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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 or registered institution in securities, a 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, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code: 1818)

- (1) PROPOSED ADOPTION OF EMPLOYEE SHARES SUBSCRIPTION PLAN**
- (2) PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES**
- (3) PROPOSED CONNECTED SUBSCRIPTIONS**
- (4) SPECIFIC MANDATES**
- (5) NOTICES OF EXTRAORDINARY GENERAL MEETING, DOMESTIC SHAREHOLDERS MEETING AND H SHAREHOLDERS MEETING**

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



Terms used herein shall have the same meaning ascribed to them in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing their recommendations to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular. Notices convening the EGM and the Class Meetings of the Company are set out on pages 71 to 82 of this circular.

Any Shareholder(s) entitled to attend and vote at the EGM and the Class Meetings are entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder of the Company. In the event that a Shareholder appoints more than one proxy to attend the meeting, such proxies may only exercise their voting rights in a poll. If you intend to appoint a proxy to attend the EGM and the Class Meetings and vote on your behalf, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM and the Class Meetings (for the holders of H Shares) or any adjournment thereof (as the case may be); or to the place of business of the Company in the PRC not less than 24 hours before the time appointed for the holding of the EGM and the Class Meetings (for the holders of Domestic Shares) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM and the Class Meetings or any adjournment thereof if you so desire.

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	21
Letter from the Independent Financial Adviser	23
Appendix I – ESSP	42
Appendix II – Non-Public Issuance	62
Appendix III – General Information	65
Notice of Extraordinary General Meeting	71
Notice of Domestic Shareholders Meeting	75
Notice of H Shareholders Meeting	79

DEFINITIONS

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
“Asset Management Agreement”	the asset management agreement dated 24 December 2015 entered into among the Company (on behalf of the ESSP), Minmetals Securities (as asset manager) and Bank of Ningbo (as asset custodian) to establish the Asset Management Plan
“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)
“associate”	has the meaning ascribed to it under the Listing Rules
“Bank of Ningbo” or “Asset Custodian”	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
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company established in the PRC on 16 April 2004 whose H Shares are listed on the main board of the Stock Exchange
“Connected Participant(s)”	actual or intended participant(s) of the ESSP who are connected persons to the Company
“connected person”	has the meaning as ascribed to it in the Listing Rules
“Connected Subscriptions”	the subscriptions of ESSP Portions by Connected Participants and the transactions contemplated thereunder
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company
“Domestic Shareholders Meeting”	the class meeting of Domestic Shares Shareholders to be convened and held to approve, among other things, the ESSP, the Non-Public Issuance, the Connected Subscriptions and the Specific Mandates
“Domestic Shares Shareholder(s)”	holder(s) of the Domestic Shares
“EGM”	the 2016 third extraordinary general meeting of the Company to be convened and held to approve, among other things, the ESSP, the Non-Public Issuance, the Connected Subscriptions and the Specific Mandates
“ESSP”	the first employee shares subscription plan of the Company
“ESSP Announcement”	the announcement of the Company dated 29 December 2015 in respect of the proposed implementation of the ESSP by way of non-public issuance of Domestic Shares
“ESSP Framework Announcement”	the announcement of the Company dated 27 May 2015 in respect of the ESSP Framework Proposal
“ESSP Framework Proposal”	the framework proposal in respect of ESSP as set out in the ESSP Framework Announcement
“ESSP Portions”	interests in the ESSP with one portion corresponding to one new Domestic Share at a subscription price of RMB2.99 per portion
“First Holders’ Meeting”	the meeting held by the intended participants of the ESSP on 24 December 2015
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each in the share capital of the Company, listed on the main board of the Stock Exchange and traded in Hong Kong dollars

DEFINITIONS

“H Shareholders Meeting”	the class meeting of H Shares Shareholders to be convened and held to approve, among other things, the ESSP, the Non-Public Issuance, the Connected Subscriptions and the Specific Mandates
“H Shares Shareholder(s)”	holder(s) of the H Shares
“Holder(s)”	holder(s) of the ESSP Portions
“Holders’ Meeting(s)”	the meeting(s) of the Holders
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huatai No. 8 QDII Asset Management Plan”	Huatai Asset Management QDII No. 8 Directional Offshore Asset Management Plan* (華泰資管QDII定向境外資產管理計劃8號)
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Xie Jiyuan and Mr. Nie Fengjun (from the date of the ESSP Announcement to 26 February 2016) and Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu (after 26 February 2016), established to advise the Independent Shareholders in respect of the Connected Subscriptions
“Independent Financial Adviser”	Lego Corporation Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions, and a licensed corporation which is permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	Shareholders other than those who are involved in or interested in the ESSP (including but not limited to the Connected Participants) and their respective associates
“Issue Price”	the issue price of the Subject Shares

DEFINITIONS

“Latest Practicable Date”	26 July 2016, 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 Stock Exchange
“Lock-Up Period”	the period during which no Subject Shares may be disposed of or transferred
“Management Committee”	the management committee in respect of the ESSP appointed by the Holders
“Minmetals Securities” or “Asset Manager”	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, a third party independent of the Company and its connected persons
“Moratorium Period”	the period during which the Subject Shares are subject to any selling restrictions imposed by the relevant securities authorities and stock exchange in the event the Domestic Shares are listed
“Non-Public Issuance”	the proposed non-public issuance of not more than 80 million Subject Shares by the Company to the Asset Management Plan pursuant to the Specific Mandates
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-Owned Assets Supervision and Administration Commission of Shandong Province
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary Share(s) of RMB1.00 each in the share capital of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares of the Company

DEFINITIONS

“Specific Mandates”	the specific mandate to be sought from the Shareholders at the EGM for the allotment and issue of the Subject Shares to the Asset Management Plan for the implementation of the ESSP and the specific mandate to be sought from Independent Shareholders at the EGM and the Class Meetings for the allotment and issue of such number of the Subject Shares for the Connected Subscriptions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Shares”	new Domestic Shares to be issued to the Asset Management Plan pursuant to the Non-Public Issuance
“Subscription Agreement”	the conditional subscription agreement dated 29 December 2015 entered into between the Company and Minmetals Securities for the subscription of not more than 80 million new Domestic Shares to be issued pursuant to the Non-Public Issuance
“Zhaojin Group”	Shandong Zhaojin Group Company Limited* (山東招金集團有限公司), the controlling shareholder of the Company
“%”	per cent.

* In this circular, the English transliteration of the Chinese names, where indicated, are included for identification purpose only, and should not be regarded as the official English names of such Chinese names. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this circular, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.24. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.

LETTER FROM THE BOARD



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. Cong Jianmao

Non-executive Directors:

Mr. Liang Xinjun (*Vice chairman*)
Mr. Li Shousheng
Mr. Xu Xiaoliang
Mr. Gao Min

Independent Non-executive Directors:

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao
Mr. Shen Shifu

Registered address:

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province
the PRC

*Principal place of business
in Hong Kong:*

36th Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

29 July 2016

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF EMPLOYEE SHARES SUBSCRIPTION PLAN**
- (2) PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES**
- (3) PROPOSED CONNECTED SUBSCRIPTIONS**
- (4) SPECIFIC MANDATES**
- (5) NOTICES OF EXTRAORDINARY GENERAL MEETING, DOMESTIC SHAREHOLDERS MEETING AND H SHAREHOLDERS MEETING**

INTRODUCTION

Reference is made to (i) the ESSP Framework Announcement; and (ii) the ESSP Announcement.

On 27 May 2015, the Board approved the ESSP Framework Proposal. On 29 December 2015, the Board further approved the implementation of the ESSP by way of non-public issuance of new Domestic Shares to the Asset Management Plan.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the implementation of the ESSP by way of Non-Public Issuance; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Connected Subscriptions; (iii) a letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Connected Subscriptions; (iv) the notice of EGM; (v) the notice of the Domestic Shareholders Meeting; and (vi) the notice of the H Shareholders Meeting.

