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ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code: 1818)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
REGARDING THE ACQUISITION OF
TWO MINING RIGHTS, LAND USE RIGHTS IN 20 PIECES OF
STATE-OWNED LAND PARCELS AND 100% EQUITY
INTEREST IN ZHAOYUAN GOLD SUPPLIES CENTRE COMPANY
LIMITED OWNED BY
SHANDONG ZHAOJIN COMPANY LIMITED**

TRANSFER AGREEMENT

The Board announced that, on 29 December 2015, the Company and Zhaojin Group (a controlling Shareholder) entered into the Transfer Agreement, pursuant to which, the Company agreed to acquire two mining rights in Luanjiahe and Zhangjiazhuang; land use rights in 20 state-owned land parcels; and 100% equity interest in the Supplies Centre, all of which are owned by Zhaojin Group for an aggregate consideration of RMB873,250,496, which shall be satisfied by the allotment and issue of Consideration Shares by the Company and cash payment.

The issue price of the Consideration Shares is RMB2.97 per Share.

LISTING RULES IMPLICATIONS

Since one or more than one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions under the Transfer Agreement is more than 5% and each of the applicable percentage ratios is less than 25%, the Acquisition constitutes discloseable transaction of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Zhaojin Group is a controlling Shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition (which involves the allotment and issue of the Consideration Shares) constitutes a connected transaction of the Company, which are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

WHITEWASH WAIVER

Upon completion of the Transfer Agreement in accordance with the terms and conditions therein, it is expected that Zhaojin Group (together with its parties acting in concert) will in aggregate be interested in 1,401,281,195 Shares, representing approximately 47.25% of the issued share capital of the Company as at the date of this announcement and approximately 43.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares). Under Rule 26.1 of the Takeovers Code, Zhaojin Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and its parties acting in concert unless the Whitewash Waiver is obtained from the executive director of the corporate finance division of the Securities and Futures Commission or any delegate of the executive director. In this regard, Zhaojin Group intends to make an application for the Whitewash Waiver in respect of the allotment and issue of the Consideration Shares. The Whitewash Waiver, if granted, will be subject to, among other things, approval by the Independent Shareholders at the general meeting and the relevant Class Meetings by way of a poll.

The executive director of the corporate finance division of the Securities and Futures Commission may or may not grant the Whitewash Waiver. It is one of the conditions precedent to completion of the Acquisition to obtain the Whitewash Waiver. In the event that the Whitewash Waiver is not granted or approved in the general meeting and the relevant Class Meetings, the Company may make adjustments to the term of the Transfer Agreement and/or the payment method of the consideration for the Acquisition. The Company will re-comply with the relevant requirements under the Listing Rules in such an event.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established by the Company to advise and make recommendation to the Independent Shareholders regarding the fairness and reasonableness of the terms of the Transfer Agreement and the transactions contemplated thereunder and the Whitewash Waiver so far as the Independent Shareholders are concerned. An Independent Financial Adviser will be appointed by the Company as soon as possible to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to Rule 19A.38 of the Listing Rules and the articles of association of the Company, allotment and issue of the Consideration Shares is also subject to approval by the H Shares Shareholders and the Domestic Shares Shareholders at the Class Meetings, by way of special resolution.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Acquisition; (ii) further information about the Whitewash Waiver; (iii) the recommendation of the Independent Board Committee in relation to the Acquisition and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver; (v) valuation report of the properties concerned owned by Zhaojin Group; (vi) the notice convening the general meeting and the relevant Class Meetings; and (vii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 26 February 2016 as additional time is needed by the Company to prepare and finalise the contents of the circular. Further announcement(s) will be made by the Company as and when appropriate.

Shareholders and potential investors are reminded that the completion of the Acquisition is subject to certain conditions set out in the paragraph headed "CONDITIONS PRECEDENT". The Acquisition may or may not proceed. Accordingly, investors and Shareholders should exercise caution when dealing in the Shares.

To establish and strengthen the business delineation between the Company and Zhaojin Group, reduce the number of connected transactions between the Company and Zhaojin Group and ensure the completeness and independence of the Company's business, the Company and Zhaojin Group entered into the Transfer Agreement to acquire two mining rights in Luanjiahe and Zhangjiazhuang; land use rights in 20 pieces of state-owned land parcels; and 100% equity interest in the Supplies Centre, all of which are owned by Zhaojin Group.

TRANSFER AGREEMENT

Date

29 December 2015

Parties

Vendor: Zhaojin Group

Purchaser: the Company

As at the date of this announcement, Zhaojin Group and its parties acting in concert are interested in 1,181,281,195 Shares in aggregate, representing approximately 39.83% of the total Shares in issue.

