settlement amount maintain a stable growth during the past two years and eleven months ended 30 November 2020 and bill discounting business is replacing other credit varieties gradually. We have also obtained and reviewed the Finance Company's qualification of extended industrial chain financing services which could enable Finance Company to provide bill discounting services to much more upstream clients who carry the bills issued by Shandong Zhaojin. We understood from the management of Company that the expanded sphere of services of Finance Company may significantly increase the bill discounting business. Considering the highly utilised Parent Group Existing Bill Discounting Caps and the expansion of the bill discounting business of Finance Company, we concur with the Board the proposed caps for bill discounting services under the 2020 Parent Group Financial Services Agreement with a yearly growth are reasonable.

We have reviewed the list of existing bond of Shandong Zhaojin and noted that ten bonds will expire and be repaid in the coming three years with an amount of over RMB24 billion. As advised by the management of the Company, the potential constructions of new properties of Shandong Zhaojin will require around RMB1.5 billion liquid capital each year in the coming three years to support the fund demand which is calculated with the reference of previous expenditure of similar construction projects. In addition, there is a continued expansion of Shandong Zhaojin's business scale as mentioned above, which indicates Shandong Zhaojin may have more capital needs in the future development. Although the highest historical utilisation rates of Parent Group Existing Loan Caps only reached 23.01%, given (i) the proposed caps will be lower than the Parent Group Existing Loan Caps; and (ii) the capital need of Shandong Zhaojin would increase due to its future

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

business development, we concur with the Board that the proposed caps for loan services under the 2020 Parent Group Financial Services Agreement with a yearly growth are reasonable.

Based on the above, we consider that the proposed caps for deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. Internal Control Policies**

The Company has adopted certain internal control procedures in relation to its utilisation of Finance Company's services, details of which are included in section headed "INTERNAL CONTROL ON PRICING" under the sections headed "2020 Group Financial Services Agreement" and "2020 Parent Group Financial Services Agreement" in the Letter from the Board. We have also obtained and reviewed the Company's Measures for the Administration of Information Disclosure, which includes the measures for administration of continuing connected transactions of the Group.

Finance Company is a non-financial institution subject to supervision of the CBIRC, and Finance Company shall operate business in accordance with the Measure for the Administration of Finance Companies of Enterprise Groups issued by the CBIRC for the purpose of overseeing the operation and reducing the possibility of financial risks of finance companies of enterprise groups. Such administrative measures set forth measures on supervision, management, and risk control in accordance to operating finance companies of enterprise groups, including but not limited to maintaining certain financial ratios and reports to the CBIRC. We have obtained and reviewed the operating license of Finance Company issued by CBIRC and reviewed the internal control policies and procedures and risk management measures of Finance Company.

##### ***4.1 Internal Control on Pricing under the 2020 Group Financial Services Agreement***

We have obtained and reviewed 4 sets of receipts for the deposit services (covering demand deposits, agreement deposits and time deposits with the principal amounts and relevant interest rate) provided by Finance Company to the Group from July 2018 to June 2020 which were randomly selected by the Company as per our request. As the 4 sets of depository receipts consist of both the RMB and USD as the currency, we believe the random selected samples obtained and reviewed by us are fair and representative samples of the historical terms offered by Finance Company to the Group. We have obtained and compared the interest rates offered by an independent commercial bank in respect of 2 sets of demand deposit services provided to the Group for the same period, which were provided by the Company as per our request, and noted that the interest rates of such deposit services provided are not higher than the interest rates of the deposit services provided by Finance Company to the Group. We have discussed with the management of the Company and understood that the Company collected quotations from other commercial banks via phone and confirmed that the interest rates for time deposits provided by Finance Company to the Group were not lower than the interest rates provided by any other major commercial banks for the same type of deposits. In addition, we also checked and noted that the interest rates for the deposits services provided by

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Finance Company to the Group were not lower than the interest rates for the same type of deposits announced by the PBOC for the same period.

