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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)

**CONNECTED TRANSACTION
REGARDING THE PROPOSED IMPLEMENTATION OF THE FIRST
EMPLOYEE SHARES SUBSCRIPTION PLAN BY WAY OF
PRIVATE PLACEMENT OF DOMESTIC SHARES**

BACKGROUND

To further improve the corporate governance structure of the Company, motivate the management and employees of the Company, establish a long-term effective incentive and restraint mechanism of the Company and maximise the value of the Company and the Shareholders, the Board approved the implementation of the First ESSP of the Company which involves a private placement of domestic Shares of no more than 2.69% of the existing issued domestic Shares of the Company (i.e. no more than 80 million domestic Shares in total as at the date of this announcement). The target participants of the First ESSP include certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive of the Company as well as members of the management and employees of the Group who meet the relevant conditions under the First ESSP. It is intended that the domestic Shares will be subscribed for and issued to the Asset Management Plan. The Asset Management Plan shall be beneficially held by the participants of the First ESSP, which include, amongst others, certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive of the Company as well as members of the management and employees of the Group who meet the relevant conditions under the First ESSP.

The new domestic Shares to be issued under the First ESSP will be at the price of RMB2.97 per Share; i.e. 85% of the average price of H Shares of the Company during 20 trading days immediately preceding 29 December 2015.

LISTING RULES IMPLICATIONS

As the beneficiaries of the Asset Management Plan, which will be the subscribers of the private placement of domestic Shares under the ESSP, include, amongst others, certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive, the private placement of domestic Shares to them shall constitute a connected transaction under Chapter 14A of the Listing Rules and shall be 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 proposed implementation of the ESSP by way of private placement of domestic Shares is also subject to approval by the H Shares Shareholders and Domestic Shares Shareholders at the relevant Class Meetings by way of special resolution. The Company will convene an EGM, domestic shares class meeting and H shares class meeting to consider and, if thought fit, to approve the resolutions regarding the proposed implementation of the ESSP by way of private placement of domestic Shares to, amongst others, certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive of the Company as joint beneficiaries of the Asset Management Plan.

An independent board committee will be established to advise the independent Shareholders in respect of the issue of domestic Shares to, amongst others, certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive of the Company as joint beneficiaries of the Asset Management Plan. An independent financial adviser will also be appointed as soon as possible to advise the independent board committee and the independent Shareholders.

DESPATCH OF CIRCULAR AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

A circular containing, among others, details of the First ESSP, details of issue of the domestic Shares to connected persons, a letter from the independent board committee to the independent Shareholders containing its recommendation, a letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders, together with a notice to convene an EGM, a domestic shares class meeting and an H shares class meeting to approve the proposed implementation of the ESSP by way of private placement of domestic Shares to certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive of the Company as joint beneficiaries of the Asset Management Plan, will be despatched to the Shareholders as soon as practicable.

As additional time is required by the Company in preparing and confirming the contents to be contained in the circular setting out details of the letters from the independent board committee and independent financial adviser of the Company. The circular is expected to be despatched to the Shareholders on or before 26 February 2016.

Shareholders and potential investors should note that the proposed implementation of the ESSP by way of private placement of domestic Shares to, amongst others, certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive of the Company as joint beneficiaries of the Asset Management Plan are subject to the approval of the independent Shareholders and certain regulatory authorities and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

The Shares to be subscribed under the private placement are domestic Shares at a par value of RMB1.00 per share. It is expected that no more than 80 million are available for subscription under the private placement. The final number of Shares shall be determined according to the actual number of Shares to be subscribed under the ESSP. The proceeds from the private placement are estimated to be no more than RMB237.6 million and is expected to be used to supplement the working capital of the Company.

3. Issue Price for the Private Placement

The issue price of RMB3.40 per Share was determined based on the Framework Proposal of the ESSP at the Board meeting of the Company held on 27 May 2015. However, in view of the volatility in the stock market, the Board of the Company decided to make adjustment to the issue price. The price in connection with the private placement of domestic Shares to be subscribed under the ESSP will be 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 shall be: i) no less than 85% of the average trading price of H Shares of the Company during 20 trading days immediately preceding the pricing reference date (i.e. RMB2.97 per share) (average trading price of H Shares during 20 trading days immediately preceding the pricing reference date = total transaction amount of H Shares during 20 trading days immediately preceding the pricing reference date ÷ total transaction volume of H Shares during 20 trading days immediately preceding the pricing reference date); ii) no less than the audited net assets attributable to the parent per Share of the Company as at 31 December 2014 (i.e. RMB2.92).

The pricing reference date is 29 December 2015, i.e. the date of issue of this announcement.

The issue price 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.

4. Term of ESSP

The term of the ESSP shall be 72 months commencing from the registration of the underlying Shares under the name of the Asset Management Plan established for the purpose of implementing the ESSP.

5. Lock-Up Period and Blackout Period of Underlying Shares

The lock-up period for the domestic Shares to be subscribed under the ESSP is 36 months commencing from the registration of the underlying Shares under the name of the Asset Management Plan established for the purpose of implementing the ESSP.

During the term of the ESSP, in case the domestic Shares of the Company are listed and traded, the Shares to be subscribed under the ESSP shall, in addition to the above lock-up period, also meet the relevant requirements of the securities regulatory authorities and stock exchanges regarding the selling restrictions on Shares (hereinafter referred to as the “blackout period”).

During the lock-up period and the blackout period, no underlying Shares held under the Asset Management Plan may be transferred in any manner, nor any restrictions on rights be created on the underlying Shares. Meanwhile, the beneficiaries of the Asset Management Plan may not transfer their interest in the Asset Management Plan nor create any restrictions on rights thereon at their discretion.

6. Asset Management Entity of ESSP

Minmetals Securities has been engaged as the asset manager of the ESSP; whereas Bank of Ningbo has been engaged as the asset custodian of the ESSP. The Company has, upon authorisation by the employees participating in the entered into an asset management agreement to Asset Management Plan with Minmetals Securities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Minmetals Securities, Bank of Ningbo and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

CONDITIONS

The implementation of the ESSP and the private placement are subject to the following conditions:

- (1) obtaining the relevant approvals from Shandong SASAC or all other relevant authorities (if any);
- (2) obtaining the approval by the independent Shareholders of the Company at the EGM and the domestic shares class meeting and H shares class meeting.

INTENDED SUBSCRIPTION AGREEMENT

The Company entered into a conditional share subscription agreement with Minmetals Securities (on behalf of Asset Management Plan and its agent) on 29 December 2015. The major terms of the agreement are set out as follows:

i Transaction:

The number of domestic Shares to be subscribed under the private placement by the Company is estimated to be no more than 80 million issued domestic Shares (the number of Shares to be issued depends on the actual number of Shares to be subscribed), at a nominal value of RMB1.00 per Share.

ii Issue Price

The domestic Shares under the private placement will be issued at a price of RMB2.97 per Share.

The issue price of each of the domestic Shares shall be determined based on: (i) no less than 85% of the 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 = to total transaction amount of H Shares during 20 trading days immediately preceding the pricing reference date ÷ 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).

iii Time of Payment, Payment Method and Delivery of Shares

Upon fulfilment or waiver (as the case may be) of all the conditions precedent set out in the paragraph headed “iv Effect and Termination of the Agreement” in this announcement, Minmetals Securities shall make cash payment as consideration for the subscription of the domestic Shares under the private placement. The Company shall allot and issue the issued Shares to Minmetals Securities upon payment of the above consideration for the subscription and complete the registration with China Securities Depository and Clearing Corporation Limited as soon as possible.

iv Effect and Termination of the Agreement

The Agreement shall take effect upon signing and affixing the official seal by both parties and satisfaction of all of the following conditions:

- (1) the resolution regarding the implementation of the First ESSP by way of private placement of domestic Shares being considered and approved by the Board of the Company;
- (2) obtaining the relevant approvals from Shandong SASAC or all other relevant authorities (if any);
- (3) obtaining the approval for the resolution regarding the implementation of the First ESSP by way of private placement of domestic Shares at the general meeting and Class Meetings.

The Agreement shall lapse if the above conditions are not satisfied.

BOARD’S APPROVAL

The resolutions regarding the implementation of the ESSP by way of private placement of domestic Shares was approved at the Board meeting held on 29 December 2015. Mr. Weng Zhanbin, Mr. Li Xiuchen, Mr. Lu Dongshang and Mr. Cong Jianmao (being the Directors of the Company) have abstained from voting as they may participate in the ESSP and have material interest in the transaction.

The management was authorised at the Board meeting to handle all procedures and matters relating to the ESSP, including but not limited, among other things, filing with Shandong SASAC and entering into relevant agreements including the asset management agreement and the share subscription agreement.

REASONS FOR AND BENEFITS OF THE ESSP AND THE ENTERING INTO OF THE SHARE SUBSCRIPTION AGREEMENT

The Board considers that the ESSP will further improve the corporate governance structure of the Company, establish a long-term effective incentive and restraint mechanism of the Company, actively motivate the employees of the Company, attract and retain high-calibre talent and effectively align the interests of the Shareholders, the Company and its employees with a view to ensuring the long-term sound development of the Company. The entering into of the share subscription agreement will safeguard the implementation of the ESSP.

The Directors (excluding the views of the independent non-executive Directors whose views will be contained in the circular after considering the advice of the independent financial adviser) consider that the terms of the ESSP are fair and reasonable and the share subscription agreement is on normal commercial terms and is fair and reasonable, and the implementation of the ESSP and the entering into the Share Subscription agreement is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in exploration, mining, processing, smelting of gold as well as processing and sale of by-products in China.

EQUITY FUND RAISING ACTIVITIES 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.

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DEFINITIONS

“Articles of Association”	the articles of association of the Company
“Asset Management Plan”	Minmetals Securities Zhaojin Mining No.1 Directional Asset Management Plan (五礦證券招金礦業1號定向資產管理計劃)
“Bank of Ningbo”	Bank of Ningbo Co., Ltd.* (寧波銀行股份有限公司), a limited company incorporated in the PRC on 10 April 1997 listed on the Shenzhen Stock Exchange
“Board”	the board of directors of the Company
“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 issued H Shares of which are listed on the main board of Stock Exchange
“connected persons”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of, among others, considering and, if thought fit, passing the resolution for approving the First ESSP
“First ESSP” or “ESSP”	the first employee shares subscription plan of the Company

“Framework Proposal”	the proposal as set out in the Announcement on Framework Proposal on the Employee Shares Subscription Plan of Zhaojin Mining Industry Company Limited issued by the Company on 27 May 2015
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Minmetals Securities”	Minmetals Securities Co., Ltd.* (五礦證券有限公司), a limited company incorporated in the PRC in 2000 and headquartered in Shenzhen
“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
“Shareholder(s)”	the shareholders of the Company
“Shares”	ordinary Shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares

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:

<i>Executive Directors:</i>	Mr. Weng Zhanbin, Mr. Li Xiuchen, Mr. Lu Dongshang and Mr. Cong Jianmao
<i>Non-executive Directors:</i>	Mr. Liang Xinjun, Mr. Xu Xiaoliang and Mr. Wu Yijian
<i>Independent non-executive Directors:</i>	Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Xie Jiyuan and Mr. Nie Fengjun

* For identification purpose only