The Acquisition

Zhaojin Group agreed to transfer the (i) mining rights in Luanjiahe and Zhangjiazhuang; (ii) the land use rights of 20 state-owned land parcels; and (iii) the 100 % equity interest in the Supplies Centre to the Company.

DESCRIPTION OF THE ASSETS TO BE ACQUIRED

(1) Mining rights in Luanjiahe gold mine and Zhangjiazhuang gold mine in Zhaoyuan city, Shandong province

Mining rights in Luanjiahe gold mine, Zhaoyuan city, Shandong province was established on 5 March 2003 and subsequently underwent consolidation with five other mining rights in November 2010. Located at 10.8 km from the northeastern urban area in Zhaoyuan city, it is administered by the government of Fushan town, Zhaoyuan city and occupies an area of approximately 77.62 sq. km. The mining rights of Luanjiahe gold mine (332+333) have gold resources of 41.797 tonnes with an average grade of 5.45 grams per tonne. Among which, the gold 332 resources amounted to 18.083 tonnes with an average grade of 6.47 grams per tonne; whereas the gold 333 resources amounted to 23.714 tonnes with an average grade of 4.87 grams per tonne.

The mining rights in Luanjiahe gold mine comprises the integration of six mining rights of Zhaojin Group. Among the six mining rights initially acquired by Zhaojin Group, four mining rights were acquired at nil consideration upon application to Shandong Provincial Department of Land & Resources. The initial acquisition costs of the other two mining rights amounted to RMB727,600.

As at the date of this announcement, the mining works in the mine area subject to the mining rights in Luanjiahe gold mine have not yet commenced and therefore no revenue was recorded by Zhaojin Group for the two years ended 31 December 2013 and 31 December 2014. As at the date of this announcement, Zhaojin Group or the Company had not made any capital commitment with respect to the mining rights in Luanjiahe gold mine, and the total costs to be incurred with respect to the exploration of the mine area subject to the mining rights in Luanjiahe gold mine remained uncertain.

Mining rights in Zhangjiazhuang gold mine, Zhaoyuan city, Shandong province was established on 30 July 2004. Located at 8.8 km from the northeastern urban area in Zhaoyuan city, it is administered by the government of Linglong town, Zhaoyuan city and occupies an area of approximately 16.54 sq. km. Zhaojin Group has carried out various ways of exploration activities in the mine area over the past few years, including 1:50,000 and 1:10,000 geological surveys (revision surveys), control of trench works and drilling works over alternation zones, and discovered five layers of mineralisation with mineral grade ranging from 1.10 grams per tonne to 4.45 grams per tonne via drilling works respectively. This reflects the high prospecting potential in the region.

The mining rights in Zhangjiazhuang gold mine are acquired by Zhaojin Group at nil consideration upon application to Shandong Provincial Department of Land & Resources.

As at the date of this announcement, the mining works in the mine area subject to the mining rights in Zhangjiazhuang gold mine have not yet commenced and therefore no revenue was recorded by Zhaojin Group for the two years ended 31 December 2013 and 31 December 2014. As at the date of this announcement, Zhaojin Group or the Company had not made any capital commitment with respect to the mining rights in Zhangjiazhuang gold mine, and the total costs to be incurred with respect to the exploration of the mine area subject to the mining rights in Zhangjiazhuang gold mine remained uncertain.

Currently, Zhaojin Group legally owns the mining rights in Luanjiahe (Exploration Permit No.: T37120080302003833, valid from 1 January 2015 to 31 December 2016) and the mining rights in Zhangjiazhuang gold mine (Exploration Permit No.: T37120080702011505 valid from 1 April 2014 to 31 March 2016). Zhaojin Group is now in the process of carrying out the relevant procedures in extending the term of such exploration permit.

(2) Land use rights in 20 pieces of state-owned land parcels

The Company has leased the land use rights in 20 state-owned land parcels occupying a total area of 649,689.64 sq. m. from Zhaojin Group for production and operation. The owner of the 20 pieces of state-owned land parcels is Zhaojin Group.