SUMMARY OF THE PROPOSED IMPLEMENTATION OF THE ESSP

In order to further improve the corporate governance structure of the Company, motivate the management and employees of the Company, establish a comprehensive mid-to-long-term incentive plan that provides for both incentives and restrictions, realise the maximisation of value for the Company and the Shareholders, the Board approved the ESSP Framework Proposal on 27 May 2015 and further approved the implementation of the ESSP by way of non-public issuance of new Domestic Shares to the Asset Management Plan on 29 December 2015.

The implementation of the ESSP is subject to the following conditions:

1. the relevant approvals from SASAC or all other relevant authorities (if any) having been obtained; and
2. the approval by the Independent Shareholders of the Company at the EGM and the Class Meetings having been obtained.

The relevant approval from SASAC has been obtained on 26 May 2016. Save for the approval from SASAC, no other approvals need to be obtained from other relevant authorities.

The target participants of the ESSP (including the Connected Participants) are employees of the Group who satisfied certain criteria. The participants of the ESSP participate in the ESSP by subscribing for ESSP Portions and paying the corresponding subscription monies to the Company. The organ of power of the ESSP shall be the Holders' Meeting. The ESSP shall have a five-member Management Committee which is responsible for the day-to-day management of the ESSP.

On 24 December 2015, a group of employees of the Group who had indicated their intention to participate in the ESSP convened the First Holders' Meeting to resolve matters relating to the establishment of the Management Committee. The First Holders' Meeting authorised the Management Committee to manage matters in respect of the ESSP and the duties of the Management Committee include, among others, convening the Holders' Meeting and supervising the daily management of the ESSP on behalf of the Holders. The First Holders' Meeting also resolved that Li Xiuchen (a Director), Jiang Zhihui, Sun Xiduan, Wang Ligang and Dai Hanbao be the members of the Management Committee and the chairman of the Management Committee shall be Li Xiuchen. The term of the Management Committee shall be until the termination of the ESSP.

LETTER FROM THE BOARD

The Company (on behalf of the ESSP) entered into the Asset Management Agreement with Minmetals Securities (as asset manager) and Bank of Ningbo (as asset custodian) on 24 December 2015 to establish the Asset Management Plan. Pursuant to the Asset Management Agreement, the Company (as asset trustor) will deposit the ESSP Portions subscription monies received from the Holders in an entrusted account opened with the Asset Custodian under the name of the Asset Management Plan which will be managed by the Asset Manager and be used to subscribe for the Subject Shares.

On 29 December 2015, the Company and Minmetals Securities (on behalf of the Asset Management Plan and its asset trustor) entered into the Subscription Agreement pursuant to which Minmetals Securities conditionally subscribed for the Subject Shares. The completion of the subscription will be subject to the conditions set out in the Subscription Agreement having been fulfilled, and the Subject Shares will be registered under the name of the Asset Management Plan at completion.

Upon the completion of the subscription of the Subject Shares by the Asset Management Plan, the Subject Shares will be entrusted to the custody of the Asset Custodian and managed by the Asset Manager pursuant to the Asset Management Agreement and under the supervision of the Management Committee for the benefit of the Holders.

MAJOR FEATURES OF THE ESSP

A full text of the ESSP is set out in Appendix I to this circular. Set out below are the major features of the ESSP.

Target Participants

The target participants of the ESSP are employees of the Group who meet any one of the following criteria:

- (1) existing Directors (excluding independent Directors), supervisors and senior management of the Company;
- (2) principal-in-charge of office of the subsidiaries, affiliated companies and headquarters of the Company; and
- (3) core technicians, key business executives and related officers who work at the Company and are engaged by the Company and have entered into employment contracts with the Company or its subsidiaries and continuously served the Company or its subsidiaries for one year or above.

The list of eligible ESSP participants shall be determined by the Board.

The final number of ESSP participants shall be determined based on the actual subscription payments made.

LETTER FROM THE BOARD

Sources of Funding and Shares

The funds for subscribing the ESSP Portions shall come from the ESSP participants' lawful remuneration or are raised by them through other lawful means.

Each ESSP Portion has one underlying Subject Share. Each ESSP Portion has a subscription price of RMB2.99 while the Issue Price for each Subject Share is RMB2.97. It is expected that in aggregate there will be no more than 80 million ESSP Portions and correspondingly no more than 80 million Subject Shares will be issued. The total subscription monies for the ESSP Portions is expected to be no more than RMB239.2 million, of which no more than RMB237.6 million will be used to subscribe for the Subject Shares and the balance of no more than RMB1.6 million will be used for the payment of management fee and custodian fee in respect of the Asset Management Plan, and any remaining balance shall belong to the Asset Management Plan and beneficially owned by the Holders. The RMB237.6 million received by the Company for the issue of the Subject Shares will be applied towards the working capital requirements of the Group in its entirety.

The ESSP participants shall pay the subscription monies in respect of the ESSP Portions subscribed by the stipulated deadline, failing which the ESSP participants shall automatically lose the rights to subscribe for the ESSP Portions not fully paid up.

The source of the Subject Shares shall be from the Non-Public Issuance.

Issue Price of the Subject Shares

The Issue Price in respect of the Subject Shares shall be RMB2.97 per Subject Share, determined based on the following principles:

- (i) it shall be no less than 85% of the 20-day average trading price of the H Shares prior to 29 December 2015 (i.e. RMB2.97 per H Share, calculated at RMB1:HK\$1.197, based on the mid-point rate of exchange for RMB into HK\$ as quoted by Bank of China Limited on the day prior to the price referencing date); and
- (ii) it shall not be less than the audited net asset value attributable to the owner of the Company per Share as at 31 December 2014 (i.e. RMB2.92).

The 20-day average trading price of the H Shares ("A") is calculated based on the following formula:

$$A = B/C$$

B = the total trading amount of the H Shares in the 20 days prior to the relevant price referencing date

C = the total trading volume of the H Shares in the 20 days prior to the relevant price referencing date

LETTER FROM THE BOARD

The price referencing date is 29 December 2015.

The Issue Price shall be adjusted according to any ex-rights or ex-dividends activities undertaken by the Company between the price referencing date and the issue date of the Subject Shares.

The Issue Price approved by SASAC and the Shareholders at the EGM and the Class Meetings shall be final.

Term of the ESSP

The term of the ESSP is 72 months, commencing from the date on which the Subject Shares are being registered under the name of the Asset Management Plan.

In the event the disposal of the Subject Shares are restricted by relevant laws, regulations or regulatory papers or the insufficient liquidity of the Subject Shares result in the Subject Shares not being capable of being fully disposed of before the expiry of the term of the ESSP, the term of the ESSP may be extended, subject to approvals by the Board and the Holders at the Holders' Meeting.

Lock-up Period and Moratorium Period

The Lock-Up Period imposed by the ESSP is 36 months, commencing from the date on which the Subject Shares are being registered under the name of the Asset Management Plan.

During the term of the ESSP, if the Domestic Shares are listed, the Subject Shares will also be subject to any selling restrictions imposed by the relevant securities authorities and stock exchange (i.e. the Moratorium Period).

During the Lock-Up Period and the Moratorium Period, the Asset Management Plan may not transfer the Subject Shares in any manner, and may not create any encumbrances on the Subject Shares. In addition, the Holders may not transfer or create any encumbrances on the ESSP Portions they are interested in.

Upon the expiry of the Lock-Up Period, if the Domestic Shares have yet to be listed on any stock exchange, a Holder shall be entitled to, among others, request the Company to repurchase the underlying Domestic Shares of his or her ESSP Portions which will be cancelled by the Company upon completion of such repurchase.

The Company will comply with applicable laws, rules and regulations (including but not limited to the Listing Rules and the codes published by relevant regulatory authorities) and the provisions of the Articles of Associations before repurchasing any underlying Domestic Shares of ESSP Portions, including but not limited to obtaining prior Shareholders' approval at general meeting and if required, the approval of relevant regulatory authorities. In the event the Company fails to obtain the shareholders' approval and if required, the approval of relevant regulatory authorities for the repurchase of the underlying Domestic Shares of ESSP Portions, the Company will not effect such repurchase.

LETTER FROM THE BOARD

As certain Holders then may be Connected Participants, the repurchase of underlying Domestic Shares of ESSP Portions by the Company from such Connected Participants will constitute connected transactions for the Company. In addition to complying with the relevant disclosure requirements relating to connected transactions under the Listing Rules, the Company will seek a specific mandate to repurchase all underlying Domestic Shares of ESSP Portions held by Connected Participants before effecting such repurchase.

Management model of the ESSP and the Selection and Appointment of the Management Bodies

Professional asset management organisations will be appointed to establish Asset Management Plan to manage the Subject Shares of the ESSP. The Company is authorised by the employees who participate in the ESSP to sign the relevant agreements with the specific asset manager.

The Board has approved Minmetals Securities to be the Asset Manager. The Company has represented the ESSP to enter into the Asset Management Agreement with Minmetals Securities and Bank of Ningbo.

Under the terms and conditions of the Asset Management Agreement, the rights of the Asset Manager include but are not limited to (i) managing the entrusted asset (including the subscription monies for the Subject Shares and the Subject Shares subscribed by the Asset Management Plan); (ii) receiving payment for management fee; and (iii) upon authorisation from the asset trustor, exercising on behalf of the asset trustor rights arising from investing the entrusted assets in securities. The obligations of the Asset Manager include but are not limited to (i) opening special purpose account on behalf of asset trustor; (ii) managing the entrusted asset under the principles of good faith and diligence; (iii) ensuring the completeness of the entrusted assets, not embezzling the entrusted asset in any manner; (iv) performing reconciliation of accounts with Asset Custodian on a regularly basis; (v) addressing the asset trustor's enquiries relating to the allocation, changes in value, trading record and related information of the entrusted assets; (vi) returning the entrusted asset to the asset trustor upon the termination of the Asset Management Agreement; and (vii) keeping all accounting data, trading records and contracts of the entrusted asset.

LETTER FROM THE BOARD

Holders' Meeting and Management Committee

The organ of power of the ESSP shall be the Holders' Meeting. The ESSP shall have a Management Committee which is responsible for the day-to-day operations of the ESSP.

Under the terms of the ESSP, the rights of Holders include enjoying the interests of the assets of the ESSP according to the ESSP Portions held, participating in Holders' Meeting and exercising voting rights in respect of matters deliberated therein in accordance with the provisions of the ESSP and enjoying such other rights prescribed by relevant laws, regulations or the ESSP. The Holders' Meeting has power to, among others, elect or remove a member of the Management Committee, authorising the Management Committee to supervise the daily management of the ESSP, and convening Holders' Meeting to consider other matters that the Management Committee considers necessary to obtain approval.

Under the terms of the ESSP, the duties of the Management Committee include but are not limited to (i) convening Holders' Meeting; (ii) supervising the daily management of the ESSP on behalf of the Holders; (iii) representing the Holders to exercise shareholders' rights or authorising the Asset Manager to exercise shareholders' rights for and on behalf of the Holders; (iv) coordinating with the Asset Manager; (v) executing relevant agreements or contracts externally on behalf of the ESSP; (vi) deciding whether to participate in the Company's fund-raising activities such as share placing; (vii) deciding whether to reduce the shareholding in the Company by the ESSP (through the Asset Management Plan) and if so, the method and timing for such reduction; (viii) managing the distribution of interests of the ESSP; and (ix) such other duties as authorised by the Holders' Meeting.

Exercise of Shareholders' rights by the Asset Management Plan

The Asset Management Plan as the holder of the Subject Shares will be a Domestic Shares Shareholder and enjoy the same rights and obligations as other Domestic Shares Shareholders. The exercise of Domestic Shares Shareholder's rights by the Asset Management Plan will be in accordance with the instructions of the Management Committee or the Asset Manager (when authorised by the Management Committee). The Management Committee in giving instructions, or authorising the Asset Manager to give instructions, to the Asset Management Plan to exercise its rights as a Domestic Shares Shareholder shall act within the power granted by the Holders' Meeting.

Hence, while the Holders are not direct Shareholders, the Management Committee represents the Holders to exercise shareholders' rights or authorise the Asset Manager to exercise shareholders' rights for and on behalf of the Holders by directing how the Asset Management Plan exercises its rights as a Domestic Shares Shareholder. The Management Committee in so doing shall act within the power granted by the Holders' Meeting and shall seek the specific approval of the Holders at Holders' Meeting when necessary.

LETTER FROM THE BOARD

Participation in Fund Raising Activities Conducted by the Company

During the term of the ESSP, the Management Committee shall determine whether the ESSP shall participate in fund raising activities conducted by the Company, such as placement, allotment or issue of convertible bonds.

Other Investments by ESSP

The funds contributed by the Holders shall be used to subscribe for the Subject Shares. The assets of the ESSP are independent of the fixed assets of the Company.

NON-PUBLIC ISSUANCE

In connection with the proposed implementation of the ESSP, it is proposed that not more than 80 million new Domestic Shares, representing approximately 2.69% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 2.63% of the total issued share capital of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company), be issued to the Asset Management Plan pursuant to the Non-Public Issuance.

In connection with the Non-Public Issuance, the Company and Minmetals Securities (on behalf of the Asset Management Plan and its asset trustor) entered into the Subscription Agreement on 29 December 2015, pursuant to which Minmetals Securities conditionally subscribed for the Subject Shares. The completion of the subscription will be subject to the conditions set out in the Subscription Agreement having been fulfilled.

The major terms of the Subscription Agreement and the details relating to the Non-Public Issuance are set out in Appendix II to this circular.

LETTER FROM THE BOARD

CONNECTED SUBSCRIPTIONS

The table below set forth the proposed subscription of ESSP Portions by Connected Participants:

No.	Name	Position	ESSP Portions Subscribed	Corresponding Subject Shares	Corresponding subscription amount (RMB)
Connected Persons at the Company level					
1.	Weng Zhanbin	Chairman and Executive Director	1,200,000	1,200,000	3,588,000
2.	Li Xiucheng	Executive Director and President	1,000,000	1,000,000	2,990,000
3.	Cong Jianmao	Executive Director	500,000	500,000	1,495,000
4.	Zhao Hua	Supervisor	200,000	200,000	598,000
Connected Persons at the Subsidiary Level					
5.	Jiang Zhihui	Director	165,000	165,000	493,350
6.	Sun Xiduan	Director	300,000	300,000	897,000
7.	Wang Ligang	Director	1,000,000	1,000,000	2,990,000
8.	Dong Xin	Director	300,000	300,000	897,000
9.	Dai Hanbao	Director	1,000,000	1,000,000	2,990,000
10.	Cong Peizhang	Director	300,000	300,000	897,000
11.	Qin Hongxun	Director	500,000	500,000	1,495,000
12.	Chen He	Director	200,000	200,000	598,000
13.	Han Yanliang	Supervisor	440,000	440,000	1,315,600
14.	Wang Yongcheng	Director and General Manager	150,000	150,000	448,500
15.	Yuan Shujun	Director and General Manager	30,000	30,000	89,700
16.	Guo Xiufeng	Director	10,000	10,000	29,900
17.	Zhang Shaojun	General Manager	700,000	700,000	2,093,000
18.	Yang Yuezeng	General Manager	300,000	300,000	897,000
19.	Jiang Haojun	Director and General Manager	30,000	30,000	89,700
20.	Tang Lei	Director and General Manager	10,000	10,000	29,900
21.	Yang Xixiang	Director and General Manager	100,000	100,000	299,000
22.	Shen Shubao	Director	80,000	80,000	239,200
23.	Chu Yigong	Director and General Manager	100,000	100,000	299,000
24.	Liu Yushuai	Director and General Manager	400,000	400,000	1,196,000
25.	Wang Jiuchun	General Manager	10,000	10,000	29,900
26.	Wang Hailin	General Manager	250,000	250,000	747,500
27.	Wang Chunguang	Director and General Manager	300,000	300,000	897,000

LETTER FROM THE BOARD

No.	Name	Position	ESSP Portions Subscribed	Corresponding Subject Shares	Corresponding subscription amount (RMB)
28.	Sun Dongxian	Director and General Manager	30,000	30,000	89,700
29.	Lu Liangshan	Director and General Manager	30,000	30,000	89,700
30.	Wu Lixin	Director and General Manager	300,000	300,000	897,000
31.	He Yi	Director and General Manager	100,000	100,000	299,000
32.	Sun Yanpeng	Director	300,000	300,000	897,000
33.	Feng Jinmin	General Manager	60,000	60,000	179,400
34.	Liu Yunjie	Director and General Manager	50,000	50,000	149,500
35.	Wang Qinghui	General Manager	10,000	10,000	29,900
36.	Huang Meng	General Manager	50,000	50,000	149,500
37.	Zhang Yuming	Director and General Manager	10,000	10,000	29,900
38.	Liu Xingyi	Director and General Manager	30,000	30,000	89,700
39.	Qu Lihua	General Manager	100,000	100,000	299,000
40.	Wang Zhizheng	Director and General Manager	60,000	60,000	179,400
41.	Wu Wengen	General Manager	10,000	10,000	29,900
Connected Persons in the last 12 months					
42.	Ren Zhuanglin	Director and General Manager at the subsidiary level	100,000	100,000	299,000

The ESSP Portions proposed to be subscribed by Connected Participants correspond to not more than 10,815,000 Subject Shares (subject to the final number of ESSP Portions (and therefore the corresponding Subject Shares) subscribed by the Connected Participants), representing approximately (i) 13.52% of the Subject Shares to be issued under the Non-Public Issuance (assuming 80 million Subject Shares are issued); (ii) 0.36% of the total issued share capital of the Company as at the Latest Practicable Date and (iii) 0.36% of the total issued share capital of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company).

The Connected Subscriptions are subject to approvals of the Independent Shareholders having been obtained at the EGM and the Class Meetings.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subject Shares, assuming 80 million new Domestic Shares will be issued to the Asset Management Plan and there are no other changes in the shareholding structure of the Company after the Latest Practicable Date:

Name of Shareholder	Notes	Class of Shares	As at the Latest Practicable Date			Immediately following the issue of the Subject Shares		
			Number of Shares	Approximate % of interest in the Company	Approximate % of the relevant class of Shares of the Company	Number of Shares	Approximate % of interest in the Company	Approximate % of the relevant class of Shares of the Company
Zhaojin Group		Domestic Shares	1,086,514,000	36.63	51.95	1,086,514,000	35.67	50.04
Zhaojin Non-Ferrous Mining Company Limited	1	Domestic Shares	50,967,195	1.72	2.44	50,967,195	1.67	2.35
Shanghai Yuyuan Tourist Mart Co., Ltd		Domestic Shares	742,000,000	25.02	35.48	742,000,000	24.36	34.17
Shanghai Laomiao Gold Co., Ltd.	2	Domestic Shares	21,200,000	0.71	1.01	21,200,000	0.70	0.98
Shanghai Fosun Industrial Investment Co., Ltd.		Domestic Shares	106,000,000	3.57	5.07	106,000,000	3.48	4.88
招遠市國有資產經營有限公司 (Zhaoyuan City State-owned Assets Operation Company Limited*)		Domestic Shares	84,800,000	2.86	4.05	84,800,000	2.78	3.91
Asset Management Plan		Domestic Shares	-	-	-	80,000,000	2.63	3.68
Total Domestic Shares			2,091,484,195	70.52	100	2,171,484,195	71.29	100
Luyin Trading Pte. Ltd.	3	H Shares	43,890,000	1.48	5.02	43,890,000	1.44	5.02
Huatai No. 8 QDII Asset Management Plan	4	H Shares	565,000	0.02	0.06	565,000	0.02	0.06
Other Public Shareholders		H Shares	829,891,000	27.98	94.92	829,891,000	27.25	94.92
Total H Shares			874,346,000	29.48	100	874,346,000	28.71	100
Total (Domestic Shares and H Shares)			2,965,830,195	100		3,045,827,195	100	

Notes:

- Zhaojin Non-Ferrous Mining Company Limited is a wholly-owned subsidiary of Zhaojin Group.
- Shanghai Laomiao Gold Co., Ltd is held as to 95% by Shanghai Yuyuan Tourist Mart Co., Ltd.
- Luyin Trading Pte. Ltd. is a wholly-owned subsidiary of Zhaojin Group.
- Huatai No. 8 QDII Asset Management Plan holds the 565,000 H Shares on behalf of Zhaoyuan Jinshitou Business Consulting Co., Ltd., a company established under the laws of the PRC whose shareholders are the Directors (namely Weng Zhanbin, Li Xiuchen and Cong Jianmao), senior management and employees of the Company. Weng Zhanbin, Li Xiuchen and Cong Jianmao holds 7.943%, 3.971% and 2.383% equity interest in Zhaoyuan Jinshitou Business Consulting Co., Ltd., respectively.

LETTER FROM THE BOARD

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 Latest Practicable Date.

INFORMATION ON THE GROUP

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

REASONS FOR AND BENEFITS OF THE ESSP, NON-PUBLIC ISSUANCE AND CONNECTED SUBSCRIPTIONS

The Board considers that the ESSP will motivate the management and employees of the Company, establish a comprehensive mid-to-long-term incentive plan that provides for both incentives and restrictions, realise the maximisation of value for the Company and the Shareholders, 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 Subscription Agreement will safeguard the implementation of the ESSP.

The purpose of the Non-Public Issuance is to implement the ESSP.

The Connected Subscriptions are consistent with the purposes of the ESSP.

BOARD'S APPROVAL

The Board approved the implementation of the ESSP by way of Non-Public Issuance on 29 December 2015.

Four Directors, namely Mr. Weng Zhanbin, Mr. Li Xiuchen, Mr. Lu Dongshang (retired as Director on 26 February 2016 and not participating in the ESSP) and Mr. Cong Jianmao abstained from voting in the Board meeting on 29 December 2015 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 to, among other things, filing with SASAC and entering into relevant agreements including the Asset Management Agreement and the Subscription Agreement.

LISTING RULES IMPLICATIONS

Each Connected Participant is a director or supervisor of the Company and/or its subsidiaries or director of the Company's subsidiaries in the last 12 months and therefore a connected person of the Company under the Listing Rules. Accordingly, each Connected

LETTER FROM THE BOARD

Subscription will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and 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, the proposed implementation of the ESSP by way of Non-Public Issuance is also subject to approvals by the Shareholders at the EGM, and the H Shares Shareholders and Domestic Shares Shareholders at the relevant Class Meetings by way of special resolution.

The Company will convene an EGM and the Class Meetings to consider and, if thought fit, to approve the resolutions regarding the proposed implementation of the ESSP by way of Non-Public Issuance to, amongst others, the Connected Participants and the proposed Non-Public Issuance under the Specific Mandates.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of the Connected Subscriptions. No member of the Independent Board Committee has any material interest in the ESSP, the Non-Public Issuance and the Connected Subscriptions. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular.

INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Connected Subscriptions. The Independent Board Committee confirmed the appointment of the Independent Financial Advisor after the appointment of the Directors for the fifth session of the Board as disclosed in the announcement of the Company dated 26 February 2016 relating to the voting results of the extraordinary general meeting and appointment of Directors of the fifth session of the Board. A letter from the Independent Financial Advisor is set out on pages 23 to 41 of this circular.

EGM AND THE CLASS MEETINGS

The EGM will be held at 9:00 a.m. on Monday, 19 September 2016 at the conference room at Zhaojin Shunhe International Hotel, Zhaoyuan City, Shandong Province, the PRC to consider and, if thought fit, approve, among other matters, the ESSP, the Non-Public Issuance and the Connected Subscriptions.

The Domestic Shareholders Meeting will be held at 10:00 a.m. on Monday, 19 September 2016 at the conference room at Zhaojin Shunhe International Hotel, Zhaoyuan City, Shandong Province, the PRC to consider and, if thought fit, approve, among other matters, the ESSP, the Non-Public Issuance and the Connected Subscriptions.

The H Shareholders Meeting will be held at 10:30 a.m. on Monday, 19 September 2016 at the conference room at Zhaojin Shunhe International Hotel, Zhaoyuan City, Shandong Province, the PRC to consider and, if thought fit, approve, among other matters, the ESSP, the Non-Public Issuance and the Connected Subscriptions.

LETTER FROM THE BOARD

The notices convening the EGM and the Class Meetings are set out on pages 71 to 82 of this circular.

Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM and the Class Meetings (for the holders of H Shares) or any adjournment thereof (as the case may be); or to the place of business of the Company in the PRC not less than 24 hours before the time appointed for the holding of the EGM and the Class Meetings (for the holders of Domestic Shares) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM and the Class Meetings or any adjournment thereof if you so desire.

CONNECTED PERSONS WHO ARE REQUIRED TO ABSTAIN FROM VOTING ON THE RESOLUTIONS

Pursuant to Rule 14A.36 of the Listing Rules, any shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution at the EGM and the Class Meetings.

As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, Huatai No. 8 QDII Asset Management Plan which holds 565,000 H Shares, representing 0.02% interest in the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolutions to be proposed at the EGM and the H Shareholders Meeting as the beneficiaries of such asset management plan are Directors, senior management and employees of the Company.

Save as disclosed above, none of the other Shareholders are required to abstain from voting on the relevant resolutions.

BOOK CLOSURE PERIOD

In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM and the Class Meetings, the register of members of the Company will be closed from 20 August 2016 to 19 September 2016, both days inclusive, during which period no transfer of Shares will be registered.

For the identification of Shareholders who are qualified to attend and vote at the EGM, the H Shareholders Meeting and Domestic Shareholders Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shares Shareholders) or the registered address of the Company at No. 299 Jinhui Road, Zhaoyuan

LETTER FROM THE BOARD

City, Shandong Province, the PRC (for Domestic Shares Shareholders) for registration not later than 4:30 p.m. on 19 August 2016. Shareholders whose names appear on the register of members of the Company on 20 August 2016 will be entitled to attend and vote at the EGM, the H Shareholders Meeting. Domestic Shares Shareholders whose names appear on the register of members of the Company on 20 August 2016 will be entitled to attend and vote at the EGM and the Domestic Shareholders Meeting.

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 and the Class Meetings shall therefore demand voting on all resolutions set out in the notices of the EGM and the Class Meetings 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 authorised representative shall have one vote for each Share registered in his/her/its name in the register of members of the Company. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same manner.

The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATIONS

The Directors (excluding the views of the members of the Independent Board Committee who will express their views in the Letter from the Independent Board Committee in this circular) consider that the proposed ESSP, the Non-Public Issuance and the Connected Subscriptions are in the interest of the Company and the Shareholders as a whole and that the terms of the Connected Subscriptions are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings.

Your attention is also drawn to the recommendation of the Independent Board Committee as set out in pages 21 to 22 of this circular and the letter from the Independent Financial Adviser as set out on pages 23 to 41 of 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the ESSP in accordance with the Listing Rules 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)

29 July 2016

To the Independent Shareholders

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF EMPLOYEE SHARES SUBSCRIPTION PLAN**
- (2) PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES**
- (3) PROPOSED CONNECTED SUBSCRIPTIONS**
- (4) SPECIFIC MANDATES**

We refer to the circular of the Company dated 29 July 2016 (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 whether the terms of the Connected Subscriptions are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise you and us in these 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 23 to 41 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 Connected Subscriptions and taking into account the independent advice of Lego Corporate Finance Limited, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that (i) the terms of the

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Connected Subscriptions are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned though the Connected Subscriptions are not conducted in the ordinary and usual course of business of the Company; and (ii) the Connected Subscriptions by the Connected Participants are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM and the relevant Class Meetings to approve the Connected Subscriptions.

Yours faithfully,
Independent Board Committee

Chen Jinrong

Choy Sze Chung Jojo

Wei Junhao

Shen Shifu

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the terms of the Connected Subscriptions which has been prepared for the purpose of inclusion in this circular.



29 July 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED CONNECTED SUBSCRIPTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 29 July 2016 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 27 May 2015, the Board approved the ESSP Framework Proposal. On 29 December 2015, the Board further approved the implementation of the ESSP by way of non-public issuance of new Domestic Shares to the Asset Management Plan. Each ESSP Portion has one underlying Subject Share. Each ESSP Portion has a subscription price of RMB2.99 while the Issue Price for each Subject Share is RMB2.97. It is expected that in aggregate there will be no more than 80 million ESSP Portions and correspondingly no more than 80 million Subject Shares, representing approximately 2.69% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 2.63% of the total issued share capital of the Company as enlarged by the Non-Public Issuance (assuming no other changes in the share capital of the Company), will be issued to the Asset Management Plan pursuant to the Non-Public Issuance. As some of the target participants of the ESSP are Connected Participants which include Directors (excluding independent non-executive Directors) and/or supervisors of the Company and/or its subsidiaries or director of the Company’s subsidiaries in the last 12 months and therefore a connected person of the Company under the Listing Rules, each Connected Subscription will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, annual review, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company will convene an EGM and the Class Meetings to consider and, if thought fit, to approve the resolutions regarding the proposed implementation of the ESSP by way of Non-Public Issuance to, amongst others, the Connected Participants and the proposed Non-Public Issuance under the Specific Mandates.

As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, Huatai No.8 QDII Asset Management Plan which holds 565,000 H Shares, representing 0.02% interest in the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolutions to be proposed at the EGM and the H Shareholders Meeting as the beneficiaries of such asset management plan are Directors, senior management and employees of the Company. Save as disclosed above, none of the other Shareholders are required to abstain from voting on the relevant resolutions.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Connected Subscriptions are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and 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 resolution to be proposed at the EGM and the relevant Class Meetings to approve the Connected Subscriptions. 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, Lego Corporate Finance Limited (“**Lego Corporate Finance**”) did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, there was no engagement between the Group and Lego Corporate Finance. 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. Accordingly, we consider such relationship would not affect our independence.

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; (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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and/or the management of the Group. 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 Latest Practicable Date.

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, its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(i) Background of the Group and the Connected Participants

1.1 Information on the Group

The Group is principally engaged in exploration, mining, ore processing, smelting and sale of gold and other metallic products, being a large integrated mining enterprise specializing in the production of gold. The Group principally produces two kinds of gold products, which are Au9999 and Au9995 gold bullions under the brand of “Zhaojin”.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarises the financial information of the Group for the financial years ended 31 December 2014 and 2015, as extracted from the annual report of the Company for the financial year ended 31 December 2015 (“**2015 Annual Report**”).

	For the year ended	
	31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5,886,845	5,606,182
Gross profit	2,231,092	2,172,407
Profit for the year	399,583	506,741

	As at	As at
	31 December	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	31,054,259	26,400,310
Total liabilities	17,413,145	16,650,346
Net assets	13,641,114	9,749,964

As shown above, we noted that the Group’s revenue increased from approximately RMB5,606.2 million for the year ended 31 December 2014 to approximately RMB5,886.8 million for the year ended 31 December 2015, representing an increase of approximately 5.0% as compared to previous year. According to the 2015 Annual Report, such increase in revenue was mainly attributable to the increase in the sales volume of gold in 2015 as the Group’s revenue was mainly derived from the sales of gold which accounted for approximately 89.0% of the total revenue for the year ended 31 December 2015. The Group’s net profit was decreased from approximately RMB506.7 million for the year ended 31 December 2014 to approximately RMB399.6 million for the year ended 31 December 2015, representing a decrease of approximately 21.1%. Such decrease was mainly attributable to the drop in gold price during the year ended 31 December 2015 which led to a drop in selling price of gold.

As at 31 December 2015, the Group recorded total assets, total liabilities and net assets of approximately RMB31,054.3 million, RMB17,413.1 million and RMB13,641.1 million, respectively.

1.2 Information on the Connected Participants

Each Connected Participants is a director or supervisors of the Company and/or its subsidiaries or director of the Company’s subsidiaries in the last 12 months and therefore a connected person of the Company under the Listing Rules. As set out in the Letter from the Board, the ESSP Portions proposed to be subscribed by the Connected Participants correspond to not more than 10,815,000 Subject Shares (subject to the final number of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ESSP Portions (and therefore the corresponding Subject Shares) to be subscribed by the Connected Participants), representing approximately 0.36% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.36% of the total issued share capital of the Company as enlarged by the Non-Public Issuance (assuming no other changes to the share capital of the Company).

The Connected Subscriptions are subject to the approvals of the Independent Shareholders having been obtained at the EGM and the Class Meetings.

The table below set forth the proposed subscription of ESSP Portions by Connected Participants:

No.	Name	Position	ESSP Portions Subscribed	Corresponding Subject Shares	Corresponding subscription amount (RMB)
Connected Persons at the Company level					
1.	Weng Zhanbin	Chairman and Executive Directors	1,200,000	1,200,000	3,588,000
2.	Li Xiuchen	Executive Director and President	1,000,000	1,000,000	2,990,000
3.	Cong Jianmao	Executive Director	500,000	500,000	1,495,000
4.	Zhao Hua	Supervisor	200,000	200,000	598,000
Connected Persons at the Subsidiary Level					
5.	Jiang Zhihui	Director	165,000	165,000	493,350
6.	Sun Xiduan	Director	300,000	300,000	897,000
7.	Wang Ligang	Director	1,000,000	1,000,000	2,990,000
8.	Dong Xin	Director	300,000	300,000	897,000
9.	Dai Hanbao	Director	1,000,000	1,000,000	2,990,000
10.	Cong Peizhang	Director	300,000	300,000	897,000
11.	Qin Hongxun	Director	500,000	500,000	1,495,000
12.	Chen He	Director	200,000	200,000	598,000
13.	Han Yanliang	Supervisor	440,000	440,000	1,315,600
14.	Wang Yongcheng	Director and General Manager	150,000	150,000	448,500
15.	Yuan Shujun	Director and General Manager	30,000	30,000	89,700
16.	Guo Xiufeng	Director	10,000	10,000	29,900
17.	Zhang Shaojun	General Manager	700,000	700,000	2,093,000
18.	Yang Yuezeng	General Manager	300,000	300,000	897,000
19.	Jiang Haojun	Director and General Manager	30,000	30,000	89,700
20.	Tang Lei	Director and General Manager	10,000	10,000	29,900
21.	Yang Xixiang	Director and General Manager	100,000	100,000	299,000
22.	Shen Shubao	Director	80,000	80,000	239,200

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Name	Position	ESSP Portions Subscribed	Corresponding Subject Shares	Corresponding subscription amount (RMB)
23.	Chu Yigong	Director and General Manager	100,000	100,000	299,000
24.	Liu Yushuai	Director and General Manager	400,000	400,000	1,196,000
25.	Wang Jiuchun	General Manager	10,000	10,000	29,900
26.	Wang Hailin	General Manager	250,000	250,000	747,500
27.	Wang Chunguang	Director and General Manager	300,000	300,000	897,000
28.	Sun Dongxian	Director and General Manager	30,000	30,000	89,700
29.	Lu Liangshan	Director and General Manager	30,000	30,000	89,700
30.	Wu Lixin	Director and General Manager	300,000	300,000	897,000
31.	He Yi	Director and General Manager	100,000	100,000	299,000
32.	Sun Yanpeng	Director	300,000	300,000	897,000
33.	Feng Jinmin	General Manager	60,000	60,000	179,400
34.	Liu Yunjie	Director and General Manager	50,000	50,000	149,500
35.	Wang Qinghui	General Manager	10,000	10,000	29,900
36.	Huang Meng	General Manager	50,000	50,000	149,500
37.	Zhang Yuming	Director and General Manager	10,000	10,000	29,900
38.	Liu Xingyi	Director and General Manager	30,000	30,000	89,700
39.	Qu Lihua	General Manager	100,000	100,000	299,000
40.	Wang Zhizheng	Director and General Manager	60,000	60,000	179,400
41.	Wu Wengen	General Manager	10,000	10,000	29,900
Connected Persons in the last 12 months					
42.	Ren Zhuanglin	Director and General Manager at the subsidiary level	100,000	100,000	299,000

(ii) Reasons for and benefits of the Connected Subscriptions

To consider whether the Connected Subscriptions relating to the ESSP are in the interests of the Company and the Shareholders as a whole and whether the terms of the Connected Subscriptions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, we have reviewed the terms of the ESSP as well as other market comparables. A full text of the ESSP is set out in Appendix I to this Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As described in the Letter from the Board, the objective of the ESSP is to further improve the corporate governance structure of the Company, motivate the management and employees of the Company, establish a comprehensive mid-to-long-term effective incentive plan that provides for both incentives and restrictions, realise the maximisation of value for the Company and the Shareholders, 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.

Also described in the Letter from the Board, the funds for subscribing for the ESSP Portions shall come from the ESSP participants' lawful remuneration or are raised by them through other lawful means. It is expected that in aggregate there will be no more than 80 million new Domestic Shares under the ESSP Portions, with each ESSP Portion corresponding to one Domestic Share at a subscription price of RMB2.99 per ESSP Portion.

When considering the nature of the ESSP, we have compared it with share option schemes within the meaning of Chapter 17 of the Listing Rules which are generally adopted by many companies listed on the Stock Exchange. We consider that the principles under the ESSP are generally in line with those of Chapter 17 of the Listing Rules, such as Rule 17.03(5) and 17.03(11) of the Listing Rules which suggest that the life and the period within which the securities must be taken up under the scheme must not be more than 10 years. By comparison, pursuant to the proposed implementation of the ESSP, the term of the ESSP is 72 months commencing upon the registration of the underlying shares under the name of the Asset Management Plan established for the purpose of implementing the ESSP. In addition, with regards to share option schemes, Rule 17.03(6) of the Listing Rules suggest that it is not required to have a fixed period for which an option must be held before it can be exercised. In contrast, pursuant to the ESSP, the underlying Domestic Shares are subject to the Lock-Up Period of 36 months. During the Lock-Up Period and Moratorium Period, the Asset Management Plan may not transfer the Subject Shares in any manner, and may not create any encumbrances on the Subject Shares. In short, the aforesaid lock up requirement encourages longer term commitment by the participating employees including the Connected Participants.

We noted that the ESSP is a practical alternative to share option schemes generally adopted by listed companies on the Stock Exchange (being those governed under Chapter 17 of the Listing Rules), which are implemented with the intention of incentivising employees over the mid-to-long-term. In the case of the Company which business operations and employee base are predominantly in the PRC, it is logical that the ESSP opts for Domestic Shares rather than H Shares as the instrument, which are not listed on the Stock Exchange. H Shares which are listed on the Stock Exchange cannot be generally owned or bought by employees who are nationals of the PRC unless otherwise approved by relevant authorities. The CSRC issued the "CSRC Announcement [2014] No. 33" on 20 June 2014 (the "**CSRC Announcement**") which promotes PRC corporations to adopt employee stock ownership schemes with a view to provide greater flexibility as to how companies can design employee compensation packages. Since 20 June 2014 (being the date of the release of the CSRC Announcement), we noted that to-date five PRC incorporated and listed companies on the Stock Exchange had adopted such schemes by way of private placement through issuing new shares. The ESSP is therefore a method not uncommonly adopted by PRC incorporated companies with listed H shares in the stock market in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also discussed with the management of the Company regarding the benefits of the ESSP as an incentive scheme. According to the management of the Company, they have considered several methods of providing incentives to the Connected Participants, including but not limited to performance bonus as well as the ESSP. After careful consideration of the various alternative, the Directors consider the ESSP to be the most appropriate given that, as opposed to the other alternatives, the ESSP will enable the Company to prevent cash outflow while allowing added incentives to the Connected Participants to make contribution to the Group. In addition, the benefits of the ESSP to the Connected Participants are dependent on the improvement in the performances of the Group and that the Connected Participants will benefit when all the other target participants of the ESSP are also in the same interests to the benefits of the ESSP, the Directors are of the view that the ESSP will further align the interests of the Connected Participants with the Company together with the other target participants of the ESSP.

According to the ESSP, we noted that upon expiry of the three-year Lock-Up Period, if the Domestic Shares fail to be listed on any stock exchange, one of the factors to determine the price that the Connected Participants entitled to transfer the underlying Domestic Shares of his or her ESSP Portions (the “**Transfer Price**”) to the Company (i.e. the Connected Participants request the Company to repurchase the underlying Domestic Shares of ESSP Portions he or she holds in the ESSP) is the corresponding accumulative net value of such ESSP Portions (i.e. accumulative net value equals to the sum of the Company’s net asset value corresponding to such portions plus the accumulative dividends and other monetary capital retained in the ESSP). Since a portion of the Company’s total equity is derived from its retained profits which generates from the principal business activities of the Company, the higher the profits (i.e. performances of the Group) will result in higher net asset value of the Company. Moreover, since the subscription price under ESSP is fixed at RMB2.97 per Subject Share, the Connected Participants will enjoy greater benefits deriving from the ESSP if the Transfer Price of his or her ESSP Portions is at a higher price.

We have discussed with the management of the Company other alternative of providing incentives to the Connected Participants such as performance bonus and understand that usually certain criteria have to be achieved in order to entitle performance bonus whilst there are no specific benchmarks for ESSP so long as the Group’s performance is in satisfaction. Accordingly, we are of the view that ESSP can provide greater incentives to the Connected Participants as compared to other alternative such as performance bonus.

Having considered the above, in particular, (i) the ESSP would incentivise the Connected Participants without incurring additional cash outflow of the Group; (ii) the benefits of the ESSP are dependent on the performance of the Group which would allow the Group to retain and motivate the Connected Participants as well as the other target participants of the ESSP for the continual operation and development of the Group; and (iii) the benefits of providing incentives by way of ESSP over other alternative, we concur with the Directors’ view that the ESSP is the most appropriate incentive among other alternative such as performance bonus.

In view of the foregoing reasons for and possible benefits of the implementation of the ESSP, including the participation of the Connected Participants, the Directors are of the opinion and we concur that the ESSP with the participation of the Connected Participants is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Key terms of the Non-Public Issuance

As described in the Letter from the Board, the implementation of the ESSP shall be by way of non-public issuance of new Domestic Shares to the Asset Management Plan. Set out below are the key terms of the Non-Public Issuance of Domestic Shares:

Class and nominal value of shares to be issued	:	New Domestic Share of RMB1.00 each
Subscriber	:	Asset Management Plan
Number of shares to be issued	:	not more than 80 million new Domestic Shares, representing approximately 2.69% of the total issued share capital of the Company and approximately 3.83% of the total issued Domestic Shares of the Company as at the Latest Practicable Date
Issue price	:	RMB2.97 per new Domestic Share
Subscription price under ESSP	:	RMB2.99 per Domestic Share
Portions		
Term	:	72 months, commencing from the date on which the Subject Shares are being registered under the name of the Asset Management Plan
Method of issuance	:	Non-public issuance

Further details regarding the ESSP and the terms of the Subscription Agreement are set out in the Appendix I and Appendix II to this Circular, respectively.

Number of Domestic Shares to be issued

As set out in the Letter from the Board, the number of Domestic Shares to be issued under the Non-Public Issuance will not exceed 80 million new Domestic Shares. Assuming full subscription, the entirety of the Domestic Shares issued under the Non-Public Issuance will account for (i) approximately 2.69% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 2.63% of the total issued share capital of the Company as enlarged by the Non-Public Issuance upon completion of the Non-Public Issuance (assuming no other changes to the share capital of the Company).

As set out in the 2015 Annual Report, save for the ESSP, the Company currently has no share-based employee benefit scheme. The terms of the ESSP, as set out in Appendix I to the Circular, stipulates that the total portions of the ESSP are expected to be not more than 80 million Subject Share, representing approximately 2.69% of the total issued share capital of the Company. Since the total portions of the ESSP is less than 10% of the Company's total share capital, it is in compliance with employee stock ownership guideline stipulated in the CSRC Announcement, and also similar to the requirements under Chapter 17 of the Listing Rules. As such, we are of the view that the number of Domestic Shares to be issued under the Connected Subscriptions is acceptable and fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lock-up period and Moratorium Period

As set out in the Letter from the Board, the Lock-Up Period imposed by the ESSP is 36 months, commencing from the date on which the Subject Shares are being registered under the name of the Asset Management Plan. During the term of the ESSP, in case the Domestic Shares are listed and traded, the Subject Shares will also be subject to any selling restrictions imposed by the relevant securities authorities and stock exchange (i.e. the Moratorium Period). During the Lock-Up Period and the Moratorium Period, the Asset Management Plan may not transfer the Subject Shares in any manner, and may not create any encumbrances on the Subject Shares. In addition, the Holders may not transfer or create any encumbrances on the ESSP Portions they are interested in. Based on the above, we are of the view that the lock-up arrangement in relation to the Non-Public Issuance is in the interests of the Company and the Shareholders as a whole having taken into account that (i) the lock-up arrangement applies to all participants of the Non-Public Issuance (including the Connected Participants); (ii) the lock-up arrangement will encourage the participants of the ESSP, including the Connected Participants, to commit to the Group on a longer term; and (iii) the lock-up arrangements are similar to the corresponding terms of schemes adopted by other comparables listed issuers as demonstrated in the sub-section headed “(v) Comparison with other comparable companies” below.

Issue price

The Issue Price in respect of the Subject Shares shall be RMB2.97 per Subject Share, which is determined based on the following principles: (i) it shall be no less than 85% of the 20-day average trading price of the H Shares prior to 29 December 2015 (i.e. RMB2.97 per H Share); and (ii) it shall not be less than the audited net asset value attributable to the owners of the Company per Share as at 31 December 2014 (i.e. RMB2.92).

The issue price determination date (i.e. 29 December 2015) is based on a reference date which is the day the Board approved the implementation of the ESSP by way of non-public issuance of new Domestic Shares to the Asset Management Plan. We noted that this date has been determined on a transparent manner and is in line with the requirements of Chapter 17 of the Listing Rules. The basis of determining the issue price under the ESSP of 20 trading days, while being slightly longer than stipulated under Chapter 17 of the Listing Rules, which requires that the exercise price of options must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of options, serves to take into consideration the trading pattern of the H Shares. Hence, we are of the view that overall, the basis of determining the issue price of the Domestic Shares under the Non-Public Issuance for the ESSP is fair and reasonable. With regard to private placings of new shares by means of the general mandate, Rule 13.29 of the Listing Rules permits a discount of up to 20% to the immediate closing price per share prior to the private placement agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Subscription price under the Connected Subscriptions

As stated in the Letter from the Board, it is expected that in aggregate there will be no more than 80 million ESSP Portions, with each ESSP Portion corresponding to one Subject Share at a subscription price of RMB2.99 per ESSP Portion. As advised by the management of the Company, the part in excess of the price paid for the Subject Shares, being RMB2.99 per Subject Share as compared to the issue price of the Subject Shares of RMB2.97 per Subject Share, shall be used for the payment of management fee and custodian fee in respect of the Asset Management Plan, and any remaining balance shall belong to the Asset Management Plan and beneficially owned by the Holders.

We are further advised by the management of the Company that the management fee and custodian fee of RMB0.02 per Subject Share imposed to the subscription price of RMB2.99 are the fee payable by, in substance, the target participants of the ESSP (which also applies to the Connected Participants under the Connected Subscriptions) to Minmetal Securities (as asset manager) and Bank of Ningbo (as asset custodian) under the Asset Management Plan, both of which are third parties independent of the Company and their respective connected persons. In connection with the Connected Subscriptions, given that there will be no more than 10,815,000 ESSP Portions and correspondingly no more than 10,815,000 Subject Shares (subject to the final number of ESSP Portions and therefore the corresponding Subject Shares) to be subscribed by the Connected Participants, accordingly, the total management fee and custodian fee are expected to be no more than RMB216,300, representing approximately 0.67% of the total amount corresponding to the Connected Subscriptions. Having considered that (i) the aforesaid payment of management fee and custodian fee to be paid by Connected Participants is immaterial; and (ii) the amount is payable to Minmetal Securities and Bank of Ningbo, which are third parties independent of the Company and their respective connected persons and hence the target participants (including Connected Participants) will not receive any benefits arising from such payment, we are of the view that the management fee and custodian fee of RMB0.02 imposed to the subscription price under the Connected Subscriptions is fair and reasonable.

