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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)**

**CONNECTED TRANSACTIONS:  
ACQUISITION OF EQUITY INTERESTS IN  
TONGHUI AND XINHUI**

The Board is pleased to announce that on 25 November 2010, the Company entered into the Equity Transfer Agreements with Zhejiang Zhengxiang. Pursuant to the Equity Transfer Agreements, the Company agreed to acquire 19.23% equity interests in Tonghui and 41% equity interests in Xinhui from Zhejiang Zhengxiang at a cash consideration of RMB133,062,668 and RMB23,020,000 respectively. Upon completion of the Dividend Distribution and the Acquisitions, the Company will hold 92% equity interests in each of Tonghui and Xinhui.

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

**THE EQUITY TRANSFER AGREEMENTS**

**(1) Equity Transfer Agreement I**

**Date**

25 November 2010

**Parties**

Transferor: Zhejiang Zhengxiang

Transferee: The Company

### **Assets to be acquired**

19.23% equity interests in Tonghui

### **Consideration**

RMB133,062,668

## **(2) Equity Transfer Agreement II**

### **Date**

25 November 2010

### **Parties**

Transferor: Zhejiang Zhengxiang

Transferee: The Company

### **Assets to be acquired**

41% equity interests in Xinhui

### **Consideration**

RMB23,020,000

As at the date of this announcement, Zhejiang Zhengxiang is owned as to 60% by 陳加響 (Chen Jiaxiang\*) and 40% by 蔡月菊 (Cai Yueju\*). Zhejiang Zhengxiang is a connected person of the Company by virtue of being a substantial shareholder of Tonghui and Xinhui.

## **Completion and payment terms of the Equity Transfer Agreements**

The consideration for the Acquisitions will be fully satisfied in cash and will be funded by the internal resources of the Group. The consideration shall be payable to the transferors within 5 working days after Tonghui or Xinhui (as the case may be) completes the registration of the amendments to the articles of association, the changes in directors and supervisors as well as shareholders etc that are necessary for the equity transfers as contemplated under the Equity Transfer Agreements with the relevant registration authority for industry and commerce.

The consideration for the Acquisitions was determined after arm's length negotiations between the parties to the Equity Transfer Agreements after taking into account, among others, the audited net assets value of Tonghui and Xinhui as at 31 December 2009 based on their audited accounts prepared under the PRC GAAP and the business prospects of Tonghui and Xinhui.

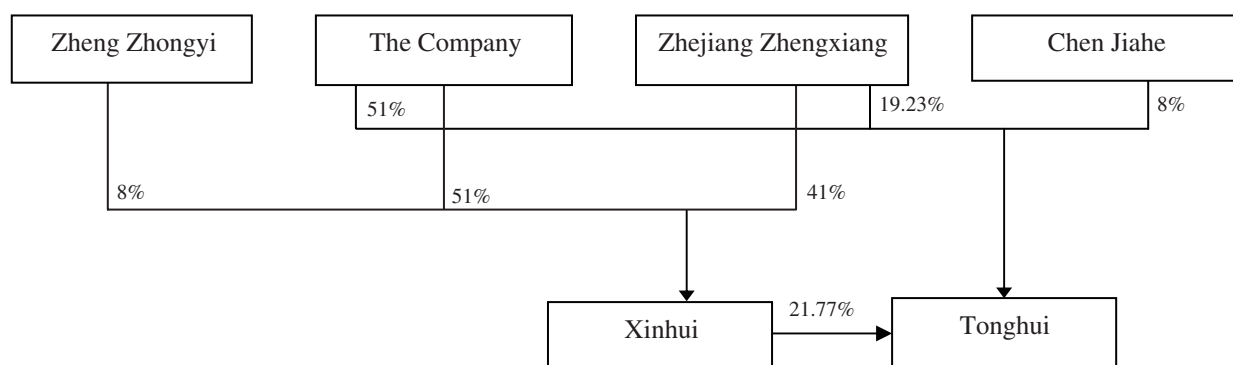
As at the date of this announcement, Xinhui is a non wholly-owned subsidiary of the Company owned as to 51%, 41% and 8% by the Company, Zhejiang Zhengxiang and 鄭忠意 (Zheng Zhongyi\*) respectively. In relation to the 21.77% equity interests in Tonghui held by Xinhui, it was previously agreed that the Company did not have any rights to nor assume any losses in respect of the approximately 11.10% indirect equity interests in Tonghui held by the Company through Xinhui's 21.77% equity interests in Tonghui. Immediately prior to the Dividend Distribution, such rights and losses were held or assumed by Zhejiang Zhengxiang.

