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ZHAO JIN

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)

ANNOUNCEMENT

ACQUISITION OF BAIYUN GOLD MINE IN FENGCHENG CITY

The Board is pleased to announce that on 18 May 2010, the Company and Fengcheng Gold Group, an independent third party, entered into the Asset Transfer Agreement and the Agreement on Forming a New Company. Pursuant to these agreements, Fengcheng Gold Group will transfer 55% assets of the original Baiyun Gold Mine to the Company by way of transfer agreement. After the completion of asset transfer and obtaining of approvals from the relevant government authorities of Fengcheng City, the Company and Fengcheng Gold Group will contribute 55% and 45% assets of the original Baiyun Gold Mine respectively to set up the New Company. The Company and Fengcheng Gold Group will own 55% and 45% equity interests respectively in the New Company.

The Board considers that Baiyun Gold Mine is a developed mine situated in Fengcheng City which is rich in gold resources, and the acquisition of Baiyun Gold Mine will increase both the gold minable reserves and the gold production of the Group and facilitate the Group in expanding its minable area in Fengcheng region. More importantly, it will become a base for the Group to grab the gold markets of the north east and the countries adjacent.

This acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

To increase the transparency of the Company and inform the investors about the progress of the Company's external development in a timely manner, the Company makes this announcement voluntarily.

INTRODUCTION

On 30 December 2009, the Company and Fengcheng Municipal Government entered into the Framework Agreement, pursuant to which the Company will participate in the restructuring of Baiyun Gold Mine, an enterprise under Fengcheng City. After the friendly negotiation, on 18 May 2010, the Company and Fengcheng Gold Group entered into the Asset Transfer Agreement and the Agreement on Forming a New Company. Pursuant to these agreements, Fengcheng Gold Group will transfer 55% assets of the original Baiyun Gold Mine to the Company by way of transfer agreement. After the completion of asset transfer, the Company and Fengcheng Gold Group will contribute 55% and 45% assets of the original Baiyun Gold Mine respectively to set up the New Company, and Baiyun Gold Mine will be deregistered.

Upon the formation of the New Company, the Company will own 55% equity interest in the New Company.

ASSET TRANSFER AGREEMENT

1. Date

18 May 2010

2. Parties

Vendor: Fengcheng Gold Group

Purchaser: the Company

3. Assets to be acquired

55% assets of Baiyun Gold Mine, including but not limited to the mining rights under the Mining Permits, the land use rights and building ownership under Land Use Rights Certificates and Building Ownership Certificates respectively, and machinery and equipment.

4. Consideration

The consideration of RMB200,000,000 was determined after arm's length negotiation between the parties after taking into account the audited net assets of Baiyun Gold Mine as at 31 December 2009, the prospect of Baiyun Gold Mine and the independent valuation of Baiyun Gold Mine as at 31 December 2009 made by the PRC Valuer.

The consideration will be satisfied by the internal resources of the Company. The Company has paid a deposit of RMB100,000,000 to the vendor before the signing of the Asset Transfer Agreement. Such deposit shall become part of the consideration of the asset transfer on the effective date of the Asset Transfer Agreement, while the remaining of the consideration shall be settled within 10 working days from the effective date of the Asset Transfer Agreement.

If the Asset Transfer Agreement is not approved by the relevant government authorities by 30 June 2010, the Company has the right to request Fengcheng Gold Group to return the deposit as well as the paid consideration of the asset transfer and terminate the Asset Transfer Agreement unilaterally, or request Fengcheng Gold Group to proceed with the Asset Transfer Agreement and compensate all the losses suffered by the Company.

5. Approval process

The vendor shall obtain all approvals from the relevant government authorities in relation to the asset transfer and the formation of the New Company, and guarantee that the New Company will complete the formation process and obtain a business license before 30 June 2010.

AGREEMENT ON FORMING A NEW COMPANY

1. Date

18 May 2010

2. Parties

The Company and Fengcheng Gold Group

3. Registered capital of the New Company

RMB30,000,000

4. Description of the agreement

The Company will contribute 55% assets of Baiyun Gold Mine while Fengcheng Gold Group will contribute 45% assets of Baiyun Gold Mine, and the Company and Fengcheng Gold Group will contribute cash of RMB5,500,000 and RMB4,500,000 respectively in proportion to their respective contributions to set up the New Company.

The assets of Baiyun Gold Mine, Fengcheng City will be the foundation of the New Company.

5. Business scope of the New Company

Gold exploration, mining, processing and smelting operations, and other operation activities such as resources integration and deep processing which may be commenced at appropriate time according to the development of the New Company.

6. Other matters

After the signing of the Agreement on Forming a New Company, the New Company shall forthwith convene a general meeting and a board meeting, and conduct business under the modern enterprise system, with the management and benefits to be assumed by the new joint venture company.

REASONS FOR AND BENEFITS OF ACQUIRING ASSETS OF BAIYUN GOLD MINE AND FORMING THE NEW COMPANY

The Company is an integrated gold enterprise with exploration, mining, ore processing and smelting operations.