We have obtained and review 3 sets of receipts for the bill discounting services provided by Finance Company to the Group from January 2020 to April 2020, and we believe such randomly selected samples are fair and representative samples of the historical terms offered by Finance Company to the Group. We understood from the management of the Company that the Company has made phone quotations with commercial banks to confirm the interest rates provided by Finance Company for bill discounting services to the Group were not higher than the interest rates provided by commercial banks, and the Group has not conducted any historical bill discounting transactions with independent third parties.

#### *4.2 Internal Control on Pricing under the 2020 Parent Group Financial Services Agreement*

We have obtained and reviewed 3 sets of receipts for the deposit services (covering demand deposits, agreement deposits and time deposits with the principal amounts and relevant interest rate) provided by Finance Company to the Shandong Zhaojin from 2018 to 2020 which were randomly selected by the Company as per our request. As the 3 sets of depository receipts consist of all types of deposit, we believe such randomly selected samples are fair and representative samples of the historical terms offered by Finance Company to Shandong Zhaojin. We have also obtained and compared the interest rates offered by 2 major commercial banks in the PRC in respect of deposit services provided to Shandong Zhaojin for the same period, which were randomly selected by the Company as per our request, and noted that the interest rates offered by Finance Company to Shandong Zhaojin were not higher than that offered by independent major commercial banks. We also obtained and compared the interest rates offered by Finance Company for 2 sets of deposit services to other parties for the same period, and noted that the interest rates of such deposit services were the same as the interest rates provided by Finance Company to Shandong Zhaojin. In addition, we also checked and noted that the interest rates for the deposits services provided by Finance Company to Shandong Zhaojin were not lower than the interest rates for the same type of deposits announced by the PBOC for the same period.

We have obtained and reviewed 3 sets of receipts for the bill discounting services from January 2020 to April 2020 and 5 sets of receipts for the loan services from 2018 to 2020 which were randomly selected by the Company as per our request. We have also obtained and compared the interest rates offered by Finance Company for 5 sets of bill discounting services and loan services respectively to other parties for the same period respectively and noted that the interest rates of both bill discounting services and loan services were not higher than the interest rates provided by Finance Company to Shandong Zhaojin. In addition, we also checked and noted that the interest rates for the loan services provided by Finance Company to Shandong Zhaojin were not higher than the interest rates for the same type of loans announced by the PBOC for the same period.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the 2018 Annual Report and the 2019 Annual Report and noted that the independent non-executive Directors and the auditor of the Company have reviewed the non-exempt continuing connected transactions, including the 2017 Group Financial Services Agreement and the 2017 Parent Group Financial Services Agreement, during such years and provided the relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

Based on the above, we concur with the Directors' view that the Group has effective internal policies in place to continue to monitor the continuing connected transactions under the 2020 Agreements and relevant proposed annual caps, and hence the interest of the Independent Shareholders would be safeguard.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the provision of deposit services and bill discounting services under the 2020 Group Financial Services Agreement (including the relevant proposed annual caps) and the provision of deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement (including the relevant proposed annual caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and (ii) the entering into of the 2020 Agreements is in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the provision of deposit services and bill discounting services and relevant proposed caps under the 2020 Group Financial Services Agreement and the provision of deposit services, bill discounting services and loan services under the 2020 Parent Group Financial Services Agreement and their respective annual caps.

Yours faithfully,  
For and on behalf of  
**Maxa Capital Limited**  
**Dian Deng**  
*Managing Director*

*Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.*

## 1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2017 has been disclosed on pages 106 to 238 of the annual report of the Company for the year ended 31 December 2017 published on 23 April 2018; (ii) for the year ended 31 December 2018 has been disclosed on pages 110 to 242 of the annual report of the Company for the year ended 31 December 2018 published on 25 April 2019; (iii) for the year ended 31 December 2019 has been disclosed on pages 109 to 256 of the annual report of the Company for the year ended 31 December 2019 published on 20 April 2020; and (iv) for the six months ended 30 June 2020 has been disclosed on pages 25 to 58 of the interim report of the Company for the six months ended 30 June 2020 published on 17 September 2017. All the above annual reports and interim report of the Company have been published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.zhaojin.com.cn](http://www.zhaojin.com.cn)).