Immediately prior to the entering into of the Equity Transfer Agreements, Tonghui has distributed to its shareholders in proportion to their equity interests in Tonghui, dividend in the total amount of RMB139,287,072 based on the audited financial statements of Tonghui as at 30 September 2010. As stated above, immediately prior to the Dividend Distribution, all rights and losses in respect of the 21.77% equity interests in Tonghui were held or assumed by Zhejiang Zhengxiang. Accordingly, Zhejiang Zhengxiang had the rights to the dividend receivable by Xinhui from Tonghui pursuant to the Dividend Distribution. Following the completion of the Dividend Distribution, Zhengjiang Zhengxiang transferred all its rights to the 21.77% equity interests in Tonghui held by Xinhui to the Company. Pursuant to the Dividend Distribution, the Company, Zhejiang Zhengxiang and 陳加鶴 (Chen Jiahe\*) were entitled to dividend of approximately RMB71,036,406.72, RMB57,107,699.52 and RMB11,142,965.76 in respect of their 51%, 41% (including the 21.77% equity interests in Tonghui held by Xinhui) and 8% equity interests in Tonghui respectively.

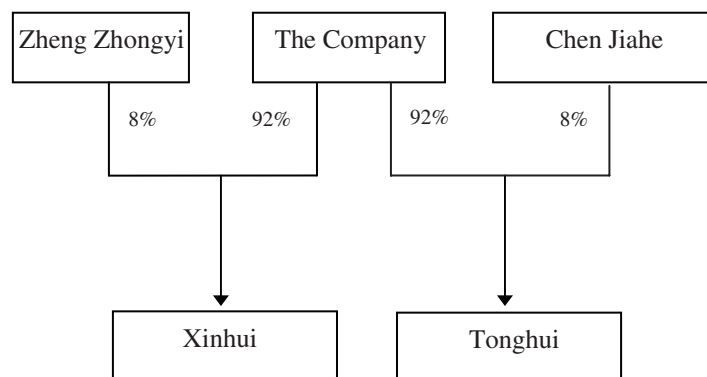
## INFORMATION ON TONGHUI AND XINHUI

### The shareholding structure of Tonghui and Xinhui

As at the date of this announcement immediately before completion of the Dividend Distribution and the Acquisitions:



Immediately after completion of the Dividend Distribution and the Acquisitions:



## Information on Tonghui

Tonghui is a company established in the PRC on 5 January 2004 with limited liability, and is principally engaged in copper mining, ore processing and sale of copper related products. Tonghui is located in 新疆喀什地區伽師縣 (Jiashi County, Kashi Area, Xinjiang), the PRC and holds mining rights covering a total mining area of approximately 100,000 km<sup>2</sup>. Tonghui had copper ore resources of approximately 4,209,000 tonnes, copper metal resources of approximately 86,100 tonnes, with an average grade of 2.05% as at 30 June 2010, according to the Chinese standard.

Set out below is the audited financial information of Tonghui based on the audited accounts of Tonghui for the year ended 31 December 2009 prepared under the PRC GAAP (*Note*):

	<b>For the year ended 31 December 2009</b>	For the year ended 31 December 2008
	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	<b>162.8</b>	40.2
Profit/(loss) before income tax	<b>81.5</b>	(1.8)
Profit/(loss) after income tax	<b>64.2</b>	(1.8)

As at 31 December 2009 and as at 30 September 2010, the audited net assets value of Tonghui was approximately RMB165.5 million and RMB124.4 million based on the audited accounts of Tonghui for the year ended 31 December 2009 and nine months ended 30 September 2010 prepared under the PRC GAAP (*Note*).

*Note:* On 31 December 2009, Tonghui merged with 喀什地區新鑫礦業有限公司 (Kashi Area Xinxin Mining Industry Company Limited\*) ("**Xinxin**"). After the merger, Xinxin was deregistered. The turnover and profit figures shown above have not included the turnover and profit of Xinxin. According to the audited financial information of Xinxin prepared under the PRC GAAP, for the eleven months ended 30 November 2009, the audited turnover, loss before income tax and loss after income tax of Xinxin was approximately RMB5.1 million, RMB3.0 million and RMB3.0 million respectively, and for the year ended 31 December 2008, the audited turnover, profit before income tax and profit after income tax of Xinxin was approximately RMB137.9 million, RMB43.9 million and RMB43.9 million respectively. The net assets value of Tonghui as at 31 December 2009 and 30 September 2010 mentioned above has taken into account the effect of the merger.

According to Zhejiang Zhengxiang, the original purchase cost incurred by Zhejiang Zhengxiang for the 19.23% equity interests in Tonghui to be transferred to the Company pursuant to Equity Transfer Agreement I amounts to approximately RMB31,821,423, and the original purchase cost incurred by Zhejiang Zhengxiang for the 21.77% equity interests in Tonghui amounts to approximately RMB13,650,000.

