THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

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

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

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)

CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTIONS
IN RELATION TO THE GROUP FINANCIAL SERVICES AGREEMENT AND THE PARENT GROUP FINANCIAL SERVICES AGREEMENT
AND
PROPOSED REMOVAL AND APPOINTMENT OF PRC AUDITORS FOR 2015

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

Quam CAPITAL 華富嘉洛企業融資

A letter from the Board is set out on pages 4 to 25 of this circular. A letter from the Independent Board Committee is set out on page 26 to 27 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 56 of this circular.

The Company will convene the EGM at the conference room in Zhaojin Shunhe Hotel, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Tuesday, 29 September 2015. The notice convening the EGM has been despatched to the Shareholders on 14 August 2015.

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.

* *For identification purposes only*

31 August 2015

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

"Articles of Association"	the articles of association of the Company
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"Company"	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company incorporated in the PRC on 16 April 2004 and the H Shares of which are listed on the main board of Hong Kong Stock Exchange
"connected subsidiary"	has the meaning ascribed to it under the Listing Rules
"Directors"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be held by the Company at the conference room in Zhaojin Shunhe Hotel, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Tuesday, 29 September 2015 to, amongst others, consider and approve the deposit and bills discounting services under the Group Financial Services Agreement and the deposit, loan and bills discounting services under the Parent Group Financial Services Agreement and their respective annual caps and the proposed removal and appointment of PRC auditors for 2015
"Finance Company"	Shandong Zhaojin Finance Company Limited (山東招金集團財務有限公司), details of which please refer to the section headed "INFORMATION ON THE PARTIES"
"Group"	the Company and its subsidiaries which satisfy the members qualifications
"Group Financial Services Agreement"	the financial services agreement dated 17 July 2015 entered into between the Company and Finance Company for the provision of various financial services

"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 Parent Group Financial Services Agreement and the Group Financial Services Agreement
"Independent Financial Adviser"	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, 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 Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement (including the relevant proposed annual caps)
"Independent Shareholders"	has the meaning ascribed to it under the Listing Rules
"Latest Practicable Date"	28 August 2015, 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
"Parent Group Financial Services Agreement"	the financial services agreement dated 17 July 2015 entered into between Shandong Zhaojin and Finance Company for the provision of various financial services
"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
"Shareholders"	shareholders of the Company
"Shares"	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares

ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*
招金礦業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1818)

Executive Directors
Mr. Weng Zhanbin *(Chairman)*
Mr. Li Xiuchen *(President)*
Mr. Lu Dongshang
Mr. Cong Jianmao

Non-executive Directors
Mr. Liang Xinjun *(Vice chairman)*
Mr. Xu Xiaoliang
Mr. Wu Yijian

Independent Non-executive Directors
Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Xie Jiyuan
Mr. Nie Fengjun

Registered address
299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC

Principal place of business in Hong Kong
36th Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

31 August 2015

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTIONS
IN RELATION TO THE GROUP FINANCIAL SERVICES AGREEMENT
AND THE PARENT GROUP FINANCIAL SERVICES AGREEMENT
AND
PROPOSED REMOVAL AND APPOINTMENT OF PRC AUDITORS
FOR 2015**

INTRODUCTION

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

(i) the deposit and bills discounting services under the Group Financial Services Agreement;

* *For identification purposes only*

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

(iii) the proposed removal and appointment of PRC auditors for 2015.

(I) Group Financial Services Agreement

On 17 July 2015, the Company and Finance Company entered into the Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services.

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

Date:

17 July 2015

Parties:

(1) The Company

(2) Finance Company

Term:

Commencing from the effective date of the Group Financial Services Agreement to 31 December 2017.

The 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 Group Financial Services Agreement are subject to the approval by the Independent Shareholders at the EGM.

Major Terms:

(1) Finance Company agreed to provide the following major services to the Company and its subsidiaries which satisfy the members qualifications, i.e., any companies which the Company has more than 51% equity interest (the "Controlled Corporations"); any companies which the Company and the Controlled Corporations individually or collectively hold(s) more than 20% equity interest or any companies which the Company and the Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; the institutional entity or social organization legal persons of the Company and the Controlled Corporations:

i. financial and financing consultation, credit certification and other relevant advisory and agency services;

ii. funds receipt services;

iii. provision of guarantees;

iv. entrusted loans and entrusted investment services;

v. bill discounting services;

vi. settlement services and settlement proposal design services;

vii. deposit services;

viii. loans and finance leasing services;

ix. approved insurance agency services;

x. consumer credit, buyer credits and financial leasing services of the products of the Group;

xi. underwriting services for corporate bonds; and

xii. other financial services as approved by the CBRC.

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

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

(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 provided by Finance Company shall not be lower than the interest rate provided by other independent major commercial banks for the provision of 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 PBOC on comparable deposit.

(4) The Group shall choose Finance Company to provide loan and financing (including bill discounting) services to the Group and the interest rate for the provision of loan and 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 loans and financing (including bill discounting) services in the PRC.

(5) The 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 Group Financial Services Agreement provided that such specific contracts shall be consistent with the principle and terms of the 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 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 information system, which has undergone the security test in respect of connection to the online commercial banking and has reached the national security standards for commercial banks to ensure the security of the funds of the Group.

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

iii. Finance Company will monitor the transactions under the Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 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 fee for settlement services are arrived at after considering the interest rates and service fee charged by/offered by other independent commercial banks and financial institutions in the PRC for provision of similar level of loans, deposit, bill discounting and settlement services.

There are stringent internal control policies with regard to financial service transactions. 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 3 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 policy set out above, the Company can ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the loan and bill discounting interest rates and service fee 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.

HISTORICAL TRANSACTION AMOUNT

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between the Group and Finance Company in the past.

PROPOSED ANNUAL CAPS

Deposit Services

The annual caps for the deposits services (including interest accrued thereon) pursuant to the Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Maximum daily balance of deposits to be deposited by the Company with Finance Company (including interest accrued thereon)	RMB1.5 billion	RMB2 billion	RMB2.5 billion

The above caps in respect of the maximum daily balance of deposits to be deposited by the Group with Finance Company (including interest accrued thereon) are arrived at after considering the following factors:

1. The level of cashflow of the Company and its subsidiaries in the past, e.g., the cash and cash equivalent of the Company and its subsidiaries as at 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB1.35 billion, RMB1.036 billion and RMB1.254 billion, respectively. The average level of cashflow for the past three financial years is approximately RMB1.211 billion.

2. The expected increase in deposit of the Company and its subsidiaries in 2016 and 2017 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 two years, including the possible issue of corporate bonds 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, short-term notes or super-short-term notes are RMB2.2 billion and RMB2.7 billion for the two financial years ending 31 December 2016 and 31 December 2017, respectively, which is expected to bring an increase in cash inflow of the Company.

   According to the possible production and operation plans of the Company, the overall production of the Company is expected to increase by approximately 8% and 10% for the two financial years ending 31 December 2016 and 31 December 2017, respectively, resulting from an expected increase in the production from the Xiadian

Gold Mine, the Dayingezhuang Gold Mine, the Zaozigou Gold Mine, anticipated external acquisition projects, smelting business and other by-products. It is expected that an increase in revenue following an increase in production shall bring about an increase in cash inflow to the Company.

3. The expected increasing level of deposit of the Company and its subsidiaries every year as a result of the increasing scale of assets of the Company and its subsidiaries in the ensuing two years.

As a result of the factors set out in (2) and (3) above, there is an increasing trend of the annual caps for maximum daily balance of deposit for 2016 and 2017. In light of the above and the fact that the maximum daily balance of deposit of the Company for the year ended 31 December 2014 already reached approximately RMB2.1 billion, the Directors consider that the annual caps for maximum daily balance of deposit for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are fair and reasonable.

Bill Discounting Services

The annual caps for the bill discounting services pursuant to the Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	**For the year ending 31 December 2016**	**For the year ending 31 December 2017**
Maximum daily balance of bill discounting services (including interest thereon)	RMB0.5 billion	RMB1 billion	RMB1 billion

The above caps in respect of the bill discounting services are arrived at after considering the anticipated level of bill discounting services required by the Group for the three years ending 31 December 2017 in view of the business plan of the Group to fully utilize the electronic bill discounting system of Finance Company.

According to the plan of the Group, the Group will proceed to promote its online commercial bill services and establish in-house rules about monthly settlement of current funds with internal enterprises. Internal enterprises which temporarily do not have fund for settlement will be required to issue commercial bills or e-acceptance bill to be accepted by Finance Company for settlement. As such, the Company expects that this would bring a larger internal pool of bills. Holders of the bills may make discount on the bills with Finance Company at any time. According to information currently available, the internal current fund of the Group for 2014 was approximately RMB1.089 billion. Therefore, the maximum daily balance of bill discounting services is set at RMB1.0 billion for each of the year ending 31 December 2016 and 31 December 2017.

There was not much bill discounting arrangements in the Group in the past and it was only after the incorporation of Finance Company, the Group started to develop its bill discounting arrangements by adopting the online commercial bill services of Finance Company. Given that the internal current fund of the Group for 2014 was approximately RMB1.089 billion, in order to control risks and for prudence sake, the annual cap for the two years ending 31 December 2017 is set at RMB1 billion and maintained a stable trend as the Company considers that the potential risks associated with this amount of bill discounting services is within the manageable control of the Group as this is the same as the amount of the internal current fund of the Group for 2014.

In light of the above, the Directors consider that the annual cap for the maximum daily balance of bill discounting services for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are fair and reasonable.

Loan Services

The loan services to be provided by Finance Company to the Group under the Group Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and which are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the loan. The annual caps for the loans (including interest accrued thereon) pursuant to the Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are RMB4 billion, RMB6 billion and RMB8 billion, respectively.

Given that the interest rate for the provision of loan and financing 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 loans and financing services in the PRC, the Directors (including the independent non-executive Directors) consider that the loan services to be provided under the Group Financial Services Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

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 of the service fee for the provision of settlement services under the Group Financial Services Agreement are less than 0.1%, the settlement services to be provided by Finance Company are exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

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

(II) Parent Group Financial Services Agreement

On 17 July 2015, Shandong Zhaojin and Finance Company entered into the Parent Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to Shandong Zhaojin Group, including deposit services, loan services, bill discounting services and settlement services.

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

Date:

17 July 2015

Parties:

(1) Shandong Zhaojin

(2) Finance Company

Term:

Commencing from the effective date of the Parent Group Financial Services Agreement to 31 December 2017.

The 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 Parent Group Financial Services Agreement are subject to the approval by the Independent Shareholders at the EGM.

Major Terms:

(1) Finance Company agreed to provide the following major services to Shandong Zhaojin and its subsidiaries which satisfy the members qualifications, i.e., any companies which Shandong Zhaojin has more than 51% equity interest (the "Zhaojin Controlled Corporations"); any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) more than 20% equity interest or any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; the institutional entity or social organization legal persons of Shandong Zhaojin and the Zhaojin Controlled Corporations:

   i. financial and financing consultation, credit certification and other relevant advisory and agency services;

   ii. funds receipt services;

iii. provision of guarantees;

iv. entrusted loans and entrusted investment services;

v. bill discounting services;

vi. settlement services and settlement proposal design services;

vii. deposit services;

viii. loans and finance leasing services;

ix. approved insurance agency services;

x. consumer credit, buyer credits and financial leasing services of the products of Shandong Zhaojin Group;

xi. underwriting services for corporate bonds; and

xii. other financial services as approved by the CBRC.

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

(2) Shandong Zhaojin shall choose Finance Company to provide settlement services to Shandong Zhaojin Group and the service fee 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 fee charged by other independent major commercial banks for the provision of same services in the PRC and the service fee to be charged shall not be lower than the service fee 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 Shandong Zhaojin 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 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 deposit services in the PRC and the interest rate to be offered shall not be higher than the interest rate provided by Finance Company for the provision of 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 services provided by Finance Company shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e., any adjustment on the interest rate offered by Finance Company shall be within the interest rate offered by PBOC on comparable deposit.

(4) Shandong Zhaojin shall choose Finance Company to provide loan and financing (including bill discounting) services to Shandong Zhaojin Group and the interest rate for the loan and 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 loan and financing (including bill discounting) services in the PRC. The interest rate for the provision of loan and financing services (including bill discounting) 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 loans and financing services (including bill discounting) to other parties.

(5) The 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 Parent Group Financial Services Agreement provided that such specific contracts shall be consistent with the principle and terms of the 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 Parent Group Financial Services Agreement, the Company will comply with the applicable reporting, announcement and independent Shareholders' approval requirements of the Listing Rules as and when the relevant contracts for the provision of such services are entered into.

(6) Capital Risks Control Measures:

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

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

iii. Finance Company will monitor the transactions under the Parent Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 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/provided 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 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 Shandong Zhaojin 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 Parent Group Financial Services Agreement.

By adopting the above measures, the Company can ensure that (i) the interest rates provided on deposits of Shandong Zhaojin will not be higher than those to be provided by the 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 the Finance Company to other parties for the provision of comparable loans and services.

HISTORICAL TRANSACTION AMOUNT

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between Shandong Zhaojin Group and Finance Company in the past.

PROPOSED ANNUAL CAPS

Deposit Services

The annual caps for the deposits services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Maximum daily balance of deposits to be deposited by Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	RMB1.5 billion	RMB2 billion	RMB3 billion

The above caps in respect of the maximum daily balance of deposits to be deposited by Shandong Zhaojin Group with Finance Company (including interest accrued thereon) are arrived at after considering the following factors:

(1) The level of cashflow of Shandong Zhaojin and its subsidiaries in the past, e.g., the cash and cash equivalent of Shandong Zhaojin and its subsidiaries as at 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB1.763 billion, RMB1.918 billion and RMB1.896 billion, respectively. The average level of cashflow for the past three financial years is approximately RMB1.859 billion.

(2) The expected increase in deposit of Shandong Zhaojin and its subsidiaries in 2016 and 2017 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 two years, including the possible issue of corporate bonds 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, short-term notes or super-short-term notes are RMB1.5 billion and RMB2.3 billion for the two financial years ending 31 December 2016 and 31 December 2017, respectively, which is expected to bring an increase in cash inflow to Shandong Zhaojin.

According to the possible production and operation plans of Shandong Zhaojin, the overall production of Shandong Zhaojin is expected to increase by approximately 6% and 8% for the two financial years ending 31 December 2016 and 31 December 2017, respectively resulting from an expected integration of refinery value chain, an expansion of jewellery retailing channel for end-users and the development of B2B precious metal business of Shandong Zhaojin. It is expected to bring an increase in the cash inflow of Shandong Zhaojin which will eventually lead to an increase in the daily maximum balance of deposit of Shandong Zhaojin with Finance Company.

(3) 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 two years.

Considering that the average level of cashflow of Shandong Zhaojin for the past three financial years is approximately RMB1.859 billion, the possible financing plan of Shandong Zhaojin to raise approximately RMB1.5 billion for the second half year of 2015 and the pool rate of 60% *(Note)*, the maximum daily balance of deposit for the year ending 31 December 2015 is set as RMB1.5 billion. As a result of the factors set out in (2) and (3) above and considering the relevant pool rate of approximately 60% of Shandong Zhaojin, there is an increasing trend of the annual caps for maximum daily balance of deposit for 2016 and 2017.

Further, although the maximum daily balance of deposit (i.e., approximately RMB2.3 billion) of Shandong Zhaojin for the year ended 31 December 2014 already exceeded the cap for the maximum daily balance of deposits to be deposited by Shandong Zhaojin with Finance Company for the year ending 31 December 2015, based on the grounds that (i) Finance Company was only incorporated on 1 July 2015, it did not offer deposits services to Shandong Zhaojin Group in the past, for prudence sake, it would be reasonable for Finance Company and Shandong Zhaojin Group to set the cap for the year ending 31 December 2015 at lower level at start up stage as compared to the maximum daily balance of deposit of Shandong Zhaojin for the year ended 31 December 2014; and (ii) the Parent Group Financial Services Agreement does not preclude Shandong Zhaojin Group from using the deposit services of other financial institutions and Shandong Zhaojin Group has the right to select any other independent major commercial banks or financial institutions in the PRC as its financial services providers as it, from time to time, thinks fit and appropriate, therefore the Directors consider that the cap for the maximum daily balance of deposit for the year ending 31 December 2015 at a lower level of the maximum daily balance of deposit of the Company for the year ended 31 December 2014 is reasonable.

In light of the above, the Directors consider that the annual caps for maximum daily balance of deposit for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are fair and reasonable.

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

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

Bill Discounting Services

The annual caps for the bill discounting services pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Maximum daily balance of bill discounting services (including interest thereon)	RMB0.5 billion	RMB1 billion	RMB1 billion

The above caps in respect of the bill discounting services are arrived at after considering the anticipated level of bill discounting services required by Shandong Zhaojin Group for the three years ending 31 December 2017 in view of the business plan of Shandong Zhaojin Group to fully utilize the electronic bill discounting system of Finance Company.

According to the plan of Shandong Zhaojin Group, Shandong Zhaojin will proceed to promote its online commercial bill services and establish in-house rules about monthly settlement of current funds with internal enterprises. Internal enterprises which temporarily do not have fund for settlement will be required to issue commercial bills or e-acceptance bill to be accepted by Finance Company for settlement. As such, the Company expects that this would bring a larger internal pool of bills of Shandong Zhaojin Group. Holders of the bills may make discount on the bills with Finance Company at any time. According to information currently available, the internal current fund of Shandong Zhaojin Group for 2014 was approximately RMB1.0 billion. Therefore, the maximum daily balance of bill discounting services is set at RMB1.0 billion for each of the year ending 31 December 2016 and 31 December 2017.

There was not much bill discounting arrangements in the Shandong Zhaojin Group in the past and it was only after the incorporation of Finance Company, Shandong Zhaojin Group started to develop its bill discounting arrangements by adopting the online commercial bill services of Finance Company. Given that the internal current fund of Shandong Zhaojin Group for 2014 was approximately RMB1 billion, in order to control risks and for prudence sake, the annual cap for the two years ending 31 December 2017 is set at RMB1 billion and maintained a stable trend as Shandong Zhaojin Group considers that the risks associated with this amount of bill discounting services is within the manageable control of Shandong Zhaojin Group as this is the same as the amount of the internal current fund of Shandong Zhaojin Group for 2014.

In light of the above, the Directors consider that the annual cap for the maximum daily balance of bill discounting services for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are fair and reasonable.

Loan Services

The annual caps for the loan services pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Loan to be provide by Finance Company to Shandong Zhaojin Group (including interest thereon)	RMB4 billion	RMB6 billion	RMB8 billion

The above annual caps in respect of the provision of loan services are arrived at after considering the level of loan and financing services required by Shandong Zhaojin Group in view of the development and operation plan of Shandong Zhaojin Group in the three years ending 31 December 2017. According to the 13th five-year plan of Shandong Zhaojin, Shandong Zhaojin will focus on investment in internet, finance and logistics industries, construction of intelligent mine and intelligent city, improvement and upgrading work of technology and equipment, and real estates and other related businesses in the coming three years.

In 2015, the maximum amount of loan to be obtained by Shandong Zhaojin Group from Finance Company is RMB4.0 billion, it is expected that Shandong Zhaojin Group will use (i) approximately RMB2.5 billion of the loan for repayment of due borrowing; (ii) approximately RMB0.2 billion of the loan for the construction of Gold Vocational College; and (iii) approximately RMB1.3 billion of the loan as replenishment of liquid capital.

In 2016, the maximum amount of loan to be obtained by Shandong Zhaojin Group from Finance Company is RMB6.0 billion, it is expected that Shandong Zhaojin Group will use (i) approximately RMB1.5 billion of the loan as investment fund for the development of its internet and finance businesses; (ii) approximately RMB1.0 billion of the loan as investment fund for the construction of intelligent mine and intelligent city; (iii) approximately RMB1.5 billion of the loan for repayment of due borrowing; and (iv) approximately RMB2.0 billion of the loan as replenishment of liquid capital.

In 2017, the maximum amount of loan to be obtained by Shandong Zhaojin Group from Finance Company is RMB8.0 billion, it is expected that Shandong Zhaojin Group will use (i) approximately RMB0.5 billion of the loan as investment fund for the improvement and upgrading work of technology and equipment of Shandong Zhaojin Group; (ii) approximately RMB2.0 billion of the loan for the development of its real estate business; (iii) approximately RMB0.5 billion of the loan as investment fund for development of its internet and finance businesses; (iv) approximately RMB2.8 billion of the loan for repayment of due borrowing; and (v) approximately RMB2.2 billion 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 to be provided by Finance Company to Shandong Zhaojin Group for 2016 and 2017 and after considering the above factors, the Directors consider that the annual caps for the loan to be provided by Finance Company to Shandong Zhaojin Group for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are fair and reasonable.

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 of the service fee for the provision of settlement services under the Parent Group Financial Services Agreement is less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

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

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

1. The interest rate to be charged/provided 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 provided by other major commercial banks in the PRC.

2. Finance Company will provide the Group and 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 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. Given that the financial services agreements entered into among the Company, Shandong Zhaojin and Finance Company, the Group and Shandong Zhaojin Group will be able to centralize control and management of their financial resources, promote wider uses and effective management of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the utilization of returns on capital. Meanwhile, diverse services can be provided under the financial services agreements to satisfy the business needs of the Group and 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 PBOC and CBRC, Finance Company is a non-bank financial institute and provides services in accordance with rules and operation provisions of such regulatory bodies. In addition, capital risks may be reduced through risk control measures as stipulated in the Group Financial Services Agreement and the Parent Group Financial Services Agreement.

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

BOARD'S APPROVAL

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

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

Established on 1 July 2015, Finance Company is a non-wholly-owned subsidiary of the Company and is principally engaged in, among others, providing internal financial services to the Group and Shandong Zhaojin Group.

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

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

GROUP FINANCIAL SERVICES AGREEMENT

The loan services to be provided by the Finance Company to the Group under the Group Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and which are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the loan.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of deposit services by Finance Company to the Group under the Group Financial Services Agreement is more than 25%, the provision of deposit services under the Group Financial Services Agreement constitutes a major transaction and non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by the Finance Company to the Group under the Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the under the Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

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

PARENT GROUP FINANCIAL SERVICES AGREEMENT

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of (i) deposit services; and (ii) loan services by Finance Company to Shandong Zhaojin under the Parent Group Financial Services Agreement is more than 25%, the provision of deposit services and loan services under the Parent Group Financial Services Agreement constitute major transactions and non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by the Finance Company to Shandong Zhaojin under the Parent Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Parent Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

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

(III) Proposed Removal and Appointment of PRC Auditors for 2015

Reference is made to the announcement of the Company dated 14 August 2015 in relation to the proposed removal and appointment of the PRC auditors of the Company for 2015.