## 2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

2021 is a crucial year for the Company to consistently uphold strategic planning and comprehensively create a new round of ten-year development, is also a crucial year to deepen reform, consolidate management, enhance quality and efficiency, and achieve high-quality development. With the theme of “high-quality and comprehensive development”, the Company focuses on the seizing of strategic window of opportunities, whilst aims to strengthen and optimize core mining business and adheres to the goal-oriented, problem-oriented and result-oriented principles, with an aim to intensify the excellent performance management model, and improve quality and efficiency. The Company will take further steps to achieve stable growth, promote reform, enhance management, benefit people’s livelihood, maintain stability, and strive to open up new horizons for its high-quality development, which lays a solid foundation for the smooth realization of the Company’s strategic goals.

- I. Strengthening and optimizing the principal business of mining and building core competitiveness to support strategic development. The Company will continue to enhance construction of infrastructure technical reform projects and improve the quality of capacity expansion and profit growth. It will focus on key projects that have far-reaching impact and are able to promote efficiency improvement and profit growth, and drive massive development with major projects. The Company will take the “ten key projects” such as ore processing facilities of Ruihai Mining as the starting point, to ensure that the key mines would continuously release productivity and efficiency.
- II. Devotedly promoting reform and innovation and cultivating strong momentum for high-quality development. The Company will strengthen efforts in building the three major systems to boost internal momentum for innovation-driven development. First, the Company will enhance the construction of human resource system. It will focus on people-oriented education and put greater efforts to build the talent pipeline. By building a three-tier talent development system covering high-end talent development, specialized professional development and corporate reserve talent development, the Company aims to enable talents to create greater value in practice and to improve quality in job rotations. Second, the Company will

enhance construction of the technology innovation system. With the ten major innovation projects as a key note, it will focus resources on the safe and highly-efficient mining method of Dayingezhuang Gold Mine, optimization and upgrading of the transportation system at Xiadian Gold Mine. The Company will focus on research and development achievement in critical fields and key links, conduct experimental study on the comprehensive recovery of polymetallic ore, and accelerate the study on the technical roadmap of tailings disposal, thereby resolving concerns of operating enterprises in developing new approaches for new projects. Finally, the Company will enhance the construction of the mechanism assurance system. The Company will focus on improving governance mechanism, incentive mechanism and reform and distribution mechanism to build a company-wide distribution mechanism with an entrepreneurship culture under which higher compensation is paid to hard-working staff, skilled talents and staff who have made significant contribution.

- III. Unswervingly advancing mining development and facilitating greater sustainable development. The Company will enhance the positioning of External Development Project I\* (對外開發一號工程), integrate and improve the existing development teams, work out plans for investment regions and expand information channels to cultivate engines for the realization of strategic objectives. The Company will launch targeted development programs, adjust external development strategies, strategically focus resources, teams and funds on “Belt and Road” key mineralization fields. The Company will improve the development support system, strengthen joint investment and cooperation and optimize the overseas mining project information database to provide strong support for external development initiatives.
- IV. Strengthening safety, ecological and environmental protection management and accelerating the upgrade of mining development. While strictly keeping the two redlines of “safety and environmental protection” and upholding the concept of “giving priority to ecology and developing safely”, the Company will comprehensively construct green mines and plants, enhance the safety and environmental protection foundation management, improve the integration of management systems and reduce safety and environmental protection risks. It will adhere to the principles of responsibility gridding, management systematization and behavior standardization, make the safety culture building as the key task, facilitate the effective integration and operation of zoning management + dual prevention systems + safety standardization, strengthen safety education and training, improve the on-site refined management, so as to realize safety and environmental protection excellence management and to create a favorable and stable environment that is safe and environmentally-friendly for the Company’s international development. The Company increase investment in safety and environmental protection funds to promote the mechanization, automation, digitalization and intelligence and to improve the essential safety level with the combination of intelligent mine construction.