The table below sets out the details of the land use rights in the 20 pieces of state-owned land parcels:

No.	Land use right certificate no.	Area (sq. m.)	Date of termination of the land use rights	Valuation date	Date of valuation report	Appraised value (RMB10,000)	Land valuation report no.	Land use	Location
1	Zhao Guo Yong [2015] No. 0513	4,406.70	2042.12.1	2015.9.10	2015.9.14	71.3900	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A256	Industrial use	Dayin'gezhuang Village, Qishan Town
2	Zhao Guo Yong [2015] No. 0512	570.00	2042.7.14	2015.9.10	2015.9.14	9.1770	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A255	Industrial use	Xiaoyin'gezhuang Village, Xiadian Town

No.	Land use right certificate no.	Area (sq. m.)	Date of termination of the land use rights	Valuation date	Date of valuation report	Appraised value (RMB10,000)	Land valuation report no.	Land use	Location
3	Zhao Guo Yong [2015] No. 0508	3,069.00	2042.7.14	2015.9.10	2015.9.14	49.4100	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A254	Industrial use	Xiaoyin'gezhuang Village, Xiadian Town
4	Zhao Guo Yong [2015] No. 0515	400.00	2042.7.2	2015.9.10	2015.9.14	6.5600	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A257	Industrial use	Dayin'gezhuang Village South, Qishan Town (Nantai Village)
5	Zhao Guo Yong [2005] No. 0316	1,334.00	2052.4.16	2015.9.10	2015.9.14	24.0100	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A258	Industrial use	Nantai Village, Qishan Town
6	Zhao Guo Yong [2005] No. 0305	822.00	2019.12.9	2015.9.10	2015.9.14	3.6990	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A251	Industrial use	Dayin'gezhuang Village, Qishan Town
7	Zhao Guo Yong [2005] No. 0306	11,821.00	2032.3.14	2015.9.10	2015.9.14	148.9400	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A252	Industrial use	Shengjiagou Village, Qishan Town
8	Zhao Guo Yong [2005] No. 0304	1,171.00	2052.4.16	2015.9.10	2015.9.14	21.0800	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A250	Industrial use	Dayin'gezhuang Village, Qishan Town
9	Zhao Guo Yong [2005] No. 0312	508.50	2032.3.14	2015.9.10	2015.9.14	6.4071	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A248	Industrial use	Shengjiagou Village, Qishan Town

No.	Land use right certificate no.	Area (sq. m.)	Date of termination of the land use rights	Valuation date	Date of valuation report	Appraised value (RMB10,000)	Land valuation report no.	Land use	Location
10	Zhao Guo Yong [2005] No. 0307	2,752.60	2054.8.20	2015.9.10	2015.9.14	53.4000	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A246	Industrial use	Dayin'gezhuang Village, Qishan Town
11	Zhao Guo Yong [2005] No. 0310	1,031.00	2032.3.14	2015.9.10	2015.9.14	12.9900	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A253	Industrial use	Shengjiagou Village, Qishan Town
12	Zhao Guo Yong [2015] No. 0511	132,038.50	2021.11.29	2015.9.14	2015.9.16	818.6400	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A262	Industrial use	Xizhixia Village North, Xiadian Town
13	Zhao Guo Yong [2015] No. 0514	361.00	2042.7.14	2015.9.10	2015.9.14	5.9565	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A245	Industrial use	Xiaoyin'gezhuang Village, Xiadian Town
14	Zhao Guo Yong [2004] No. 1183	1,512.00	2044.12.29	2015.9.14	2015.9.16	25.7000	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A263	Industrial use	Donghebei Village, Xiadian Town
15	Zhao Guo Yong [2004] No. 1185	6,289.94	2051.10.2	2015.9.14	2015.9.16	122.6500	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A264	Industrial use	Hedongwang Village, Canzhuang Town
16	Zhao Guo Yong [2015] No. 0509	10,661.00	2042.9.29	2015.9.14	2015.9.16	183.3700	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A265	Industrial use	Hedongwangjia Village, Canzhuang Town

No.	Land use right certificate no.	Area (sq. m.)	Date of termination of the land use rights	Valuation date	Date of valuation report	Appraised value (RMB10,000)	Land valuation report no.	Land use	Location
17	Zhao Guo Yong [2015] No. 0510	85,299.00	2042.6.28	2015.9.14	2015.9.16	1,407.4300	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A261	Industrial use	Hedongwangjia Village East and Wolongyangjia Village South, Canzhuang Town
18	Zhao Guo Yong [2005] No. 0308	3,034.40	2054.8.20	2015.9.10	2015.9.14	57.9600	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A247	Industrial use	Dayinge Village, Qishan Town
19	Zhao Guo Yong [2005] No. 0303	12,907.00	2032.3.14	2015.9.10	2015.9.14	162.6300	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A249	Industrial use	Dayin'gezhuang Village, Qishan Town
20	Zhao Guo Yong [2006] No. 2143	369,701.00	2016.12.2	2015.9.10	2015.9.14	517.5800	(Zhaoyuan City) Yan Wei Zheng Assessment [2015] (Valuation) No. A259	Industrial use	Dayin'gezhuang Village, Qishan Town
Total		<u>649,689.64</u>				<u>3,708.9796</u>			