## Information on Xinhui

Xinhui is a company established in the PRC on 16 November 2006 with limited liability and a non-ferrous metal metallurgical enterprise in the southern Xinjiang area focusing on copper smelting. It can also recycle valuable non-ferrous metal such as gold and silver.

Set out below is the audited financial information of Xinhui based on the audited accounts of Xinhui for the year ended 31 December 2009 prepared under the PRC GAAP (*Note*):

	<b>For the year ended 31 December 2009</b>	For the year ended 31 December 2008
	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	–	–
Loss before income tax	<b>(5.6)</b>	(0.3)
Loss after income tax	<b>(5.6)</b>	(0.3)

*Note:* For the two years ended 31 December 2009, Xinhui had not commenced production.

As at 31 December 2009, the audited net assets value of Xinhui was approximately RMB116.1 million based on the audited accounts of Xinhui for the year ended 31 December 2009 prepared under the PRC GAAP.

According to Zhejiang Zhengxiang, the original purchase cost incurred by Zhejiang Zhengxiang for the 41% equity interests in Xinhui to be transferred to the Company pursuant to Equity Transfer Agreement II amounts to approximately RMB23,020,000.

Upon completion of the Dividend Distribution and the Acquisitions, the Company's equity interests in Tonghui and Xinhui will be increased and each of Tonghui and Xinhui will become a 92% subsidiary of the Company. The financial results of Tonghui and Xinhui will continue to be consolidated into the financial statements of the Group.

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

The Group is mainly engaged in exploration, mining, ore processing, smelting and sale of gold and other metallic products.

The Group has been, from time to time, actively seeking to expand its gold and other mineral reserves. As mentioned above, Tonghui is located in 新疆喀什地區伽師縣 (Jiashi County, Kashi Area, Xinjiang), the PRC and holds mining rights covering a total mining area of approximately 100,000 km<sup>2</sup>. The Directors consider that the prospects of such copper mines are positive as they are located in Kashi Area of Xinjiang which contains abundant amount of copper resources. The actual mining, processing and production capacity of Tonghui was upgraded from 700 tonnes/day to 1,100 tonnes/day in April 2010. In addition, Xinhui has commenced its smelting operations in June 2010, the current actual production capacity of blister copper is approximately 600 tonnes/day. Accordingly, the Company expects that following the commencement of production of Xinhui, the production capacity of the Group will be increased, which will enable the Group to generate more revenue and bring better returns to the Shareholders. The Directors consider that the Acquisitions will enable the Company to strengthen and consolidate its control over Tonghui and Xinhui and increase its flexibility in the management and operations of such companies.

After taking into account the above and the factors including, among others, the financial performance and business prospects of Tonghui and Xinhui, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisitions are normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## GENERAL

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

None of the Directors have a material interest in the Acquisitions.

## DEFINITIONS

“Acquisitions”	the acquisition of 19.23% equity interests in Tonghui and 41% equity interests in Xinhui by the Company pursuant to the Equity Transfer Agreements
“Board”	board of the Directors
“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”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Dividend Distribution”	the distribution of dividend by Tonghui to its shareholders prior to completion of the Equity Transfer Agreements, details of which are set out in the paragraph headed “Completion and payment terms of the Equity Transfer Agreements” in this announcement
“Equity Transfer Agreement I”	the equity transfer agreement dated 25 November 2010 entered into between Zhejiang Zhengxiang and the Company in relation to the acquisition of 19.23% equity interests in Tonghui by the Company from Zhejiang Zhengxiang
“Equity Transfer Agreement II”	the equity transfer agreement dated 25 November 2010 entered into between Zhejiang Zhengxiang and the Company in relation to the acquisition of 41% equity interests in Xinhui by the Company from Zhejiang Zhengxiang
“Equity Transfer Agreements”	Equity Transfer Agreement I and Equity Transfer Agreement II
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1 each which are listed on the Stock Exchange and traded in Hong Kong dollars

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in 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 Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tonghui”	伽師縣銅輝礦業有限責任公司 (Jiashi Tonghui Mining Company Limited*), a company established in the PRC on 5 January 2004 with limited liability and a non-wholly owned subsidiary of the Company as at the date of this announcement
“Xinhui”	新疆鑫慧銅業有限公司 (Xinjiang Xinhui Copper Company Limited*), a company established in the PRC on 16 November 2006 with limited liability and a non-wholly owned subsidiary of the Company as at the date of this announcement
“Xinjiang”	Xinjiang Uygur Autonomous Region of the PRC
“Zhejiang Zhengxiang”	浙江政響投資管理有限公司, which is owned as to 60% by 陳加響 (Chen Jiaxiang*) and 40% by 蔡月菊 (Cai Yueju*)
“kg”	kilogram(s)
“km <sup>2</sup> ”	square kilometer(s)
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Zhaoyuan, the PRC, 25 November 2010

*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*