### 3. INDEBTEDNESS

As at the close of business on 30 November 2020, the Group had unaudited outstanding interest-bearing bank and other borrowings of approximately RMB3,529 billion, bonds outstanding of RMB2,016 billion and outstanding principal of gold lease of RMB12,784 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 30 November 2020.

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 30 November 2020.

### 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 2020 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 2020 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.

\* For identification purpose only

## 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 H Shares were registered under the name of Zhaojin Mining Industry Company Limited First Employee Shares Subscription Plan. Such 80 million H 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, the announcement of the Company dated 31 March 2017 and the announcement of the Company dated 3 August 2020 on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.zhaojin.com.cn](http://www.zhaojin.com.cn).

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 H Shares	Approximate percentage of interest in the Company	Approximate percentage of interest in the total number of H Shares
Weng Zhanbin	Chairman and Executive Director	1,200,000	1,200,000	0.04%	0.05%
Dong Xin	Executive Director and President	300,000	300,000	0.009%	0.01%
Wang Ligang	Executive Director	1,000,000	1,000,000	0.03%	0.04%
Zhao Hua	Supervisor	200,000	200,000	0.006%	0.008%

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 2019 (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. Liu Yongsheng 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:

<b>Name</b>	<b>Qualifications</b>
Maxa Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities 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 2019 (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 2019, 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. Ng Ka Man, who is an associate 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 31st 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 2020 Group Financial Services Agreement;
- (e) the 2020 Parent Group Financial Services Agreement;
- (f) the consent letter and letter of advice from Independent Financial Adviser dated 31 December 2020; 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 transfer agreement dated 27 September 2019 entered into between the Company and Shandong Zhaojin, pursuant to which the Company conditionally agreed to acquire, and Shandong Zhaojin conditionally agreed to sell, the 100% equity interest in Shandong Zhaojin Geology Exploration Company Limited\* (山東招金地質勘查有限公司); the 100% equity interest in Zhaoyuan Gold Supplies Centre Company Limited\* (招遠市黃金物資供應中心有限公司); and the 67.37% equity interest of Shandong Goldsoft Technology Company Limited\* (山東金軟科技股份有限公司) and the land use rights of two parcels of state-owned land in Zhaoyuan City, Shandong Province, the PRC, together with the buildings, fixtures, machinery and equipment thereon at the aggregate consideration of RMB402,048,800, which shall be satisfied in full by the allotment and issuance of 49,697,009 new Domestic Shares of the Company (“**Consideration Shares**”) at the issue price of RMB8.09 per Consideration Share.
2. the management incentive agreement for the Company dated 13 January 2020 entered into between the Company and Shanghai Yuyuan Tourist Mart (Group) Co., Ltd., aiming to provide incentives to the management of the Company to effectively facilitate the full conversion of Domestic Shares of the Company into listed H Shares for full circulation, and the management of market capitalization of the Company.
3. the management incentive agreement for the Company dated 13 January 2020 entered into between the Company and Shanghai Fosun Industrial Investment Co., Ltd. aiming to provide incentives to the management of the Company to effectively facilitate the full conversion of Domestic Shares of the Company into listed H Shares for full circulation, and the management of market capitalization of the Company.