According to the relevant resolution passed on the 2014 annual general meeting of the Company held on 27 May 2015, the Shareholders approved the re-appointment of BDO China Shu Lun Pan Certified Public Accountants LLP and Ernst & Young as the Company's PRC and international auditors respectively for the year ending 31 December 2015. In order to enhance the efficiency of information disclosure, after considering the proposal from the Company's audit committee, the Company intends to appoint a PRC member and an international member of the same audit firm to conduct audit for the financial statements of the Group based on PRC and international accounting standards for the accounting periods commencing on or after 1 January 2015 and therefore, the Board proposes to, subject to passing of necessary resolutions at the EGM, remove BDO China Shu Lun Pan Certified Public Accountants as its PRC auditors for the financial year ending 31 December 2015 and appoint Ernst & Young Hua Ming LLP (Special General Partnership) as its PRC auditors for the financial year ending 31 December 2015.

BDO China Shu Lun Pan Certified Public Accountants has confirmed that there were no matters regarding the proposed removal that need to be brought to the attention of the Shareholders. The Board is not aware of any matter regarding the proposed removal that needs to be brought to the attention of the Shareholders. The Board and the audit committee of the Company have confirmed that, the Company has no disagreement with BDO China Shu Lun Pan Certified Public Accountants regarding the proposed removal. The Board would like to express sincere gratitude to BDO China Shu Lun Pan Certified Public Accountants for its precious contribution and service during the term of office.

The proposed removal of BDO China Shu Lun Pan Certified Public Accountants as the Company's PRC auditors for the financial year ending 31 December 2015 and the proposed appointment of Ernst & Young Hua Ming LLP (Special General Partnership) as the Company's PRC auditors for the financial year ending 31 December 2015 were considered and approved at the Board meeting of the Company on 14 August 2015, but are still subject to Shareholder's approval by way of ordinary resolutions at the EGM.

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

Zhaojin Group and its associates, which hold approximately 39.83% issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM to approve the deposit and bills discounting services under the Group Financial Services Agreement and the deposit, loan and bills discounting services under the Parent Group Financial Services Agreement and their respective annual caps.

RECOMMENDATIONS

The Directors consider that the proposed resolutions to be approval 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 26 to 27 to this circular and the letter from the Independent Financial Adviser as set out on pages 28 to 56 to this circular.

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

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 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 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 August 2015

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTIONS
IN RELATION TO THE GROUP FINANCIAL SERVICES AGREEMENT
AND THE PARENT GROUP FINANCIAL SERVICES AGREEMENT

We refer to the circular of the Company dated 31 August 2015 (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 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the Parent Group Financial Services Agreement. Quam 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 28 to 56 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 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the Parent Group Financial Services Agreement contemplated

* *For identification purposes only*

thereunder and taking into account the independent advice of Quam Capital Limited, in 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 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 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 Group Financial Services Agreement and the 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 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the Parent Group Financial Services Agreement and their respective annual caps.

Yours faithfully,
Independent Board Committee

Chen Jinrong **Choy Sze Chung Jojo** **Xie Jiyuan** **Nie Fengjun**
Independent non-executive Directors

The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services and bill discounting services under the Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement (including the relevant proposed annual caps).

Quam CAPITAL 華富嘉洛企業融資
Quam Capital Limited
A Member of The Quam Group

31 August 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE GROUP FINANCIAL SERVICES AGREEMENT AND THE PARENT GROUP FINANCIAL SERVICES AGREEMENT

A. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services and bill discounting services under the Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the 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**") contained in the circular dated 31 August 2015 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 17 July 2015, the Company and Finance Company entered into the 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 the same date, Shandong Zhaojin and Finance Company entered into the Parent Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to Shandong Zhaojin Group, including deposit services, loan services, bill discounting services and settlement services.

As at the Latest Practicable Date, Shandong Zhaojin is the controlling shareholder of the Company and it is therefore a connected person of the Company. Finance Company is a subsidiary of the Company and is also owned as to 40% by Shandong Zhaojin. Finance

Company is therefore a connected person of the Company by virtue of being a connected subsidiary of the Company and an associate of Shandong Zhaojin. Therefore, the transactions under the Group Financial Services Agreement and the Parent Group Financial Services Agreement (collectively the "**Agreements**") constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of deposit services by Finance Company to the Group under the Group Financial Services Agreement is more than 25%, the provision of deposit services under the Group Financial Services Agreement constitutes a major transaction and non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by Finance Company to the Group under the Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of (i) deposit services; and (ii) loan services by Finance Company to Shandong Zhaojin under the Parent Group Financial Services Agreement is more than 25%, the provision of deposit services and loan services under the Parent Group Financial Services Agreement constitute major transactions and non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by Finance Company to Shandong Zhaojin under the Parent Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Parent Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Xie Jiyuan and Mr. Nie Fengjun, has been established to advise the Independent Shareholders as to whether the provision of deposit services and bill discounting services under the Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement were entered into on normal commercial terms and are fair and reasonable so far as the Company and Independent Shareholders are concerned and whether such terms are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM to approve, the Agreements and the transactions contemplated thereunder (including the relevant proposed annual caps). As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Quam Capital did not have any relationships or interests with the Company, Finance Company or Shandong Zhaojin that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, there was no engagement between the Group and Quam Capital. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, Finance Company or Shandong Zhaojin. Accordingly, we are qualified to give independent advice in respect of the provision of deposit services and bill discounting services under the Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement (including the relevant proposed annual caps).

B. BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Finance Company or Shandong Zhaojin or any of their respective subsidiaries or associates.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

Information of the Group

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. Sales of gold represented over 80% of the total gross revenue of the Group for the three years ended 31 December 2012, 2013 and 2014 respectively.

We set out below a summary of the financials of the Group's (i) unaudited results for the six months ended 30 June 2014 and 30 June 2015 prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") extracted from the interim results announcement for the six months ended 30 June 2015 of the Company dated 16 August 2015 (the "**2015 Interim Results Announcement**"); (ii) audited results for year ended 31 December 2014 prepared in accordance with HKFRS extracted from the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**"); and (iii) audited results for the two years ended 31 December 2012 and 2013 prepared in accordance with HKFRS extracted from the annual report of the Company for the year ended 31 December 2013 (the "**2013 Annual Report**"):

	Six months ended 30 June 2015	**Six months ended 30 June 2014**	**Year ended 31 December 2014**	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Restated and audited)*
Revenue	2,677,384	2,845,195	5,606,182	6,344,124	7,603,745
Gross profit	1,110,195	1,029,918	2,172,407	2,240,495	3,691,668
Profit before tax	319,356	408,357	683,024	993,557	2,661,852
Profit for the year/period attributable to:					
Owners of the parents	225,127	324,101	455,388	734,085	1,923,521
Non-controlling interests	(4,227)	(13,918)	51,353	33,315	123,297
	220,900	310,183	506,741	767,400	2,046,818

Financial results for year ended 31 December 2013 compared with that for year ended 31 December 2012

According to the 2013 Annual Report, the Group's investments in Ruoqiang Changyun Sanfengshan Mining Company Limited, which were previously classified as jointly-controlled entities under HKFRS and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and be accounted for using the equity method. The change in accounting for investments in joint ventures has been applied retrospectively and thus the financial information for the year ended 31 December 2012 have been restated in the consolidated financial statements of the Group.

Revenue of the Group decreased by approximately RMB1.3 billion, representing a decrease of approximately 16.6%, from approximately RMB7.6 billion for the year ended 31 December 2012 to approximately RMB6.3 million for for the year ended 31 December 2013. As disclosed in the 2013 Annual Report, such decrease in revenue of the Group was mainly attributable to the decrease in the selling price of gold in 2013, mitigated by the increase of total output of gold for the year ended 31 December 2013 of approximately 4.2% as compared to that for the year ended 31 December 2012.

Gross profit of the Group decrease by approximately RMB1.5 billion representing a decrease of approximately 39.3% from approximately RMB3.7 billion for the year ended 31 December 2012 to approximately RMB2.2 billion for the year ended 31 December 2013, which was mainly as a result of the decrease in revenue. Gross profit margin of the Group also decreased by approximately 27.4% from approximately 48.6% for the year ended 31 December 2012 to approximately 35.3% for the year ended 31 December 2013. As disclosed in the 2013 Annual Report, such decrease was mainly due to the sharp decrease in gold price in 2013 and the increase in unit cost of self-produced gold.

Profit of the Group decreased by approximately RMB1.3 billion, representing a decrease of approximately 62.5%, from approximately RMB2.0 billion for the year ended 31 December 2012 to approximately RMB767.4 million for the year ended 31 December 2013. Such decrease was mainly attributable to (i) the decrease in revenue of approximately RMB1.3 billion as mentioned above; (ii) the increase in selling and distribution costs of approximately RMB23.2 million mainly due to the incremental transportation expenses; (iii) increase in administrative expenses of approximately RMB53.3 million mainly due to the increase in staff cost due to the business expansion and adjustment of salary level of staff, and the inventory provision accrued since the fall in gold price; and (iv) increase in finance costs of approximately RMB123.6 million mainly due to the increase in the Group's borrowings during the year, mitigated by the decrease in income tax expenses of approximately RMB388.9 million.

Financial results for year ended 31 December 2014 compared with that for year ended 31 December 2013

Revenue of the Group decreased by approximately RMB0.7 billion, representing a decrease of approximately 11.6%, from approximately RMB6.3 billion for year ended 31 December 2013 to approximately RMB5.6 billion for year ended 31 December 2014. As disclosed in the 2014 Annual Report, although the Group's total output of gold for year ended 31 December 2014 increased by approximately 14.1% as compared to that for year ended 31 December 2013, the drop in revenue of the Group was mainly attributable to the decrease in the selling price of gold.

Notwithstanding the decrease in revenue of the Group for year ended 31 December 2014, gross profit of the Group of approximately RMB2.2 billion for year ended 31 December 2014 remained comparable to that for year ended 31 December 2013, which was mainly due to the increase in gross profit margin of the Group from approximately 35.3% for year ended 31 December 2013 to approximately 38.8% for year ended 31 December 2014. As disclosed in the 2014 Annual Report, the higher gross profit margin for year ended 31 December 2014 were mainly caused by (i) the decrease in unit cost of raw material and overhead; and (ii) the relatively smaller decrease in revenue as compared with the drop in costs.

Profit of the Group decreased by approximately RMB260.7 million, representing a decrease of approximately 34.0%, from approximately RMB767.4 million for year ended 31 December 2013 to approximately RMB506.7 million for year ended 31 December 2014. Such decrease was mainly attributable to the increase in (i) selling and distribution costs of approximately RMB22.4 million mainly due to the incremental transportation expenses; (ii) increase in administrative expenses of approximately RMB86.9 million mainly due to the increase in depreciation expenses; and (iii) increase in finance costs of approximately RMB172.3 million mainly due to the interest accrued from a private placement note and gold leasing business.

Financial results for six months ended 30 June 2015 compared with those for six months ended 30 June 2014

Revenue of the Group decreased by approximately RMB167.8 million, representing a decrease of approximately 5.9%, from approximately RMB2,845.2 million for six months ended 30 June 2014 to approximately RMB2,677.4 million for six months ended 30 June 2015, which was mainly due to the decrease in sales volume and unit price of copper products. Gross profit of the Group increased by approximately RMB80.3 million from approximately RMB1,029.9 million for six months ended 30 June 2014 to approximately RMB1,109.5 million for six months ended 30 June 2015, which was mainly due to the decrease in cost of sales. Profit of the Group decreased by approximately RMB89.3 million, representing a decrease of approximately 28.8%, from approximately RMB310.2 million for six months ended 30 June 2014 to approximately RMB220.9 million for six months ended 30 June 2015. We understand from the Company that such decrease was mainly due to (i) the increase in the administrative and other expenses; (ii) the increase in finance costs; and (iii) impairment provisions for inventory with the decrease in gold and copper price.