With respect to the land use rights in 20 state-owned land parcels above, Zhaojin Group's initial acquisition costs amounted to RMB25,417,600. As at the end of November 2015, the book value was RMB11,687,900. Revenue before/after taxation attributable to the 20 state-owned land parcels for the year ended 31 December 2014 amounted to RMB4,417,600/RMB4,170,200, respectively; revenue before/after taxation attributable to the 20 state-owned land parcels for the year ended 31 December 2013 amounted to RMB4,478,300/RMB4,227,500, respectively. No profit from the above land parcels was recognised by Zhaojin Group for 2014 and 2013.

(3) Supplies Centre

The Supplies Centre is a wholly-owned subsidiary of Zhaojin Group. Established in 1992, Supplies Centre has a registered capital of RMB20 million and is principally engaged in steel mining, timber, equipment accessories and mineral processing reagent businesses.

Set out below is the unaudited consolidated financial information of the Supplies Centre prepared in accordance with PRC accounting standards:

	For the year ended 31 December	
	2013	2014
	RMB	RMB
Net profit before taxation	2,848,927.77	3,693,274.95
Net profit after taxation	2,136,695.83	2,769,956.21

According to the unaudited consolidated financial information of the Supplies Centre prepared in accordance with PRC accounting standards, the net assets of the Supplies Centre for the year ended 31 December 2014 was RMB22.94 million; and the revenue for the year ended 31 December 2014 was RMB96.15 million.

CONSIDERATION FOR THE TRANSACTION (COMPRISING CONSIDERATION SHARES AND CASH PAYMENT)

The total consideration for the Acquisition is RMB873,250,496 (comprising RMB778,394,400 as the consideration of the mining rights in Luanjiahe gold mine; RMB17,020,100 as the consideration for the mining rights in Zhangjiazhuang gold mine; RMB37,089,796 as the consideration for the land use rights in 20 state-owned land parcels; and RMB40,746,200 as the consideration for 100% equity interest in the Supplies Centre), which is arrived at after arm's length negotiation between the Company and Zhaojin Group with reference to the valuation in the assessment report issued by the Company Valuers with respect to the Transaction Target. The consideration for transaction shall be settled by way of issue and allotment of 220,000,000 Consideration Shares and cash payment of RMB219,850,496. The issue price of each Consideration Share is RMB2.97.

Based on the assessment report on the mining rights in Luanjiahe gold mine in Zhaoyuan city, Shandong province issued by the Mine Valuer, an independent third party of the Company, on 23 December 2015, as at the valuation date (i.e. 30 November 2015), the appraised value of the mining rights in Luanjiahe was RMB778,394,400 based on the discounted cash flow method.

The major valuation assumptions on the valuation of the mining rights in Luanjiahe gold mine are made on the premise that:

- (i) there is no material change to the price of mining products and the relevant national economic policies in the near future;
- (ii) the mining and processing techniques in mines are based on the actual and designed production techniques of Zhaojin Group;
- (iii) the market demand and supply basically remain the same; and
- (iv) the licensee of the mining rights has applied and obtained the mining permit in accordance with the national requirements with a production scale of 660,000 tonnes per annum and the mining activities become an ordinary course of business.

Based on the assessment report on mining rights of Zhangjiazhuang gold mine in Zhaoyuan city, Shandong province issued by the Mine Valuer, an independent third party of the Company, on 23 December 2015, as at the valuation date (i.e. 30 November 2015), the appraised value of the mining rights in Zhangjiazhuang was RMB17,020,100 based on the exploration cost effectiveness approach.

Based on 20 land valuation reports issued by Yantai Weizheng Land Property Evaluation Co., Ltd., an independent third party of the Company, on 14 September 2015 and 16 September 2015, the aggregate appraised value of the land use rights in 20 pieces of state-owned land parcels is RMB37,089,796 based on the land datum value method and market comparison approach.

Based on the asset assessment report on the entire equity interest held by the shareholder of the Supplies Centre, prepared by Shandong Zhengyuan Hexin Assets Appraisal Limited, an independent third party of the Company, on 6 November 2015, as at the valuation date (i.e. 30 September 2015), the appraised value of the entire 100% equity interest in the Supplies Centre is RMB40,746,200 based on the revenue valuation approach.