The Board considers that Baiyun Gold Mine is a developed mine situated in Fengcheng City which is rich in gold resources, and the acquisition of Baiyun Gold Mine will generate immediate returns on the investment and will increase both the production capacity and the gold production of the Group. Fengcheng City is one of the key gold production areas in the PRC and has tremendous potentials for gold resources development. The forming of the New Company with Fengcheng Gold Group sets up a platform for the Group's external expansion in Liaoning Province. Leveraging on the technology and management strengths of the Group, together with the favorable geographical location, policies and mineral resources of Fengcheng City, the Group will be able to integrate the resources in Fengcheng City on the base of the New Company, so as to develop the gold resources under the jurisdiction of Fengcheng City. The Group expects to set up a sizable and effective gold enterprise in Fengcheng City, Liaoning Province and through the acquisition of Baiyun Gold Mine and the formation of the New Company, the Group will be able to generate more returns in Liaoning, thereby maximizing the Shareholders' value. More importantly, it will become a base for the Group to grab the gold resources of the north east and the countries adjacent.

Upon the completion of this acquisition, the Group will have an additional mining right covering an area of approximately 5.99 square kilometers, and the gold resource reserves are expected to increase by 22.81 tonnes. This will facilitate the expansion of the Group in respect of the minable area in Fengcheng region.

Given the reasons above and after considering the pricing mechanism and the terms of the acquisition of Baiyun Gold Mine, the Directors are of the view that the acquisition of Baiyun Gold Mine and the formation of the New Company are in the interest of the Company and the Shareholders as a whole, and the terms of the Asset Transfer Agreement and the Agreement on Forming a New Company are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned.

ABOUT BAIYUN GOLD MINE

Baiyun Gold Mine was established in 1984 as an enterprise directly under Fengcheng Gold Group and is the first gold mining enterprise in Fengcheng which integrates the whole chain of mining, processing and smelting, with daily combined production capacity of 400 tonnes and annual gold output of 11,000 taels (approximately 344 kilograms). As at the date of this announcement, Baiyun Gold Mine has aggregate ore reserves of more than 6 million tonnes and gold metals of more than 22,000 kilograms.

ABOUT FENGCHENG GOLD GROUP

Fengcheng Gold Group is a wholly state-owned enterprise subordinate to the People's Government of Fengcheng City. It currently has fixed assets of approximately RMB200 million and a daily integrated production capacity of mining, processing and smelting of 2,000 tonnes. The gold output in 2009 amounted to more than 110,000 taels (more than approximately 3,438 kilograms).

ABOUT FENGCHENG CITY

Fengcheng City, located in the eastern Liaodong Peninsula and the eastern Bohai-Rim Economic Circle, a county-level city governed by Dandong City of Liaoning Province with a total area of 5,514 square kilometers, and situated in Liaonan Zhuanghe – Fengcheng Fault (遼南莊河－鳳城斷裂構造帶). Fengcheng has rich gold reserves and is one of the key gold production areas in the PRC. Currently, it has proven gold resource reserves of more than 70 tonnes with an average grade of approximately 6.66 grams per tonne, and prospective gold resource reserves of more than 470 tonnes.

Fengcheng City was listed as one of the key gold production areas in the PRC in 1989 and ranked the first in Liaoning Province by gold output for consecutive 20 years. The gold industry in Fengcheng City has formed an industry chain with integration of exploration, mining and smelting, and is one of the five mainstay industries in the economic development of Fengcheng City. At present, Fengcheng City has 25 gold production and processing enterprises with an annual output of gold of more than 110,000 taels (more than approximately 3,438 kilograms), ranking the seventh in the PRC by gold output.

COMPLIANCE WITH THE LISTING RULES

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Fengcheng Gold Group is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

This acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

To increase the transparency of the Company and inform the investors about the progress of the Company's external development in a timely manner, the Company makes this announcement voluntarily.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“Agreement on Forming a New Company”	the Agreement on Forming 遼寧招金白雲黃金礦業有限公司 dated 18 May 2010 entered into between the Company and Fengcheng Gold Group
“Asset Transfer Agreement”	the Agreement on Transfer of Assets of Baiyun Gold Mine, Fengcheng City dated 18 May 2010 entered into between the Company and Fengcheng Gold Group
“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
“Directors”	the directors of the Company
“Fengcheng City”	Fengcheng City of Liaoning Province
“Fengcheng Gold Group”	鳳城市黃金(集團)有限公司 (Fengcheng Gold (Group) Co., Ltd.*)
“Framework Agreement”	the Framework Agreement on Jointly Developing Fengcheng Gold Resources dated 30 December 2009 entered into between the Company and Fengcheng Municipal Government, Liaoning Province, details of which are set out in the announcement of the Company dated 24 January 2010
“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
“Liaoning Province”	Liaoning Province, the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Company”	遼寧招金白雲黃金礦業有限公司, a new company to be set up with 55% and 45% assets of the original Baiyun Gold Mine contributed by the Company and Fengcheng Gold Group respectively
“PRC Valuer”	an independent firm of valuers licensed by the Ministry of Finance of the PRC to carry out valuation of assets of the PRC enterprises
“Share(s)”	share(s) with a nominal value of RMB1 each in the capital of the Company, comprising the domestic shares of the Company and H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

24 May 2010, Zhaoyuan, the PRC

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lu Dongshang and Mr. Wang Peifu, five non-executive Directors, namely Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Weng Zhanbin, 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 purposes only*