Set out below is the extract of the consolidated statements of financial position of the Group as at 31 December 2012 and 2013 as extracted from the 2013 Annual Report, that as at 31 December 2014 as extracted from the 2014 Annual Report and that as at 30 June 2015 as extracted from the 2015 Interim Results Announcement, which were prepared in accordance with the HKFRS:

	30 June 2015	**31 December 2014**	**31 December 2013**	**31 December 2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Restated and audited)*
Non-current assets	21,833,683	20,556,815	18,434,832	13,552,176
Current assets	6,718,807	5,843,495	4,937,625	4,364,862
Total assets	28,552,490	26,400,310	23,372,457	17,917,038
Total liabilities	18,299,229	16,650,346	14,049,659	8,669,413
Net assets	10,253,261	9,749,964	9,322,798	9,247,625
Cash and cash equivalents	1,607,263	1,254,916	1,035,825	1,349,084
Interest-bearing bank and other borrowings	9,506,958	6,890,021	6,447,070	3,224,553

The Group's non-current assets mainly included the property, plant and equipment and intangible assets including goodwill, exploration rights and assets and mining rights and reserves etc and the Group's current assets mainly included the inventories and cash and cash equivalents etc. The Group's liabilities mainly included trade and other payables, financial liabilities at fair value through profit or loss which mainly comprised lease of gold, interest-bearing bank and other borrowings and corporate bonds etc. The net assets of the Group remained relatively stable as at 31 December 2012, 2013 and 2014 and 30 June 2015.

Cash and cash equivalents represented approximately 30.9%, 21.0%, 21.5% and 23.9% of the total current assets of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively. Total cash and cash equivalents of the Group decreased from approximately RMB1.3 billion as at 31 December 2012 to approximately RMB1.0 billion as at 31 December 2013 and rebounded to approximately RMB1.3 billion as at 31 December 2014 and further to approximately RMB1.6 billion as at 30 June 2015. Interest-bearing bank and other borrowings were followed an increasing trend from 31 December 2012 to 31 December 2014 and 30 June 2015. Gearing ratios, which were calculated by dividend net debt (sum of interest-bearing bank and other borrowings, corporate bonds and financial liabilities arose from the gold leasing business, deducting the cash and cash equivalents) by the total equity plus net debt, of the Group as increased from approximately 33.0% as at 31 December 2012 to approximately 50.9% and 55.3% as at 31 December 2013 and 2014 respectively and 56.4% as at 30 June 2015 due to the active financing activities of the Group.

Set out below is the extract of the consolidated cash flow statements of the Group for the years ended 31 December 2012 and 2013 as extracted from the 2013 Annual Report, that for the year ended 31 December 2014 as extracted from the 2014 Annual Report and that for the six months ended 30 June 2014 and 2015 as extracted from the 2015 Interim Results Announcement, which were prepared in accordance with the HKFRS:

	Six months ended 30 June 2015	**Six months ended 30 June 2014**	**Year ended 31 December 2014**	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Restated and audited)*
Net cash flows from operating activities	414,834	584,838	1,068,285	874,507	1,704,574
Net cash outflows used in investing activities	(1,851,335)	(1,123,172)	(2,264,141)	(4,442,056)	(3,380,278)
Net cash flows from financing activities	1,789,049	575,131	1,414,947	3,254,290	1,786,867

Set out below is the maximum month end cash and bank balance of the Group during the years ended 31 December 2012, 2013 and 2014 as provided by the Company:

	Year ended 31 December 2014	**Year ended 31 December 2013**	**Year ended 31 December 2012**
	RMB'000	*RMB'000*	*RMB'000*
Maximum month end cash and bank balance during the year	2,140,970	1,480,615	1,512,458

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

Information on Shandong Zhaojin

Shandong Zhaojin and its subsidiaries (including the Company), are principally engaged in gold exploration, mining and refinery business, as well as investing in gold exploration, mining, smelting and refinery, and other gold-related industries. According to the website of Shandong Zhaojin (http://www.gold-zhaoyuan.com) (the "**Website**"), Shandong Zhaojin and its subsidiaries had total assets of approximately RMB40.0 billion and maintains gold reserves of 1,300 tons. Shandong Zhaojin and its subsidiaries recorded revenue of approximately RMB44.6 billion and the aggregated of profits and relevant taxes of approximately RMB1.3 billion for the year ended 31 December 2014. It is stated on the Website that Shandong Zhaojin has been included into top 500 enterprises in China and Shandong Zhaojin Group has been listed in the key enterprise group of Shandong province.

Information on Finance Company

Finance Company is a non wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the share capital of Finance Company was held as to 51%, 40% and 9% by the Company, Shandong Zhaojin and Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited (山東招金集團招遠黃金冶煉有限公司), a wholly-owned subsidiary of Shandong Zhaojin.

The establishment of Finance Company was approved on 22 January 2015 and was completed on 1 July 2015. Finance Company is principally engaged in, among others, providing internal financial services to the Group and Shandong Zhaojin Group. The standing of Finance Company as a non-bank financial institution in the PRC is subject to periodic review by CBRC.

The provision of financial services by Finance Company to the Group including deposit services, loan services, bill discounting services and settlement services pursuant to the Group Financial Services Agreement and the provision of financial services to Shandong Zhaojin Group including deposit services, loan services, bill discounting services and settlement services pursuant to the Parent Group Financial Services Agreement are within the major business scope of Finance Company as disclosed in the announcement of the Company dated 11 February 2015 and thus the continuing connected transactions contemplated under the Agreements were entered into in the ordinary and usual course of the business of the Group.

The total registered and paid-up capital of Finance Company is RMB500 million. As advised by the management of the Company, as at the Latest Practicable Date, Finance Company had no substantial movements in assets and liabilities, except for the cash from the capital contribution of its shareholders.

Deposit services and bill discounting services under the Group Financial Services Agreement

Major terms

Pursuant to the Group Financial Services Agreement, Finance Company agreed to provide various financial services, including but not limited to the deposits services and bill discounting services, to the Group.

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 PBOC. The interest rate for the deposit provided by Finance Company shall not be lower than the interest rate provided by other independent major commercial banks for the provision of same services in the PRC.

The Group shall choose Finance Company to provide bill discounting services to the Group and the interest rate for the provision of 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 bill discounting services in the PRC.

The Group and Finance Company will enter into specific contracts setting out specific terms about the service arrangement in relation to the services to be provided under the Group Financial Services Agreement provided that such specific contracts shall be consistent with the principle and the terms of the Group Financial Services Agreement.

Internal control on pricing

As disclosed in the Letter, the interest rates for deposit services and bill discounting services are arrived at after considering the interest rate charged by/offered by other independent commercial banks and financial institutions in the PRC for provision of similar level of deposit services and bill discounting services, which will be satisfied by comparing of the rates quoted from the counterparties with the terms from other independent third parties by the finance department of the Company to ensure that the most favourable terms are obtained from Finance Company. Moreover, the transactions will be reported to and approved by the head of the finance department of the 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 or financial institutions in the PRC for comparable deposits. The Company has confirmed that prior to deposit of cash or bill discounting is made, the Group's finance department will contact at least three financial institutions and/or commercial banks in the PRC getting interest rate quotes and compared the quotes with those offered to Finance Company.

Based on the above, we are of the view that the setting up of internal control measures for the deposit services and bill discounting services under the Group Financial Services Agreement is fair and reasonable and can help to ensure that the terms of the services will be on normal commercial terms and are fair and reasonable.

Reasons for and benefits of the deposit services and bill discounting services under the Group Financial Services Agreement

As discussed in the subsection headed "Information of the Group" in this letter, cash and cash equivalents was one of the major current assets of the Group and is an important part of the ordinary and usual treasury activities of the Group.

Finance Company is a non-bank financial institution duly established in the PRC approved by CBRC and the pricing policies and the operation of which are subject to guidelines issued by CBRC. As set out in the Letter, the deposit interest rates offered by Finance Company to the Group will be similar to or even more favorable than those offered by other independent major commercial banks or financial institutions in the PRC. In addition, the provision of bill discounting services pursuant to the Group Financial Services Agreement provided buffer for the Group's short term financing needs with similar to or even more favorable terms than those offered by independent major commercial banks or financial institutions in the PRC to the Group. The Directors advised that there were no bill discounting services by the Group in recent years. Thus, the Group Financial Services Agreement is therefore expected to provide the Group with new means of financing.

It is not uncommon amongst major PRC companies listed on the Stock Exchange and major companies based in the PRC to utilise financial services (including but not limited to deposit services and bill discounting services) provided by their finance companies in the PRC. Finance Company was established with a view to act as a centralised financial platform to facilitate treasury operations within the Group. Members of the Group have the option to use Finance Company's financial services which in turn facilitates the flow of surplus funds from certain members of the Group to other members of the Group which may require cash and which would otherwise be borrowed from other commercial banks. Therefore, we concur with the Directors' view that Finance Company serves as the financial intermediary through which the funds of the members of the Group may be channeled efficiently to be used by one another.

Details of the pricing policies are set out in the subsection headed "Internal control on pricing" in this letter above. Based on our analysis in that subsection, we concur with the Directors' view that the deposit services and bill discounting services under the Group Financial Services Agreement is fair and reasonable and can help to ensure that the terms of the services will be on normal commercial terms and even more favourable terms. Deposits with Finance Company are not guaranteed and are unsecured. As stated in the Letter, according to the requirements under the "Measures for the Administration of Finance Companies of Enterprise Groups" issued by CBRC, Finance Company shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit services provided by Finance Company shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e. any adjustment on the interest rate offered by Finance Company shall be within the interest rates offered by PBOC on comparable deposits. For the purposes of the Group Financial Services Agreement, Finance Company has set up internal guidelines of capital risks control measures, among others, the safety and stability operation of the funds management information system, strict compliance with the risk management with reference to indicators for financial institutions issued by CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of CBRC. Moreover, the transactions will be reported to and approved by the head of the finance department of the Company. Based on the above, we are of the view that the setting up of internal control measures for the deposit services and bill discounting services under the Group Financial Services Agreement can help to ensure the pricing terms of deposit services pursuant to the Group Financial Services Agreement follow the relevant pricing policy regulated by CBRC.

We have discussed with the Company and understand that the standing of Finance Company as a non-bank financial institution in the PRC is subject to periodic review by CBRC and the relevant regulations in the PRC, and its pricing policies and the operation of which are subject to guidelines issued by CBRC. We concur with the Company that despite Finance Company is not a licensed bank in the PRC, it is a regulated financial institution subject to compliance of the relevant regulations in the PRC and the interests of the Shareholders will not be hindered under the deposit services and bill discounting services. Moreover, the Group Financial Services Agreement does not preclude the Group from using the services of other financial institutions and the Group has the right to select any other independent major commercial banks or financial institutions in the PRC as its financial services providers as it, from time to time, thinks fit and appropriate for the benefit of the Group and thus it creates greater flexibility to the Group.

Moreover, Finance Company is an enterprise finance company specialises in gold and precious metal industry. Finance Company has a better understanding of the operation and development needs of members of the Group and thus it can provide more efficient and tailor-made services to the Group. As such, we consider that Finance Company can provide better services to the Group which will be beneficial to the Group from a customer's perspective. Based on the aforesaid, we consider that there are advantages of utilising financial services provided by Finance Company over utilising similar services provided by other independent major commercial banks or financial institutions in the PRC.

We have searched and reviewed all the announcements issued by companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange for a period of twelve months prior to and including the date of the Group Financial Services Agreement (the "**Relevant Period**") regarding those listed issuers placing deposits and/or discounting bills with their respective connected finance companies in the PRC which were non-bank financial institutions approved and supervised by CBRC which constituted continuing connected transactions (the "**GFSA Comparable Transactions**"). We identified 29 GFSA Comparable Transactions which represent an exhaustive list of all comparables to the deposit services and/or bill discounting services announced during the Relevant Period and are representative comparables. We note that all the GFSA Comparable Transactions required (i) the deposit interest rates offered by the relevant connected finance companies to the relevant listed issuers be not lower than (a) the deposit interest rates as announced by the PBOC from time to time; and/or (b) the interest rates provided by other independent commercial banks or financial institutions in the PRC for deposits of similar nature and under terms which is similar to the relevant terms of the Group Financial Services Agreement; and/or (ii) the bill discounting interest rates charged by the relevant connected finance companies to the relevant listed issuers be not higher than the interest rates charged by other independent commercial banks or financial institutions in the PRC of similar nature and under terms which is similar to the relevant terms of the Group Financial Services Agreement.

Given (i) the funds of the members of the Group may be channeled efficiently to be used; (ii) Finance Company will be able to provide the Group with potentially better rates than those available from other independent major commercial banks or financial institutions in the PRC; (iii) the Group Financial Services Agreement does not preclude the Group from using the deposit services and bill discounting services of other independent major commercial banks or financial institutions in the PRC and the Group still has the right to select any other major independent commercial banks and financial institutions in the PRC as its financial services providers as it, from time to time, thinks fit and appropriate for the benefit of the Group; and (iv) the terms regarding the deposit rates and/or bill discounting rates to be offered/charged by Finance Company to the Group under the Group Financial Services Agreement are comparable to that of the GFSA Comparable Transactions, we concur with the Directors' view that the deposit services and bill discounting services under the Group Financial Services Agreement are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable.

Proposed annual caps and basis of determination

Deposit services

The proposed annual caps for the deposits services (including interest accrued thereon) pursuant to the Group Financial Services Agreement for the three years ending 31 December 2017 (the "**GFSA Deposit Services Cap**") are as follows:

	For the year ending 31 December 2015 *(RMB'billion)*	**For the year ending 31 December 2016** *(RMB'billion)*	**For the year ending 31 December 2017** *(RMB'billion)*
Maximum daily balance of deposits to be deposited by the Company with Finance Company (including interest accrued thereon)	1.5	2.0	2.5

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between the Group and Finance Company in the past.

As stated in the Letter, the GFSA Deposit Services Cap was determined with reference to the followings:

(i) the level of cashflow of the Company and its subsidiary in the past, e.g. the cash and cash equivalent of the Company and its subsidiaries as at 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB1.35 billion, RMB1.036 billion and RMB1.254 billion, respectively. The average level of cashflow for the past three financial years was approximately RMB1.211 billion;

(ii) the expected increase in deposit of the Company and its subsidiary in 2016 and 2017 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 two years, including but not limited to the possible issue of corporate bonds or super-short-term notes, etc; and

(iii) the expected increasing level of deposit of the Company and its subsidiaries every year as a result of the increasing scale of assets of the Company and its subsidiaries in the ensuing two years.

We have discussed with the management of the Group on the bases and assumptions adopted in determining the GFSA Deposit Services Cap. We were advised that the proposed cap (including interest accrued thereon) for the year ending 31 December 2015 generally represented (i) approximately 123.9% of the average of the cash and cash equivalents of the Group as at 31 December 2012, 31 December 2013 and 31 December 2014 with; and (ii) approximately 70.1% of the maximum month end cash and bank balance during the year ended 31 December 2014 of the Group. The proposed caps (including interest accrued thereon) for the years ending 31 December 2016 and 2017 represented an increase of approximately 33.3% and 25% over the proposed cap of preceding year.

In assessing the reasonableness of the GFSA Deposit Services Cap, we have considered the business performance of the Group in recent years. Despite the revenue of the Group followed a decreasing trend from the year ended 31 December 2012 to 2014, the total output of gold of the Group increased from the year ended 31 December 2012 to 2014. According to the 2013 Annual Report and the 2014 Annual Report, the Company's total output of gold for the year ended 31 December 2013 amounted to approximately 927.5 thousand ozs, representing an increase of approximately 4.2% compared to that for the year ended 31 December 2012 and further increased to approximately 1,057.9 thousand ozs in the year ended 31 December 2014, representing an increase of approximately 14.1%. According to Metal Focus, an independent precious metal research agency, and Thomson Reuters, a major multinational mass media and information firm, the global price of gold is expected to have a rising trend in the year ending 31 December 2016. With reference to the articles published by Thomson Reuters titled "Gold crawls off 5-year low, but downside risk seen intact" dated 23 July 2015 and

"Gold seen limping into year-end before 2016 recovery" dated 24 July 2015, though gold is expected to struggle for the rest of 2015 after sliding to five-year lows and returned to an average gold forecast of US$1,193 an ounce in 2015, it is expected that the gold price will climb to an average $1,250 an ounce in 2016 based on the factors that (i) the gold price has been fluctuated though it had a positive start in 2015 which gold prices languished around the $1,200 an ounce; and (ii) while the Federal Reserve System, the central bank of the United States, may be tightening policy, central banks of other countries are still engaged in quantitative easing, which could boost inflation and spur demand for gold as a hedge. Moreover, according to the Gold Fields Mineral Services team of Thomson Reuters, the start of a long term bull run in a gentle manner in the gold price is likely to be triggered and will remove uncertainties from the markets, given that investors implement new investment strategies, with the assistance from improving gold market fundamentals. According to Mineweb, a web-based international mining publication focusing on mining investment and finance, China ranked the first among all countries in the world in terms of gold production in both 2013 and 2014. China being the largest supplier of gold over the world, it is believed that the gold price trend in the PRC market will follow the global gold price trend. Also, the general inflation in the PRC is expected to increase the gold price and thus increase the selling price of the Group's product, therefore the cash receipts by the Group is expected to have a positive correlation and thus the GFSA Deposit Services Cap is also expected in an increasing trend.

As disclosed in the 2014 Annual Report, the Company invested approximately RMB289.8 million for the acquisition of the 51% equity interest in Xiahe Binghua Mining Industry Company Limited, the mining rights covering which consists of gold resources reserve of approximately 40 tons of gold. The Company also obtained the Fuqiang gold and molybdenum mine project in Heilongjiang, the PRC through public auction with additional exploration rights of 24.14 square km in the year ended 2014. As disclosed in the announcement of the Group dated 31 May 2015, the Group entered into of a agreement in relation to the acquisition of 63.86% equity interest in a company which the principal asset is the exploration right of the Haiyu Gold Mine in the north of Sanshan Island in Laizhou City, which consists of gold resources reserve in an aggregate amount of approximately 470.47 tonnes. As disclosed in the announcement of the Group dated 16 June 2015, the Group entered into the equity transfer agreement with Shandong Zhaojin in relation to the transfer of equity of a company which possesses the leading manufacturing techniques Grade B Certificate in metallurgical industry (mine engineering) issued by the Ministry of Construction of the PRC. As disclosed in the Letter, according to the possible production and operation plans of the Company, the overall production of the Company is expected to increase by approximately 8% and 10% for the two financial years ending 31 December 2016 and 31 December 2017, respectively, resulting from an expected increase in the production from the Xiadian Gold Mine, the Dayingezhuang Gold Mine, the Zaozigou Gold Mine, anticipated external acquisition projects as mentioned above, smelting business and other by-products. It is expected that an increase in revenue following an increase in production shall bring about an increase in cash inflow to the Company. As such, the Directors expect that the output of the gold of the Group for the three years ending 31 December 2017 will increase. Given the positive correlation between the expected increase in output and sales and the increase in cash inflow, we are of the view that it is fair and reasonable to project the GFSA Deposit Services Cap by referencing to the expected increase in output of the Group and the historical cash positions for the years ending 31 December 2017.

According to the 2014 Annual Report, the Company issued a super short-term bond to the public with a par value of RMB1 billion on 23 January 2015 and issued a medium-term note to institutional investors in the PRC inter bond market with a par value of RMB500 million on 18 March 2015. Based on the result announcement of the annual general meeting held on 27 May 2015 of the Company, the resolution in respect of issuance of super short-term bonds of not more than RMB4.0 billion in the PRC has been approved. As disclosed in the Letter, according to the possible financing plan of the Company, the expected capital to be raised by the Company through possible issue of corporate bonds, short-term notes or super-short-term notes are RMB2.2 billion and RMB2.7 billion for the two financial years ending 31 December 2016 and 31 December 2017, respectively, the deposit and cashflow of the Company and its subsidiaries in 2016 and 2017 is expected to increase resulting from the possible implementation of such financing plan in the ensuing two years.

Although the maximum daily balance of deposit of the Company for the year ended 31 December 2014 already exceeded the GFSA Deposit Services Cap for the year ending 31 December 2015, based on the grounds that (i) Finance Company was only incorporated on 1 July 2015, it did not offer deposits services to the Group in the past, for prudence sake, it would be reasonable for Finance Company and the Group to set the cap for the year ending 31 December 2015 at lower level as compared to the maximum daily balance of the Company for the year ended 31 December 2014 at the start up stage of Finance Company; (ii) the Group Financial Services Agreement does not preclude the Group from using the deposit services of other financial institutions and the Group has the right to select any other independent major commercial banks or financial institutions in the PRC as its financial services providers as it, from time to time, thinks fit and appropriate for the benefit of the Group and thus it creates greater flexibility to the Group; and (iii) the GFSA Deposit Services Cap for the year ending 31 December 2015 was lower than the cash and cash equivalent balance of the Group as at 31 December 2014, we concur with the Directors' view that the GFSA Deposit Services Cap for the year ending 31 December 2015 at a lower level of the maximum daily balance of deposit of the Company for the year ended 31 December 2014 is reasonable.

Having considered (i) the increase of the gold output of the Group in recent years; (ii) the expected upward trend of the gold output of the Group; (iii) the expected increase in gold prices; (iv) possible financing plan of the Company (if implemented); and (v) general rising trend of price level in the PRC which will lead to the increase in level of deposit of the Group, we consider the GFSA Deposit Services Cap (including the increasing trend) are acceptable.

The GFSA Deposit Services Cap was determined by the management based on assumptions, among others, the production volume of the Group, increase in gold prices and the possible implementation of financing plan of the Group. Accordingly, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction in comparison to the GFSA Deposit Services Cap.

Bill discounting services

The proposed annual caps for the bill discounting services (including interest accrued thereon) pursuant to the Group Financial Services Agreement for the three years ending 31 December 2017 (the "**GFSA Bill Discounting Services Cap**") are as follows:

	For the year ending 31 December 2015 *(RMB'billion)*	**For the year ending 31 December 2016** *(RMB'billion)*	**For the year ending 31 December 2017** *(RMB'billion)*
Maximum daily balance of bill discounting services (including interest thereon)	0.5	1.0	1.0

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between the Group and Finance Company in the past.

As stated in the Letter, the above caps are arrived at after considering the anticipated level of bill discounting services required by the Group for the three years ending 31 December 2017 in view of the business plan of the Group to fully utilise the electronic bill discounting system of Finance Company. Also, the Directors confirm that the proposed cap also considered (i) the estimated future business growth of the Group; and (ii) the intention to better utilise the platform of Finance Company. According to the plan of the Group, the Group will proceed to promote its online commercial bill services and establish in-house rules about monthly settlement of current funds with internal enterprises. Internal enterprises which temporarily do not have fund for settlement will be required to issue commercial bills or e-acceptance bill to be accepted by Finance Company for settlement. As such, the Company expects that this would bring a larger internal pool of bills. Holders of the bills may make discount on the bills with Finance Company at any time. According to information currently available, the internal current fund of the Group for 2014 was approximately RMB1.089 billion. Therefore, the maximum daily balance of bill discounting services is set at RMB1.0 billion for each of the year ending 31 December 2016 and 31 December 2017.

The Directors confirmed that the Group did not have bill discounting arrangement in recent years. The proposed caps for the year ending 31 December 2015, 2016 and 2017 represented only approximately 8.9%, 17.8% and 17.8% of the total revenue of the year ended 31 December 2014, respectively. The proposed caps for the year ending 31

December 2015 represented 50% of that for the years ending 31 December 2016 and 2017. As Finance Company was only incorporated on 1 July 2015, it did not have bill discounting arrangement with the Group in the past, for prudence sake, as the bill discounting services would be at start up stage in the year ending 31 December 2015, it would be reasonable for Finance Company and the Group to set the cap for the year ending 31 December 2015 at generally half of the caps for the years ended 31 December 2016 and 2017 based on the pro rata of timeframe.

Having considered that (i) the bill discounting served as an additional funding source to the Group for its short term financing needs; (ii) the proposed caps were not be set at an unreasonably high level as compared to the Group's revenue; (iii) the proposed annual caps only reflect the maximum amount of bills discounting services that Finance Company may provide to the Group and the Group has no commitment on the minimum amount of services to render; and (iv) the relevant pricing policies and internal control procedures as stated in the Letter can safeguard the bill discounting services to be conducted on normal commercial or even more favorable terms, we are of the view that the GFSA Bill Discounting Services Cap is fair and reasonable, and in the interest of the Company and Shareholders as a whole.

The GFSA Bill Discounting Services Cap was determined by the management based on assumptions, among others, the anticipated level of bill discounting services to be conducted. Accordingly, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction in comparison to the GFSA Bill Discounting Services Cap.

Deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement

Major terms

Pursuant to the Parent Group Financial Services Agreement, Finance Company agreed to provide various financial services, including but not limited to the deposits services, loan services and bill discounting services, to Shandong Zhaojin Group.

Shandong Zhaojin shall choose Finance Company to provide deposit services to Shandong Zhaojin Group and the deposit services and deposit products to be provided shall comply with the requirements of PBOC. The interest rate for the deposit 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 deposit services in the PRC and the interest rate to be offered shall not be higher than the interest rate provided by Finance Company for the provision of same services to other parties.

Shandong Zhaojin shall choose Finance Company to provide loan and financing (including bill discounting) services to Shandong Zhaojin Group and the interest rate for the loan and 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 loan and financing (including bill discounting) services in the PRC. The interest rate for the provision of loan and financing services (including bill discounting) 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 loans and financing services (including bill discounting) to other parties.

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

Internal control on pricing

As disclosed in the Letter, the interest rate for deposit services, loan services and bill discounting services are arrived at after considering the interest rates charged/provided by other independent major commercial banks and/or financial institutions in the PRC for provision of similar loan services, deposit services and bill discounting services, which will be satisfied by comparing of the interest rates charged/offered by Finance Company to Shandong Zhaojin 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 Parent Group Financial Services Agreement.

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

Based on the above, we are of the view that the setting up of internal control measures for the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement are fair and reasonable and can help to ensure that the terms of the services will be on normal commercial terms and are fair and reasonable.

Reasons for and benefits of the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement

As set out in the Letter, (i) the interest rates provided on deposits of Shandong Zhaojin 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 and bill discounting 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, thus the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement will result in generating additional business and revenue stream to the Group, which will in turn benefit the Company and the Shareholders as a whole.

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

We have obtained and reviewed the credit rating report of Shandong Zhaojin issued by one of the largest commercial bank of China dated 23 June 2015 provided by the Company, the credit rating of Shandong Zhaojin was the fifth grade, being the highest class in this regard, which indicated that Shandong Zhaojin had good capability for loan repayment. As advised by the management of the Company, the Group will review the financial statements, repayment history, and credit report of Shandong Zhaojin before entering into formal bill discounting and loan agreements. As a result, the Group can evaluate the latest financial performance and position of Shandong Zhaojin before providing funds to Shandong Zhaojin, which allow the Group effectively control the default risks arising from the provision of funds to Shandong Zhaojin. We have reviewed the unaudited financial statements of Shandong Zhaojin Group for the year ended 31 December 2014 provided by the Company, and we are of the view that Shandong Zhaojin Group had a fairly sound financial position for the year ended 31 December 2014.

Details of the pricing policies are set out in the subsection headed "Internal control on pricing" above in this letter. As stated in the Letter, for the purposes of the Parent Group Financial Services Agreement, Finance Company has set up internal guidelines of capital risks control measures, among others, the safety and stability operation of the funds management information system, strict compliance with the risk management with reference to indicators for financial institutions issued by CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of CBRC. We concur with the Directors' view that the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement are fair and reasonable and can help to ensure that the terms of the services will be on normal commercial terms and even more favourable terms.

We have searched and reviewed all the announcements issued by companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange in the Relevant Period regarding those the finance companies of listed issuers which were non-bank financial institutions approved and supervised by CBRC which received deposits from, borrowed loans and/or providing bills discounting services to its connected persons which constituted continuing connected transactions (the "**PGFSA Comparable Transactions**"). We identified 4 PGFSA Comparable Transactions which represent an exhaustive list of all comparables to the deposit services, loan and/or bill discounting services announced during the Relevant Period and are representative comparables. We note that all PGFSA Comparable Transactions required (i) the deposit interest rates offered by the relevant finance companies to the connected persons reference to (a) the deposit interest rates as announced by the PBOC from time to time; and/or (b) the interest rates provided by other independent commercial banks or financial institutions in the PRC for deposits of similar nature and under terms which is similar to the relevant terms of the Parent Group Financial Services Agreement; and (ii) the interest rates charged by the finance companies to the relevant listed issuers reference to the interest rates charged by other independent commercial banks or financial institutions in the PRC of similar nature and under terms which is similar to the relevant terms of the Parent Group Financial Services Agreement.

Having considered that (i) the financial benefits to be brought by the deposit services and bill discounting services; (ii) the pricing policy of the deposit, loan and bill discounting services under the Parent Group Financial Services Agreement; (iii) the Group has implemented internal control procedures to ensure that the terms of the financial services provided are fair and reasonable; and (iv) the terms regarding the interest rates, deposit rates and/or bill discounting rates to be offered/charged by Finance Company to the Shandong Zhaojin Group under the Parent Group Financial Services Agreement are comparable to that of the PGFSA Comparable Transactions, we concur with the Directors' view that the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable.

Proposed annual caps and basis of determination

Deposit services

The proposed annual caps for the deposits services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2017 (the "**PGFSA Deposit Cap**") are as follows:

	For the year ending 31 December 2015 *(RMB'billion)*	**For the year ending 31 December 2016** *(RMB'billion)*	**For the year ending 31 December 2017** *(RMB'billion)*
Maximum daily balance of deposits to be deposited by Shandong Zhaojin Group with Finance Company (including interest accrued thereon)	1.5	2.0	3.0

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between the Group and Finance Company in the past.

As stated in the Letter, the PGFSA Deposit Services Cap was determined by the Company with reference to the followings:

(i) the level of cashflow of Shandong Zhaojin and its subsidiaries in the past, e.g. the cash and cash equivalent of Shandong Zhaojin and its subsidiaries as at 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB1.763 billion, RMB1.918 billion and RMB1.896 billion, respectively. The average level of cashflow for the past three financial years was approximately RMB1.859 billion;

(ii) the expected increase in deposit of Shandong Zhaojin and its subsidiaries in 2016 and 2017 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 two years, including the possible issue of corporate bonds or super-short-term notes, etc; and

(iii) 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 two years.

We have discussed with the management of the Group on the bases and assumptions adopted in determining the PGFSA Deposit Services Cap. We were advised that the proposed cap for the year ending 31 December 2015 generally represented the average of the cash and cash equivalents of the Group as at 31 December 2012, 31 December 2013 and 31 December 2014 with a discount of approximately 19.4%. As advised by the management of the Company, because the Parent Group Financial Services Agreement does not preclude Shandong Zhaojin from using the services of other major independent commercial banks and financial institutions in the PRC and Shandong Zhaojin Group has the right to select any other major and independent commercial banks or financial institutions in the PRC as its financial services providers and the Group has the right to select whether to accept the deposits from Shandong Zhaojin, thus it is the intention that the proposed cap for the year ending 31 December 2015 would be set at a lower level since the commencement of the deposits service. The proposed caps for the years ending 31 December 2016 and 2017 represented an increase of approximately 33.3% and 50% over the proposed cap of preceding year, of which the PGFSA Deposit Services Cap included the interest to be accrued thereon.

Such increase was mainly because the deposit and cashflow of Shandong Zhaojin Group in 2016 and 2017 is expected to increase resulting from the possible implementation of financing plan of Shandong Zhaojin Group in the ensuing two years, including the possible issue of corporate bonds or super-short-term notes as disclosed in the Letter. As disclosed in the Letter, according to the possible financing plan of Shandong Zhaojin, the expected capital to be raised by Shandong Zhaojin through possible issue of corporate bonds, short-term notes or super-short-term notes are RMB1.5 billion and RMB2.3 billion for the two financial years ending 31 December 2016 and 31 December 2017, respectively, which is expected to bring an increase in cash inflow to Shandong Zhaojin.

Moreover, according to the possible production and operation plans of Shandong Zhaojin, the overall production of Shandong Zhaojin is expected to increase by approximately 6% and 8% for the two financial years ending 31 December 2016 and 31 December 2017, respectively resulting from an expected integration of refinery value chain, an expansion of jewellery retailing channel for end-users and the development of B2B precious metal business of Shandong Zhaojin. It is expected to bring an increase in the cash inflow of Shandong Zhaojin which will eventually lead to an increase in the daily maximum balance of deposit of Shandong Zhaojin with Finance Company.

Although the maximum daily balance of deposit of the Company for the year ended 31 December 2014 already exceeded the PGFSA Deposit Services Cap for the year ending 31 December 2015, based on the grounds that (i) Finance Company was only incorporated on 1 July 2015, it did not offer deposits services to Shandong Zhaojin Group in the past, for prudence sake, it would be reasonable for Finance Company and Shandong Zhaojin Group to set the cap for the year ending 31 December 2015 at lower level at start up stage as compared to the maximum daily balance of the Company for the year ended 31 December 2014; and (ii) the Parent Group Financial Services Agreement does not preclude the Shandong Zhaojin Group from using the deposit services of other financial institutions and Shandong Zhaojin Group has the right to select any other independent major commercial banks or financial institutions in the PRC as its financial services providers as it, from time to time, thinks fit and appropriate, we concur with the Directors' view that the PGFSA Deposit Services Cap for the year ending 31 December 2015 at a lower level of the maximum daily balance of deposit of the Company for the year ended 31 December 2014 is reasonable.

Having considered that (i) the provision of deposits services under the Parent Group Financial Services Agreement fall within the ordinary business of the Finance Company and will security cash inflow and thus generate income for the Group; (ii) the provision of deposits services under the Parent Group Financial Services Agreement will be conducted on normal commercial terms; and (iii) the possible financing plan of Shandong Zhaojin and the possible production and operation plans of Shandong Zhaojin which in turn will create possible higher level of cashflow, we consider the PGFSA Deposit Services Cap is acceptable.

The PGFSA Deposit Services Cap was determined by the management based on assumptions, among others, the possible implementation of financing plan of Shandong Zhaojin. Accordingly, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction in comparison to the PGFSA Deposit Services Cap.

Bill discounting services

The proposed annual caps for the bill discounting services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2017 (the "**PGFSA Bill Discounting Services Cap**") are as follows:

	For the year ending 31 December 2015 *(RMB'billion)*	**For the year ending 31 December 2016** *(RMB'billion)*	**For the year ending 31 December 2017** *(RMB'billion)*
Maximum daily balance of bill discounting services (including interest thereon)	0.5	1.0	1.0

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between Finance Company and Shandong Zhaojin Group in the past.

As stated in the Letter, the above caps are arrived at after considering the anticipated level of bill discounting services required by Shandong Zhaojin Group for the three years ending 31 December 2017 in view of the business plan of the Group to fully utilise the electronic bill discounting system of Finance Company. According to the plan of Shandong Zhaojin Group, Shandong Zhaojin will proceed to promote its online commercial bill services and establish in-house rules about monthly settlement of current funds with internal enterprises. Internal enterprises which temporarily do not have fund for settlement will be required to issue commercial bills or e-acceptance bill to be accepted by Finance Company for settlement. As such, the Company expects that this would bring a larger internal pool of bills of Shandong Zhaojin Group. Holders of the bills may make discount on the bills with Finance Company at any time. According to information currently available, the internal current fund of Shandong Zhaojin for 2014 was approximately RMB1.0 billion. Therefore, the maximum daily balance of bill discounting services is set at RMB1.0 billion for each of the year ending 31 December 2016 and 31 December 2017.

The proposed caps for the years ending 31 December 2015, 2016 and 2017 represented only less than 5% of the total unaudited consolidation revenue of Shandong Zhaojin Group for the year ended 31 December 2014, respectively. The proposed cap for the year ending 31 December 2015 represented 50% of that for the years ending 31 December 2016 and 2017. As Finance Company was only incorporated on 1 July 2015, it did not have bill discounting arrangement with Shandong Zhaojin Group in the past, for prudence sake, as the bill discounting services would be at start up stage in the year ending 31 December 2015, it would be reasonable for Finance Company and Shandong Zhaojin Group to set the cap for the year ending 31 December 2015 at generally half of the caps for the years ending 31 December 2016 and 2017 based on the pro rata of timeframe.

Having considered that (i) the proposed caps were not be set at an unreasonably high level as compared to the total unaudited consolidation revenue of Shandong Zhaojin Group; (ii) the Company had safeguarded its interest income during such determination; (iii) the proposed annual caps only reflect the maximum amount of bills discounting services that Finance Company may provide to Shandong Zhaojin Group and Finance Company has no commitment on the minimum amount of services to render; and (iv) the relevant pricing policies and internal control procedures as stated in the Letter can safeguard the bill discounting services to be conducted on normal commercial or even more favorable terms, we are of the view that the PGFSA Bill Discounting Cap are fair and reasonable, and in the interest of the Company and Shareholders as a whole.

The PGFSA Bill Discounting Cap was determined by the management based on assumptions, among others, the anticipated level of bill discounting services to be conducted. Accordingly, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction in comparison to the PGFSA Bill Discounting Services Cap.

Loan services

The proposed annual caps for the loan services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2017 (the "**PGFSA Loan Services Cap**") are as follows:

	For the year ending 31 December 2015 *(RMB'billion)*	**For the year ending 31 December 2016** *(RMB'billion)*	**For the year ending 31 December 2017** *(RMB'billion)*
Loan (including interest accrued thereon) to be provide by Finance Company to Shandong Zhaojin Group	4.0	6.0	8.0

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between Finance Company and Shandong Zhaojin Group in the past.

As stated in the Letter, the above annual caps in respect of the provision of loan services are arrived at after considering the level of loan and financing services required by Shandong Zhaojin Group in view of the development and operation plan of Shandong Zhaojin Group in the three years ending 31 December 2017, which represented the maximum amounts of loans to be provided by Finance Company to Shandong Zhaojin Group. Based on our discussion with the Company, the proposed annual caps were also determined based on (i) the historical and projected cash flow requirement of Shandong Zhaojin Group and the amounts of normal trade transactions; (ii) the intention to better utilise the platform of Finance Company; and (iii) earning interest instead of leaving the surplus of Finance Company as idle cash.

According to the 13th five-year plan of Shandong Zhaojin, Shandong Zhaojin will focus on investment in internet, finance and logistics industries, construction of intelligent mine and intelligent city, improvement and upgrading work of technology and equipment, and real estates and other related businesses in the coming three years.

Based on the information provided by the management of the Group, the proposed annual caps for the loan services pursuant to the Parent Group Financial Services Agreement of the years ending 31 December 2016 and 2017 represented less than 50% of the average total cash inflow from financing activities for the three years ended 31 December 2014 of Shandong Zhaojin Group. Moreover, we understand from the management of the Company that Shandong Zhaojin have expansion plan in the three years ending 31 December 2017. We have discussed with the management and understand that the funds to be obtained by Shandong Zhaojin for the three years ending 31 December

2017 pursuant to the Parent Group Financial Services Agreement are intended to be used for its working capital and future expansion plan and projects, including but not limited to its gold refining, terminal retail, investment, logistics and other services segment. The proposed cap for the loan services pursuant to the Parent Group Financial Services Agreement for the year ending 31 December 2015 if annualised (assuming the proposed cap will be approved in September 2015) represented over 70% of average total cash inflow from financing activities for the three years ended 31 December 2014 of Shandong Zhaojin Group, as advised by the management of the Company, which was mainly due to the funding needs of gold occupational institution to be implemented and constructed by Shandong Zhaojin Group.

According to the Letter, the maximum amount of loan to be obtained by Shandong Zhaojin Group from Finance Company is RMB4.0 billion in 2015, it is expected that Shandong Zhaojin Group will use (i) approximately RMB2.5 billion of the loan for repayment of due borrowing; (ii) approximately RMB0.2 billion of the loan for the construction of Gold Vocational College; and (iii) approximately RMB1.3 billion of the loan as replenishment of liquid capital. The maximum amount of loan to be obtained by Shandong Zhaojin Group from Finance Company is RMB6.0 billion in 2016, it is expected that Shandong Zhaojin Group will use (i) approximately RMB1.5 billion of the loan as investment fund for the development of its internet and finance businesses; (ii) approximately RMB1.0 billion of the loan as investment fund for the construction of intelligent mine and intelligent city; (iii) approximately RMB1.5 billion of the loan for repayment of due borrowing; and (iv) approximately RMB2.0 billion of the loan as replenishment of liquid capital. The maximum amount of loan to be obtained by Shandong Zhaojin Group from Finance Company is RMB8.0 billion in 2017, it is expected that Shandong Zhaojin Group will use (i) approximately RMB0.5 billion of the loan as investment fund for the improvement and upgrading work of technology and equipment of Shandong Zhaojin Group; (ii) approximately RMB2.0 billion of the loan for the development of its real estate business; (iii) approximately RMB0.5 billion of the loan as investment fund for development of its internet and finance businesses; (iv) approximately RMB2.8 billion of the loan for repayment of due borrowing; and (v) approximately RMB2.2 billion of the loan as replenishment of liquid capital. It is noted that save for the repayment of due borrowing and working capital purpose, the loan to be obtained by Shandong Zhaojin will be mainly used for its investment fund for the development of internet and finance businesses, construction and upgrading of technology and equipment of Shandong Zhaojin Group. Based on the information provided by the management of the Company, the average cash used in investing activities of Shandong Zhaojin Group (excluding the Company) for the three years ended 31 December 2014 amounted to approximately RMB2 billion and the cash used in investing activities of Shandong Zhaojin Group (excluding the Company) followed an increasing trend from the year ended 31 December 2011 to the year ended 31 December 2013. Moreover, based on the information provided by the management of the Company, the average cash used in financing activities of Shandong Zhaojin Group (excluding the Company) for the three years ended 31 December 2014 amounted to approximately RMB7 billion and generally followed an increase trend from the year ended 31 December 2012 to the year ended 31 December 2014. Based on such and as compared with the abovementioned historical cash level used in investing and financing activities, we are of the opinion that the PGFSA Loan Services Cap were reasonably set.

Having considered that (i) the better use of funds of the Group and Finance Company; (ii) the financial performance of Shandong Zhaojin Group; (iii) the proposed caps were not being set at an unreasonably high level as compared to the historical financing activities of Shandong Zhaojin Group; (iv) the Company had safeguarded its interest income during such determination; (v) the proposed annual caps only reflect the maximum amount of loan services that Finance Company may provide to Shandong Zhaojin Group and Finance Company has no commitment on the minimum amount of provision of loan to render; and (vi) the relevant pricing policies and internal control procedures as stated in the Letter can safeguard the loan services to be conducted on normal commercial or even more favorable terms, we are of the view that the PGFSA Loan Services Cap are fair and reasonable, and in the interest of the Company and Shareholders as a whole.

The PGFSA Loan Services Cap was determined by the management based on assumptions, among others, the anticipated level of financing to be provided to Shandong Zhaojin and the respective expansion and financing plan of Shandong Zhaojin. Accordingly, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction in comparison to the PGFSA Loan Services Cap.

Annual review of the continuing connected transaction

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, deposits services and bill discounting services under the Group Finance Services Agreement and the deposit services, loan services and bill discounting services under the Parent Group Finance Services Agreement (collectively the "**CCTs**") are subject to the following requirements:

(i) the independent non-executive Directors must confirm in the annual reports and accounts whether the CCTs have been entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- according to the agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;

(ii) the Company must engage its auditors to report on the CCTs for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the CCTs:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;

- were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
- has exceeded the proposed caps.

In view of the CCTs will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the CCTs and safeguard the interests of the Independent Shareholders.

D. RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the deposits services and bill discounting services under the Group Finance Services Agreement and the deposit services, loan services and bill discounting services under the Parent Group Finance Services Agreement have been entered into within the ordinary and usual course of the Group's business based on normal commercial terms, and the terms thereof together with the relevant proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the transactions and the adoption of the respective proposed caps at the EGM.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Deputy Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Quam Capital to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 15 years of experience in the finance and investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2012 has been disclosed on pages 90 to 204 of the annual report of the Company for the year ended 31 December 2012 published on 8 April 2013; (ii) for the year ended 31 December 2013 has been disclosed on pages 81 to 208 of the annual report of the Company for the year ended 31 December 2013 published on 9 April 2014; (iii) for the year ended 31 December 2014 has been disclosed on pages 107 to 260 of the annual report of the Company for the year ended 31 December 2014 published on 9 April 2015; All the above annual reports of the Company have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zhaojin.com.cn).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

2015 was the "year for quality improvement and efficiency enhancement" as resolved by the Company when quality, efficiency, compliance and stability became the "new formality" of the Company. The Company continuously adjusted and optimized the structure, accelerated the internal reform and promoted the innovation of management model so as to constantly strengthen the quality and strength of efficient development and low-cost operation. In addition to the persistence in economic benefits as the focus, the Company proactively adopted countermeasures against the declining gold price in the market, with a view to ensuring the accomplishment of the annual operation objectives as scheduled, as well as creating greater value for shareholders, employees and the society.

I. The Company focused on quality and efficiency, while keeping a close eye on the annual goal to achieve all the targets in 2015 by overcoming difficulties and developing supporting measures. Priority was given to solve the prominent problems and eliminate the bottlenecks in the production, to vitalize the production.

II. The Company further optimized the internal management to enhance its quality and standard. For the production management, by establishing the awareness of efficient production, the Company adopted dynamic management on mining plans and mining sites, and adjusted the cut-off grade on a timely manner according to the changes in gold price, cost and target profit, to enhance the efficiency of project investment. Regarding to cost management, the Company adhered to its good tradition of diligence and thriftiness to strengthen the control over the budget for non-productive expenditure and non-productive enterprises. On the other hand, logistic management, energy management, project management and other fields complied with the advanced standards of the industry and the excellent enterprises in the Group based on the requirements of sophisticated work, to create the atmosphere of "to emulate, learn from, catch up with, help and in turn surpass each other".

III. The Company steered its scientific investment to support the innovation in fundamental enterprises and backbone mines. On one hand, it continued to carry forward the ten major researches and the ten major innovation projects with the main purpose of making breakthrough and new progress in the research of solving difficulties in processing and smelting, the optimization of mining technology and the geological prospection in Gansu region. In the meantime, quality resources were focused on the project of comprehensive utilization of tailings to maximize the economic benefit. On the other hand, the integration of scale production, mechanization, automation and informatization was carried forward, for which RMB100 million was invested to equipment renewal and renovation and acquisition of key equipment for infrastructure's technical innovation. The share of mechanized was increased to over 90% of the overall operation of the Company. In terms of management innovation, the Company was committed to the reform in the six key areas, namely effective assessment model, corporate governance structure, re-formulating system and procedure, headquarters' departments construction and cadres management, to further stimulate the favorable fundamentals brought about by the reform and to strengthen the endogenous power of the Company.

IV. The Company will continue to prioritize the construction of the comprehensive recycling model base of gold resources in Shandong Province, supplemented by ongoing production, mining and processing ancillaries to ensure continuous production. The Company will mainly focus on major projects, such as the Xiadian Gold Mine demonstration project of safe and effective exploration and utilization in deep mine under the hyperbaric environment at high temperature, the Dayingezhuang Gold Mine demonstration project of low grade resources development and utilization, the Zhaojin Jinhe demonstration project of comprehensive recycling gold tailings, the new metallurgy technique procedure of catalyzed oxidation and acid leaching and the industrial development project for the refractory gold and silver concentrates with arsenic in the Jinchiling Gold Mine and the smelting project of precious metal extraction through chlorination and volatilization in Gansu.

V. The Company will proactively expand financial channels, cement major financial channels such as banks and inter-bank markets, take the advantages of the industrial chain financing of Finance Company, and study on various financial means to ensure the healthy operation of the capital chain; meanwhile, the Company will also effectively enhance its own profitability and improve the financial conditions so as to maximize the investment return by improving the financial bargain power and reducing the financial costs.

VI. More efforts will be made on enhancing corporate compliance through the cultivation of legal and moral consciousness throughout the Company. On one hand, the Company will strictly comply with the relevant laws and regulations promulgated in the PRC while adhering to the red lines of safety and ecological and environmental protection to ensure production safety. On the other hand, the

Company will strengthen the professional ethics education among cadres and other employees to create good atmosphere of praising ethnics and goodness and being virtuous and benevolent. The new culture of "greatness comes from solidarity (大道合行)" will be rooted in the Company, advocating the philosophy of "reverence, gratefulness, loyalty and dedication" in the new age. In addition, the Company will fulfill its social responsibility at a higher level while coordinating its internal and external relationships well. It will establish a fair and righteous internal distribution mechanism and strengthen the development of harmonious community to create a virtuous business ecosystem.

The discussion below should be read together with the audited financial statements and the notes thereof set out in the 2012 annual report and the unaudited financial statements and the notes thereof set out in the 2015 interim report of the Group.

3. INDEBTEDNESS

As at the close of business on 30 June 2015, the Group had unaudited outstanding interest-bearing bank and other borrowings of approximately RMB9,506,958,000, bonds outstanding of RMB2,692,197,000 and outstanding principal of gold lease of RMB2,588,423,000.

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 June 2015.

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 June 2015.

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 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 Group Financial Services Agreement will not also impede the Group from entering into similar agreements with other financial institutes when it considers necessary.

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

1. RESPONSIBILITY STATEMENT

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

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

As at the Latest Practicable Date, none of the Directors 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 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 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 had any direct or indirect interest in any assets which have been, since 31 December 2014 (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. Lu Dongshang and Mr. Weng Zhanbin are directors of Shandong Zhaojin Group. Shandong Zhaojin Group is principally engaged in the business of gold exploration, mining and refining and has investments in gold exploration, mining, smelting and refining and other gold-related businesses.

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

6. EXPERTS AND CONSENTS

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

Name	Qualifications
Quam Capital Limited	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Advisor and 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 Advisor 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 Advisor did not have any direct or indirect interest in any assets which have been, since 31 December 2014 (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.

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 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

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

9. GENERAL

(a) The branch share registrar and transfer office for H Shares is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(b) The company secretary of the Company is Ms. Mok Ming Wai, who is a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

(c) The qualified accountant of the Company is Mr. Nelson Ving Lung Ma, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) In the event of inconsistency, the English texts of this circular and the accompanying form of proxy prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the Articles of Association;

(b) the financial information of the Company as set out in Appendix I of this Circular;

(c) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" in this Appendix;

(d) the Group Financial Services Agreement;

(e) the Parent Group Financial Services Agreement;

(f) the consent letter and letter of advice from Quam Capital dated 31 August 2015; 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) On 23 May 2013, the Company entered into a purchase and sale contract in relation to trolleys with Sandvik Mining and Engineering Machinery Trading (Shanghai) Limited* (山特維克礦山工程機械貿易(上海)有限公司) at a total contract consideration of RMB17.0 million. The subject matters were two trolleys of Sandvik DL230 and two trolleys of Sandvik DD210.

(2) On 20 December 2013, the Company entered into an equipment procurement contract with Metso (Tianjin) International Trading Limited* (美卓礦機 (天津) 國際貿易有限公司) ("Metso"). The Company purchased pressure filters and corresponding technical service from Metso at a total contract consideration of RMB37.50 million.

(3) On 1 January 2014, the Company subcontracted the Canzhuang Gold Mine Xujiangtuan 297 Mainshaft and Winze Ore Loading System (蠶莊金礦徐家疃297主豎井溜井裝礦系統) and other relevant projects to Wenzhou Mine Workings Co., Ltd. (溫州礦山井巷工程有限公司). The said project was carried out under the general contract, comprising contract labour, fixed contract consideration, contract period, and contract quality. The general contract has a total consideration of approximately RMB15.6 million and a work period of 360 days.

(4) On 8 April 2014, the Company entered into a cooperative contract with China Metallurgical Geology Bureau Shandong Zhengyuan Geological Exploration Institute (中國冶金地質總局山東正元地質勘查院) in relation to the relevant matters of the "Drilling and Exploration Projects under Gold Mine Alternative Resources Exploration Funding in Hedong Mining Area of Zhaoyuan City, Shandong Province* (山東省招遠市河東礦區金礦接替資源勘查項目匹配資金鑽探工程施工)". The total contract consideration was approximately RMB10.50 million.

(5) On 15 December 2014, the Company and Shandong Boyan Mining Industry Company Limited* (山東博岩礦業有限公司) ("Boyan Mining") entered into an equity transfer agreement with four transferors, pursuant to which, the Company and Boyan Mining jointly acquired the 80% equity interest of Xiahe Binghua Mining Industry Company Limited* (夏河縣冰華礦業有限責任公司) ("Binghua Mining"), of which the 51% equity interest would be acquired by the Company at a total transaction price of not more than RMB900 million and the remaining 29% equity interest would be acquired by Boyan Mining at a total transaction price of not more than RMB520 million. Upon acquisition, the Company will hold the 51% equity interest of Binghua Mining, and Binghua Mining will become the non-wholly owned subsidiary of the Company.

(6) On 11 February 2015, the Company confirmed and signed a Capital Injection Agreement jointly with Shandong Zhaojin and Shandong Zhaojin Group Zhaoyuan Metallurgical Co., Ltd.* (山東招金集團招遠黃金冶煉有限公司) ("Zhaojin Metallurgical") to jointly inject capital to establish Finance Company. Pursuant to the Agreement, the Company will contribute RMB255 million, representing 51% of the registered capital; Shandong Zhaojin will contribute RMB200 million, representing 40% of the registered capital; and Zhaojin Metallurgical will contribute RMB45 million, representing 9% of the registered capital. The Finance Company obtained the approval from CRBC of the establishment on 2 January 2015 and the approval from Shandong Banking Regulatory Commission of the commencement of operation on 29 June 2015.

(7) On 15 March 2015, the Company entered into a construction project contract with estimated construction price of approximately RMB50 million with China 15th Metallurgical Construction Group Co., Ltd. (中國十五冶金建設集團有限公司). The contract term will be a total of 260 days. The project name is under the New Metallurgical Processing System and Industrial Development for Catalysis, Oxidization, Acid Soaking Techniques Used in Arsenic Gold and Silver Concentrates (First Phase), which is comprised of the construction and installation projects for ore grinding workshops, filter-pressing workshops, extraction workshops, multiple-element recycle workshops, and their supporting and ancillary facilities for Jinchiling Gold Mining Institute* (金翅嶺金礦院) in Zhaoyuan of Shandong Province.

(8) On 7 January 2012, Laizhou Ruihai Investment Limited* (萊州瑞海投資有限公司) ("Laizhou Ruihai") entered into an equity transfer contract with Yantai Jinshi Mining Investment Co., Ltd. (煙台金時礦業投資有限公司) ("Yantai Jinshi"), a wholly-owned subsidiary of the Company, pursuant to which Yantai Jinshi acquired the 63.86% equity interest Ruihai in Shandong Ruiyin Mining Development Limited (山東瑞銀礦業發展有限公司)* ("Shandong Ruiyin") held by Laizhou Ruihai. On 30 May 2015, Yantai Jinshi entered into a supplemental agreement with each of Laizhou Ruihai and the Company. Ultimately, Yantai Jinshi acquired the 63.86% equity interest of Shandong Ruiyin at a consideration of not more than RMB2,722.5 million. Shandong Ruiyin has controlled the maritime mining concession of northern sea area to Sanshan Island of Laizhou* (萊州三山島北部海域探礦權) through Laizhou Ruihai Mining Investment Limited. According to the resources survey report reviewed by and filed with the Ministry of Land and Resources, the aggregate gold reserves in the maritime zone were 470.47 tons (15.126 million ounces). Upon completion of the acquisition, Shandong Ruiyin will become the non-wholly owned subsidiary of the Company.

(9) On 10 June 2015, the Company received a notice from Yantai Joint Property Trading Center* (煙台聯合產權交易中心), confirming that the Company won the bid in the listed sales of the 60% equity interest of Beijing Oriental Yanjing Mining and Designing Limited* (北京東方燕京礦山工程設計有限責任公司)

("Oriental Yanjing") and was qualified to be transferred the 60% equity interest of Oriental Yanjing at the consideration of RMB10.137 million. Subsequent thereto, on 15 June 2015, the Company entered into a contract for the transaction of property rights with Shandong Zhaojin. Upon completion of the acquisition, the Company will hold the 60% equity interest of Oriental Yanjing which will in turn become a non-wholly owned subsidiary of the Company.