The major assumptions of the valuation of the entire equity interest in the Supplies Centre are made on the premise that:

- (i) the Supplies Centre shall maintain the same scope of business and model of operation as stated in the future growth plans of the Supplies Centre based on the existing management models and management levels;
- (ii) there is no material change to the relevant interest rates, exchange rates, tax base and tax rates and policy-based levies;
- (iii) there is no material difficulty in the recovery of receivables (i.e. bad debts) in the future and the Supplies Centre is capable of generating continuous and normal cash flows;
- (iv) the valuer does not consider (and cannot consider) the possible impacts of unforeseeable non-recurring gain/loss on the valuation results of the Supplies Centre for each of the accounting years. In other words, it is assumed that the Supplies Centre will only generate reasonable and foreseeable revenue each year;
- (v) the development of the Company is in line with the development plan provided to the valuer in the foreseeable future; there is no material adjustment to the policies of production and operation; and the estimated revenue, costs and expenses will materialise as scheduled in future operations; and
- (vi) the valuation results are based on the assumption of an open market.

Given that the valuations above involved the use of discounted cash flow approach in assessing the value of the mining rights in Luanjiahe and the use of revenue valuation approach in assessing the value of the Supplies Centre, such valuations are regarded as a profit forecast under Rule 14.61 of the Listing Rules. Pursuant to Rules 14.62 and 14A.68(7) of the Listing Rules, the Company will make a further announcement in accordance with the requirements under Rules 14.60A of the Listing Rules, which set out, among other things, the principal assumptions upon which the valuations were prepared, a letter from the Board setting out the confirmation that the valuations are made after due and careful enquiry, and the letter from the Company's auditors or reporting accountants confirming the results of its review of the accounting policies and calculations under the valuations as required by the Listing Rules.

An application has been made by the Company to the Stock Exchange for a waiver to the requirement under Rule 14.60A of the Listing Rules that such further announcement must be published within 15 business days after publication of this announcement. If such waiver is granted, it is expected that the further announcement will be made by the Company on or before 30 January 2016.

PRICING OF CONSIDERATION SHARES

The price of the Consideration Share is RMB2.97 per Share (the exchange rate of RMB against Hong Kong dollar shall be the middle rate announced by Bank of China Limited on 28 December 2015).

The issue price of each of the Consideration Shares shall be determined based on: (i) no less than 85% of the average price of H shares of the Company during 20 trading days immediately preceding the pricing reference date (average price of H Shares during 20 trading days immediately preceding the pricing reference date equals to total transaction amount of H Shares during 20 trading days immediately preceding the pricing reference date divided by the total transaction volume of H Shares during 20 trading days immediately preceding the pricing reference date); and (ii) no less than the audited net asset value attributable to the parent per Share of the Company as at 31 December 2014 (i.e. RMB2.92).

The pricing reference date shall be the date of this announcement.

The issue price of the Consideration Shares shall be adjusted accordingly in case of any ex-rights or ex-dividend activities regarding the Shares of the Company during the pricing reference date to the issue date.

The Directors (excluding independent non-executive Directors who will form their views upon considering the advice of the Independent Financial Adviser) of the Company consider that, the issue price of the Consideration Share is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

The Consideration Shares to be issued by the Company to Zhaojin Group pursuant to the Transfer Agreement, represents:

- (i) approximately 10.52% and 7.42% of the existing Domestic Shares in issue and the total existing registered share capital of the Company, respectively; and
- (ii) approximately 9.52% and 6.91% of the Domestic Shares in issue as enlarged by the issue of the Consideration Shares and the total registered share capital of the Company as enlarged by the issue of the Consideration Shares, respectively.

The aggregate nominal value of the Consideration Shares is RMB220,000,000. As at the date of this announcement, the market price of the H share was HK\$4.34 per H share.

The Consideration Shares shall be allotted and issued under the Specific Mandate to be obtained at the general meeting and the Class Meetings to be held by the Company, respectively.

Ranking

The Consideration Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares then in issue at the time of the allotment and issue of the Consideration Shares.

CONDITIONS PRECEDENT

The completion of the Acquisition under the Transfer Agreement is subject to the following conditions:

- (a) conditions to be satisfied jointly by the Company and Zhaojin Group:
 - (i) to obtain all necessary approvals, consents and permits required by all the governmental bodies and regulatory departments, including but not limited to Shandong SASAC in respect of the Transfer Agreement, the transactions contemplated thereunder and all the matters incidental or related to it; and
 - (ii) all such approvals, consents and permits have not caused any material change to any terms and conditions and content of the Transfer Agreement and the transactions contemplated thereunder.
- (b) conditions to be satisfied by the Company (or waived by Zhaojin Group provided that such waiver complies with the relevant laws):
 - (i) the completion of Company's relevant internal approval procedures for approving the acquisition of the Transaction Target, including but not limited to the passing of the resolutions by the Independent Shareholders at the general meeting, H Shares Shareholders at the H Shareholders Meeting and the Domestic Shares Shareholders at the Domestic Shareholders Meeting, respectively;
 - (ii) there is no breach in any form of the warranties given by the Company under the Transfer Agreement; and
 - (iii) there is no violation in any form of the obligations of the Company under the Transfer Agreement.
- (c) conditions to be satisfied by Zhaojin Group (or waived by the Company provided that such waiver complies with the relevant laws):
 - (i) the completion of the relevant internal approval procedures of Zhaojin Group for approving the acquisition of the Transaction Target;
 - (ii) the mining rights in Luanjiahe gold mine, and Zhangjiazhuang gold mine in Zhaoyuan city, Shandong province, and the land use rights in 20 pieces of state-owned land parcels (all of which are owned by Zhaojin Group) being true, legally and validly held by Zhaojin Group and are not subject to any encumbrance including any pledge or freezing order by any judicial body, and are in good condition for the purpose of transfer or assignment;
 - (iii) the 100% equity interest in the Supplies Centre being true, legally and validly held by Zhaojin Group and are not subject to any encumbrance including any pledge or freezing order by any judicial body, and are in good condition for the purpose of transfer or assignment;
 - (iv) there is no breach in any form of the warranties given by Zhaojin Group under the Transfer Agreement;

- (v) there is no violation in any form of the obligations of Zhaojin Group under the Transfer Agreement; and
- (vi) the Whitewash Waiver having been granted to the Vendor by the executive director of the corporate finance division of the Securities and Futures Commission and not having been revoked or withdrawn.

TIME OF PAYMENT

The Company shall issue the Consideration Shares and make cash payment to Zhaojin Group and complete the registration at the China Securities Depository and Clearing Corporation Limited within 30 business days after the satisfaction or waiver (as the case may be) of all the conditions precedent under the paragraph headed “CONDITIONS PRECEDENT” in this announcement. Upon completion of the aforesaid registration, the number of Domestic Shares to be held by Zhaojin Group in the Company will be increased.

After completion of all the change and registration procedures in respect of the acquisition of the Transaction Target, the Company will own 100% equity interest in the Supplies Centre (the Supplies Centre will become a wholly-owned subsidiary of the Company); two mining rights in Zhangjiazhuang gold mine and Luanjiahe gold mine in Zhaoyuan city, Shandong province; and land use rights in 20 pieces of state-owned land parcels.

REASONS AND BENEFITS OF ENTERING INTO THE TRANSFER AGREEMENT

- (1) With respect to the acquisition of the mining rights in Luanjiahe gold mine and Zhangjiazhuang gold mine in Zhaoyuan city, Shandong province, the Company considers that the places where the mining rights of Luanjiahe and Zhangjiazhuang are located have a high mineralisation potential and are likely to have a high level of mineral reserves. In addition, these mines are close to the mines currently owned by the Company and can generate synergy effects with the mines and facilities currently owned by the Company, thus creating strategic strengths for overall planning and development of the Company as well as establishing and strengthening the business delineation between the Company and Zhaojin Group.
- (2) The acquisition of the land use rights in 20 pieces of state-owned land parcels can change the existing condition of separation between the land use rights and building ownership, reduce the number of connected transactions between the Company and Zhaojin Group and also strengthen the independence of the Company for future production, operation and the completeness of the Company’s assets.
- (3) With respect to the acquisition of the 100% equity interest in the Supplies Centre, considering that procurement of supplies is an integral part of mining enterprise in its ordinary course of business, the acquisition of the 100% equity interest in Supplies Centre can avoid the occurrence of connected transactions between the Company and Zhaojin Group due to future business growth and further ensure the independence and completeness of the Company’s business.

The Directors (excluding the independent non-executive Directors who will form their views upon considering the advice of the Independent Financial Adviser) of the Company consider that, the Acquisition is beneficial to the Group. The Transfer Agreement is entered into on normal commercial terms and the terms of which are fair and reasonable. The Acquisition is in the interests of the Company and Independent Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE AFTER COMPLETION OF THE ACQUISITION

To the best knowledge of the Directors, the simplified shareholding structure of the Company as at the date of this announcement and the shareholding structure of the Company after completion of issue of the Consideration Shares are as follows:

Shareholders	Number of Domestic Shares/H Shares held as at the date of this announcement		Number of Domestic Shares/H Shares after issue of the Consideration Shares	
	Shares	%	Shares	%
Zhaojin Group	1,086,514,000	36.63	1,306,514,000	41.01
	Domestic Shares		Domestic Shares	
Zhaojin Group	43,800,000	1.48	43,800,000	1.37
	H shares		H shares	
上海豫園旅遊商城股份有限公司 (Shanghai Yu Yuan Tourism Commercial City Joint Stock Limited Company*)	742,000,000	25.02	742,000,000	23.29
	Domestic Shares		Domestic Shares	
上海複星產業投資有限公司 (Shanghai Fuxing Property Investment Company Limited*)	106,000,000	3.57	106,000,000	3.33
	Domestic Shares		Domestic Shares	
招遠市國有資產經營有限公司 (Zhaoyuan City State-owned Assets Operation Company Limited*)	84,800,000	2.86	84,800,000	2.66
	Domestic Shares		Domestic Shares	
上海老廟黃金有限公司 (Shanghai Old Temple Gold Company Limited*)	21,200,000	0.71	21,200,000	0.67
	Domestic Shares		Domestic Shares	
招金有色礦業有限公司 (Zhaojin Non-Ferrous Mining Company Limited*)	50,967,195	1.72	50,967,195	1.60
	Domestic Shares		Domestic Shares	
Public Shareholders	830,546,000	28.00	830,546,000	26.07
	H Shares		H Shares	
Total	<u>2,965,827,195</u>	<u>100.00</u>	<u>3,185,827,195</u>	<u>100.00</u>

FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity by the issue of Shares in the 12 months immediately preceding the date of this announcement.

BOARD'S APPROVAL

The resolution approving the Transfer Agreement with respect to the Acquisition was approved at the Board meeting of the Company held on 29 December 2015. Mr. Weng Zhanbin and Mr. Lu Dongshang, being the senior management of Zhaojin Group, abstained from voting at the Board meeting for approving the resolution.

INFORMATION RELATING TO THE COMPANY AND ZHAOJIN GROUP

Information relating to the Company

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.

Information relating to Zhaojin Group

Zhaojin Group is principally engaged in gold exploration, mining and smelting, as well as investing in gold exploration, mining, smelting and refining, and gold-related businesses.

LISTING RULES IMPLICATIONS

Since one or more than one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions under the Transfer Agreement is more than 5% and each of the applicable percentage ratios is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Zhaojin Group is the controlling Shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition (which involves the allotment and issue of the Consideration Shares) constitutes a connected transaction of the Company, which is subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 19A.38 of the Listing Rules and the articles of association of the Company, the issue of any Shares is also subject to approval by the H Shares Shareholders and the Domestic Shares Shareholders at the Class Meetings, by way of special resolution.

Any connected person with a material interest in the transactions contemplated under the Transfer Agreement, and any Shareholder with a material interest in the transactions contemplated under the Transfer Agreement and its associates, will abstain from voting at the relevant resolutions approving the Transfer Agreement and the transactions contemplated thereunder at the general meeting and the Class Meetings. Zhaojin Group and its associates will abstain from voting at the general meeting and the relevant Class Meetings to approve the Transfer Agreement and the transactions contemplated thereunder, including the authorisation of the Board to deal with the matters relating to the Transfer Agreement.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Upon completion of the Transfer Agreement in accordance with the terms and conditions therein, it is expected that Zhaojin Group (together with its parties acting in concert) will in aggregate be interested in 1,401,281,195 Shares, representing approximately 47.25% of the issued share capital of the Company as at the date of this announcement and approximately 43.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares). Under Rule 26.1 of the Takeovers Code, Zhaojin Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Company and its parties acting in concert, unless the Whitewash Waiver is obtained from the executive director of the corporate finance division of the Securities and Futures Commission or any delegate of the executive director. In this regard, Zhaojin Group intends to make an application for the Whitewash Waiver in respect of the issue of the Consideration Shares. The Whitewash Waiver, if granted, will be subject to, among other things, approval by the Independent Shareholders at the general meeting and the relevant Class Meetings by way of poll.

The executive director of the corporate finance division of the Securities and Futures Commission may or may not grant the Whitewash Waiver. It is one of the conditions precedent to completion of the Acquisition to obtain the Whitewash Waiver. In the event that the Whitewash Waiver is not granted or approved in the general meeting and the relevant Class Meetings, the Company may make adjustments to the terms of the Transfer Agreement and/or the payment method of the consideration for the Acquisition. The Company will re-comply with the relevant requirements under the Listing Rules in such an event.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established by the Company to advise and make recommendation to the Independent Shareholders regarding the fairness and reasonableness of the terms of the Transfer Agreement and the transactions contemplated thereunder and the Whitewash Waiver so far as the Independent Shareholders are concerned. An Independent Financial Adviser will be appointed by the Company as soon as possible to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Acquisition; (ii) further information about the Whitewash Waiver; (iii) the recommendation of the Independent Board Committee in relation to the Acquisition and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver; (v) valuation report of the properties concerned owned by Zhaojin Group; (vi) the notice convening the general meeting and the relevant Class Meetings; and (vii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 26 February 2016 as additional time is needed by the Company to prepare and finalise the contents of the circular. Further announcement(s) will be made by the Company as and when appropriate.

Shareholders and potential investors are reminded that the completion of the Acquisition is subject to certain conditions set out in the paragraph headed “CONDITIONS PRECEDENT”. The Acquisition may or may not proceed. Accordingly, investors and Shareholders should exercise caution when dealing in the Shares.

DEFINITIONS

“Acquisition”	the acquisition of two mining rights in Luanjiahe gold mine and Zhangjiazhuang gold mine in Zhaoyuan city, Shandong province, land use rights in 20 pieces of state-owned land parcels, and 100% equity interest in the Supplies Centre by the Company from Zhaojin Group under the Transfer Agreement
“associates”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“China Securities Depository and Clearing Corporation Limited”	an entity providing centralised registration, depository and clearance services in respect of securities trading within the PRC

“Class Meetings”	Domestic Shareholders Meeting and H Shareholders Meeting of the Company
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company incorporated in the PRC on 16 April 2004 and the H Shares of which are listed on the main board of Stock Exchange
“Company Valuers”	山東正源和信資產評估有限公司(Shandong Zhengyuan Hexin Assets Appraisal Limited*) and 煙台衛正地產評估有限公司(Yantai Weizheng Land Property Evaluation Co., Ltd.*), the valuers appointed for the purpose of the Acquisition
“connected person”	has the meaning as ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration of RMB873,250,496 in respect of the Acquisition
“Consideration Shares”	220,000,000 new Domestic Shares based on an issue price of RMB2.97 per Consideration Share to be issued by the Company to Zhaojin Group pursuant to the Transfer Agreement
“Directors”	the directors of the Company
“Domestic Share(s)”	domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company
“Domestic Shares Shareholders”	holder(s) of the Domestic Shares
“Domestic Shareholders Meeting”	the class meeting of Domestic Shares Shareholders to be convened and held to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder
“H Share(s)”	H share(s) of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange
“H Shareholders Meeting”	the class meeting of H Shares Shareholders to be convened and held to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder
“H Shares Shareholder(s)”	holders of the H Shares
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established to make recommendations to the Independent Shareholders in respect of the Transfer Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company as soon as possible to advise the Independent Board Committee and the Independent Shareholders in respect of the Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Independent Third Party”	a third party independent of Zhaojin Group and the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mine Valuer”	北京海地人礦業權評估事務所 (Headmen Mining Rights Appraisal Firm*), the valuer appointed for the purpose of the Acquisition
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong SASAC”	State-Owned Assets Supervision and Administration Commission of Shandong Province
“Share(s)”	ordinary share(s) of RMB1.00 each in the share capital of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplies Centre”	Zhaoyuan Gold Supplies Centre Company Limited (招遠市黃金物資供應中心有限公司)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Transaction Target”	the two mining rights in Luanjiahe gold mine and Zhangjiazhuang gold mine in Zhaoyuan city, Shandong province, land use rights in 20 pieces of state-owned land parcels and 100% equity interest in Supplies Centre, all of which are owned by Zhaojin Group
“Transfer Agreement”	the transfer agreement entered into between the Company and Zhaojin Group on 29 December 2015 in respect of the Acquisition

“Whitewash Waiver” a waiver from the executive director of the corporate finance division of the Securities and Futures Commission or any delegate of the executive director pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Zhaojin Group to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by Zhaojin Group or its parties acting in concert which would, if the Acquisition proceeds, otherwise arise as a result of the issue of the Consideration Shares to Zhaojin Group upon completion of the Transfer Agreement in accordance with the terms and conditions therein

“Zhaojin Group” or “Vendor” Shandong Zhaojin Company Limited (山東招金集團有限公司), the controlling Shareholder of the Company

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

Zhaoyuan, the PRC, 29 December 2015

As at the date of this announcement, the Board comprises:

Executive Directors: Mr. Weng Zhanbin, Mr. Li Xiuchen, Mr. Lu Dongshang and Mr. Cong Jianmao

Non-executive Directors: Mr. Liang Xinjun, Mr. Xu Xiaoliang and Mr. Wu Yijian

Independent non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Xie Jiyuan and Mr. Nie Fengjun

* *For identification purpose only*