\* For identification purpose only

---

## NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

---



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)**

## NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 first extraordinary general meeting (the “EGM”) of Zhaojin Mining Industry Company Limited (the “Company”) will be held at the Company’s conference room at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the People’s Republic of China (the “PRC”) at 9:00 a.m. on Tuesday, 19 January 2021 for the following purposes:

### ORDINARY RESOLUTIONS

To consider and approve the following as ordinary resolutions:

1. To consider and approve the provision of deposit and bills discounting services and the relevant proposed annual caps under the 2020 Group Financial Services Agreement entered into between the Company and Finance Company on 31 December 2020 (*note 1*); and
2. To consider and approve the provision of deposit, loan and bills discounting services and the relevant proposed annual caps under the 2020 Parent Group Financial Services Agreement entered into between Shandong Zhaojin and Finance Company on 31 December 2020 (*note 1*).

### SPECIAL RESOLUTION

3. THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

To consider and approve:

**“THAT:**

- (a) the proposed amendments to the articles of association of the Company (the “Articles of Association”) as set out in the circular of the Company to be despatched to the Shareholders in due course be approved; and

\* For identification purpose only

---

## NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

---

- (b) any Director or the secretary to the Board be authorised to do all such acts or things and to take all such steps and to execute any documents as he or she considers necessary, appropriate or expedient to give effect to the proposed amendments to the Articles of Association, including but not limited to seeking the approval of the same and arranging for its registration and filing with the relevant government authorities in the PRC and Hong Kong.”

By order of the Board  
**Zhaojin Mining Industry Company Limited\***  
**WENG Zhanbin**  
*Chairman*

Zhaoyuan, the PRC, 31 December 2020

*Notes:*

1. For details of the services provided under the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement, please refer to the Company’s announcement dated 31 December 2020 (the “**Announcement**”) and the relevant circular to be dispatched by the Company. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as defined in the Announcement.
2. The Shareholders should note that the register of members of the Company will be closed from 15 January 2021 to 19 January 2021 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged, no later than 4:30 p.m. on 14 January 2021, with (i) the Company’s share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H Shares), or (ii) the registered address of the Company in the PRC (for holders of Domestic Shares).
3. Shareholders whose names appear on the register of members on 19 January 2021 are entitled to attend and vote at the EGM (or any adjourned meetings).
4. If a Shareholder appoints more than one proxy to attend the meeting, its proxy can only vote by poll.
5. Holders of H Shares who have the right to attend and vote at the EGM are entitled to appoint one or more proxies (whether or not a Shareholder) in writing to attend and vote at the EGM on his/her behalf. For those Shareholders who appoint more than one proxy, such proxies can only exercise their voting rights by way of poll. Shareholders who intend to appoint one or more proxies should first read the circular.
6. If a proxy is appointed to attend the EGM on behalf of a Shareholder, the proxy must produce proof of identity and the authorization instrument with the date of issue and duly signed by the proxy or its legal personal representative, and in the case of legal representatives of legal person Shareholders, such legal representatives must produce proof of identity and effective document to identify its identity as legal representative. If a legal person Shareholder appoints a company representative other than its legal representative to attend the EGM, such representative must produce proof of identity and the authorization instrument bearing the company chop of the legal person Shareholder and duly authorised by its legal representative.
7. If the proxy form is signed by a person under a power of attorney or other authority, such power of attorney or other authority must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other authority under which it is signed together with the proxy form must be deposited no later than 9:00 a.m. on Monday, 18 January 2021, at (i) the Company’s share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H Shares); or (ii) the registered address of the Company in the PRC (for holders of Domestic Shares).

\* For identification purpose only

---

## NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

---

8. The EGM is expected to be held for less than half a day. Shareholders and their proxies who attend the meeting shall arrange for their own transportation and accommodation at their own expenses.

The registered address of the Company is as follows:

No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC

Tel: (86 535) 8256086

Fax: (86 535) 8262256

Postal code: 265400

As at the date of this notice, members of the Board comprises:

*Executive Directors:* Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang

*Non-executive Directors:* Mr. Zhang Banglong, Mr. Liu Yongsheng, Mr. Gao Min and Mr. Huang Zhen

*Independent non-executive Directors:* Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu