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**ZHAOJIN**

**ZHAOJIN MINING INDUSTRY COMPANY LIMITED\***

**招金礦業股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1818)**

**DISCLOSEABLE TRANSACTION IN RELATION  
TO THE ACQUISITION OF 79% EQUITY INTEREST IN  
A GOLD-COPPER MINE COMPANY IN THE PRC**

The Board is pleased to announce that on 30 December 2011, the Company entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Company agreed to acquire an aggregate of 79% equity interest in the Target Company at a cash consideration of RMB600,000,000. Upon completion of the Acquisition, the Company will hold 79% equity interest in the Target Company and therefore the Target Company will become a non-wholly owned subsidiary of the Company. The Acquisition will expand the Company's resources, as well as improve its profitability and competitiveness.

Since one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

**THE EQUITY TRANSFER AGREEMENT**

Date: 30 December 2011

**Parties**

Vendors: Fu Xiaoliang, Shi Chengyong, Zhou Jian, Ni Peiai and Han Xiaosong

Purchaser: the Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendors is an independent third party of the Company and its Connected Persons.

## Assets to be acquired

Pursuant to the Equity Transfer Agreement, each of the Vendors agreed to transfer the following percentage of equity interest in the Target Company to the Company, amounting to an aggregate of 79% equity interest in the Target Company:

<b>Vendors</b>	<b>Percentage of equity interest in the Target Company to be transferred to the Company</b>
Fu Xiaoliang	5.925%
Shi Chengyong	5.925%
Zhou Jian	12.64%
Ni Peiai	13.43%
Han Xiaosong	41.08%

## Consideration and payment terms

The total consideration payable pursuant to the Equity Transfer Agreement for the Acquisition is RMB600,000,000 and is payable by the Company in cash in the following manners:

- (i) the sum of RMB200,000,000 is payable by the Company to the Vendors within 3 working days after the Equity Transfer Agreement becoming effective;
- (ii) the sum of RMB300,000,000 is payable by the Company to the Vendors within 3 working days after the date of completion of delivery and acceptance; and
- (iii) the balance of the consideration is payable by the Company to the Vendors within 3 working days after the completion of the change of registration at the relevant government authority of industry and commerce in the PRC in respect of the transfer of the 79% equity interest in the Target Company pursuant to the Equity Transfer Agreement.

The consideration will be funded by the internal resources of the Group. The consideration was agreed after arm's length negotiation between the Vendors and the Company after taking into account the valuation of the Target Company as at 31 October 2011, including the value of the mine and land, tangible assets, net liability of the Target Company.

The valuation of the Target Company was conducted by an independent valuer by adopting costs method. As at the valuation date on 31 October 2011, the Target Company was valued at RMB756,774,100.

## Completion

The Equity Transfer Agreement will become effective when it is duly signed by the Company and each of the Vendors. Upon completion of the Acquisition, the Company will own 79% equity interest in the Target Company and therefore the Target Company will become a non-wholly owned subsidiary of the Company.

## INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC with limited liability on 28 May 2007 and is principally engaged in copper ores mining, processing and sale of copper ores and by-products, relevant technical consultation services on the mining and processing of copper mines. The Target Company was originally owned as to 7.5% by Fu Xiaoliang, 7.5% by Shi Yongcheng, 16% by Zhou Jian, 17% by Ni Peiai and 52% by Han Xiaosong, respectively. The Target Company is the owner of Dishui Gold-Copper Mine, please refer to the section headed “**Reasons for and Benefits of the Acquisition**” for further details of Dishui Gold-Copper Mine.

The Target Company owns the entire equity interest in the Subsidiary, namely Xinjiang Sino-western Mining Industry Company Limited. The Subsidiary was established in the PRC with limited liability on 28 September 2007 and is principally engaged in mining development and investment. Pursuant to the Equity Transfer Agreement, the Vendors and the Company, upon completion of the equity transfer, will use their best efforts to merge the Target Company and the Subsidiary before 31 December 2012 and thereafter dissolve the Subsidiary.

### Mining rights and exploration rights

The Target Company is the holder of a mining permit (採礦許可證) (No.C6500002010123120104685) expiring on 21 March 2013 and a mine resources exploration permit (礦產資源勘查許可證) (No. T65120090602030773) expiring on 3 May 2014.

The Subsidiary is the holder of a mining permit (採礦許可證) (No.C6500002010123120104690) expiring on 22 August 2018.

The foregoing mining rights and permits will be renewed according to the laws and regulations, prior to their expiration, to ensure their legal subsistence.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the unaudited consolidated financial information of the Target Company:

	For the financial year ended 31 December	
	2009 RMB	2010 RMB
Net profit before taxation and extraordinary items	0	745,598.32
Net profit after taxation and extraordinary items	0	502,283.98

According to the unaudited consolidated financial information of the Target Company prepared under the PRC accounting standard, the unaudited net assets of the Target Company as at 31 October 2011 was RMB127,615,250.63.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Company is the owner of Dishui Gold-Copper Mine, where a gold-copper mine project is undertaken by the Target Company. Dishui Gold-Copper Mine is a gold-copper mine project, where the gold grade is 0.41g/t, with a gold content of 2,757kg; the silver grade is 9.39g/t, with a silver content of 235,312kg; the copper grade is 1.06%, with a copper content of 265.6 thousand tons. Dishui Gold-Copper Mine is underground mined, has 9 inclined shafts with production capacity, as well as a ventilating shaft, 2 under-construction shafts. The maximum shaft depth of inclined shafts is 400 meters, forming 4 production levels. The daily production capacity reaches 1,200 tons. The mine has completed the construction of a processing factory with a daily processing capacity of 1,000 tons, with a copper floatation recovery rate of around 80%. In addition, an accommodation building for comprehensive purposes has been completed at the mine, with a gross floor area of 5,000 s.q. meters, decorating with facilities for office, body building, administrative dorm, meeting, dining hall as well as storehouse. The staff dorm covers an area of 2,000 s.q. meters, available to satisfy the living requirements for 300 persons.

The Company believes that Dishui Gold-Copper Mine has been benefiting from the favorable exploration conditions with convenient transportation, sufficient power and water resources and the altitude of about 1,400 meters; the mine, which reserves are of medium size, is being adequately prospected and is believed to have reliable resources for exploration as confirmed by site investigation; besides, the gold and silver contained in ores are available for comprehensive recycling, promising improvements of economic benefits are likely to be derived; further, sedimentary deposit makes the mine orebody to extend well, and stable layer, grade and depth represent relatively huge potential for additional reserves to be discovered deeply in the mining area; the mine gets well matured as it is equipped with comprehensive production and living facilities, which guarantees operations immediately upon the Acquisition. Meanwhile, the acquisition of such gold-copper mine will be helpful to address the raw material supply of copper concentrates for the Company's subsidiary, Xinjiang Xinhui Copper Company Limited.

After taking consideration of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **BOARD'S APPROVAL**

The Board has approved the Equity Transfer Agreement. Since no Director has material interest in the transaction contemplated under the Equity Transfer Agreement, none of the Directors has abstained from voting at the meeting to approve the Equity Transfer Agreement.

## **LISTING RULES IMPLICATIONS**

Since one or more of the applicable relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

## **GENERAL**

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

## DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Acquisition”	the acquisition of an aggregate of 79% equity interest in the Target Company by the Company pursuant to the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company established in the PRC on 16 April 2004, the issued H Shares of which are listed on the Main Board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Dishui Gold-Copper Mine”	滴水金銅礦, a gold-copper mine located at Baicheng County, Xinjiang Uyghur Autonomous Region, the PRC
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 29 December 2011 entered into between the Company and each of the Vendors in relation to the Acquisition
“g/t”	gram per ton
“Group”	the Company and its subsidiaries
“kg”	kilogram
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB1 each in the capital of the Company, comprising the domestic shares of the Company and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“s.q. meter”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	新疆中西亞礦業有限公司 (Xinjiang Sino-western Mining Industry Company Limited*), a company established in the PRC on 28 September 2007, with limited liability and a wholly owned subsidiary of the Target Company as at the date of this announcement
“Target Company”	拜城縣滴水銅礦開發責任公司 (Baicheng Xian Di Shui Copper Mine Development Company*), a company established in the PRC on 18 May 2007 with limited liability
“Vendors”	Fu Xiaoliang, Shi Chengyong, Zhou Jian, Ni Peiai and Han Xiaosong, holders of 7.5%, 7.5%, 16%, 17% and 52% of the equity interest in the share capital of the Target Company, respectively
“%”	per cent

By order of the Board of  
**Zhaojin Mining Industry Company Limited\***  
**Lu Dongshang**  
*Chairman*

Zhaoyuan, the PRC, 30 December 2011

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lu Dongshang and Mr. Weng Zhanbin, five non-executive Directors, namely Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Wang Peifu, Mr. Wu Zhongqing and Mr. Chen Guoping, and four independent non-executive Directors, namely Mr. Ye Tianzhu, Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo.*

\* *For identification purpose only*