For the purpose of assessing the fairness and reasonableness of the subscription price under the Connected Subscriptions, taking into consideration that (i) the issue price of RMB2.97 is lower than the subscription price of RMB2.99; and (ii) the price differentiation between the issue price and subscription price of RMB0.02 is solely for the payment of management fee and custodian fee in respect of the Asset Management Plan, we consider that the issue price of RMB2.97 shall be used for the below analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As aforementioned, the Issue Price is determined based on the following principles: (i) it shall be no less than 85% of the 20-day average trading price of the H Shares prior to 29 December 2015 (i.e. RMB2.97 per H Share); and (ii) it shall not be less than the audited net asset value attributable to the owners of the Company per Share as at 31 December 2014 (i.e. RMB2.92).

According to the 2015 Annual Report, as at 31 December 2014, the net assets attributable to the owners of the Company was approximately RMB8,667,059,000, with the total issued Share of the Company being 2,965,827,000 Shares, the net asset value attributable to the owners of the Company per Share is approximately RMB2.92 per Share. The Issue Price of RMB2.97 represents a premium of approximately 1.7% to the net asset value attributable to the owners of the Company per Share as at 31 December 2014.

As advised by the management of the Company, the Company has not applied and does not have any intention to apply for the listing of the Domestic Shares on any stock exchanges in the near future. As the Subject Shares to be issued and allotted pursuant to the Non-Public Issuance are Domestic Shares which will not be tradable on any stock exchange and hence there is no publicly available trading price, we have alternatively used the share price of H Shares for the purpose of comparison and analysis having considered that the trading price of the H Shares was the only publicly available information on the price of the Shares.

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed and performed comparison of the Issue Price of RMB2.97 per Domestic Share (which is equivalent to approximately HK\$3.56 per Share based on the exchange rate of RMB1.00 to HK\$1.197 for illustrative purpose only) to the historical closing price of the H Shares as quoted on the Stock Exchange over the twelve months period prior to and including 28 December 2015, being the last trading day prior to the execution of the Subscription Agreement (the “**Review Period**”). We consider that such twelve months period would be sufficient to smooth out the effects of any short-term fluctuations in the stock market for our analysis and therefore

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

can serve as a benchmark for assessing the Issue Price. The following chart depicts the comparison of the daily closing prices of the H Shares and the subscription price in HK\$ equivalent during the Review Period:



Source: Stock Exchange

As illustrated above, during the Review Period, the closing prices of the H Shares recorded lowest closing price of HK\$3.47 on 5 August 2015 and highest closing price of HK\$6.47 on 29 May 2015. As illustrated on the chart above, the subscription price of RMB2.97 per Domestic Share (equivalent to approximately HK\$3.56 per Share) represents a premium of approximately 2.6% over and a discount of approximately 45.0% to such lowest closing price and highest closing price respectively. The average of the closing prices of the H Shares during the Review Period was approximately HK\$4.48. The Issue Price represents a discount of approximately 20.5% to such average closing price.

Taking into account that (i) the Issue Price represents a premium of approximately 1.7% to the audited net asset value attributable to the owners of the Company as at 31 December 2014; and (ii) the Issue Price lies within the range of the lowest and highest closing prices of the H Shares during the Review Period, we are of the view that the Issue Price is justifiable.

(v) Comparison with other comparable companies

As part of our analysis, we have also identified five main board listed companies with H share listings in the Stock Exchange which have (i) announced the adoption of the employee stock ownership schemes since 20 June 2014 (being the date of the release of the CSRC Announcement); (ii) implemented by way of subscription of new A shares/domestic shares; and (iii) included identified participants who are connected persons (the “**Comparables**”). We believe the list below to be exhaustive. The time period was chosen as we believe that the five companies which have undertaken such an exercise since 20 June 2014 are sufficient to provide a reasonably well informed view. The result of our analysis are as follows:

Date of announcement relating to the adoption of the employee stock ownership scheme and determination of the issue price per share	Company name	Stock market and class of shares	Stock code	Approximate size of the scheme	Subscription/issue price per share	20 days average day-end trading price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme	Approximate percentage of discount to the 20 days average day-end trading price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme (%)	Lock-up period
13 January 2015	廣州白雲山醫藥集團股份有限公司 Guangzhou Baiyunshan Pharmaceutical Holdings Co. Ltd.	Shanghai Stock Exchange A shares Stock Exchange H shares	SHA: 600332 HK:874	RMB505.1 million	RMB23.84	RMB26.42	9.7	36 months
10 April 2015	招商銀行股份有限公司 China Merchants Bank Co., Ltd.	Shanghai Stock Exchange A shares Stock Exchange H shares	SHA: 600036 HK:3968	RMB6,000.0 million	RMB13.8	RMB15.26	9.6	36 months

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement relating to the adoption of the employee stock ownership scheme and determination of the price per share	Company name	Stock market and class of shares	Stock code	Approximate size of the scheme	Subscription/issue price per share	20 days average day-end trading price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme	Approximate percentage of discount to the 20 days average day-end trading price of A/H shares (as the case may be) to the date of announcement relating to the adoption of the employee stock ownership scheme (%)	Lock-up period
10 June 2015	長飛光纖光纜股份有限公司 Yangtze Optical Fibre and Cable Joint Stock Limited Company	Stock Exchange H shares	HK:6869	HK\$228.7 million	HK\$7.15	N/A	34.4	24 months
08 October 2015	山東新華製藥股份有限公司 Shandong Xinhua Pharmaceutical Company Limited	Shenzhen Stock Exchange A shares Stock Exchange H shares	SZA: 000756 HK:719	RMB35.0 million	RMB9.36	RMB10.07	7.1	36 months
08 July 2016	紫金礦業集團股份有限公司 Zijin Mining Group Co., Ltd.	Shanghai Stock Exchange A shares Stock Exchange H shares	SHA: 601899 HK: 2899	RMB401.7 million	RMB3.09	RMB3.343	7.6	36 months
29 December 2015	The Company	Stock Exchange H shares	HK:1818	RMB237.6 million	RMB2.97 (equivalent to HK\$3.56)	N/A	14.9	36 months

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As indicated in the table above, the subscription/issue prices of the Comparables ranged from a discount of approximately 7.1% to approximately 34.4% to their respective 20-day average trading price of A/H shares (as the case may be) prior to the date of announcement relating to the adoption of the employee stock ownership scheme. We note that the Issue Price of RMB2.97 (equivalent to approximately HK\$3.56 per Share) represents a discount of approximately 14.9% to the 20 days average day-end trading price of the H Shares prior to the date of ESSP Announcement. Such percentage falls within the range of approximately 7.1% to approximately 34.4% discount of the Comparables.

Taking into account that (i) the Domestic Shares are not listed and therefore there is no publicly available transfer price which allows for a liquidity discount as compared to the H Shares; (ii) the issue price under the Non-Public Issuance is the same for all participants under the ESSP (i.e. applies also to the Connected Participants under the Connected Subscriptions); (iii) the basis of issue price for the ESSP is similar to other related schemes of the Comparables; (iv) the abovementioned percentage discount to the 20-day average trading price of the Company's H Shares falls within the range of approximately 7.1% to approximately 34.4% discount of the Comparables; (v) the Issue Price of the ESSP falls within the generally permissible discount rate under Rule 13.29 of the Listing Rules; and (vi) the issue price of RMB2.97 per Domestic Share, which is no less than 85% of the 20-day average trading price of the H Shares, would help to incentivise employees over the medium to long-term, we are of the view that the terms of the Connected Subscriptions are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vi) Effect of the Connected Subscription on the shareholding structure of the Company

Assuming there is no change in the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date other than the ESSP (including Connected Subscription), the table below sets forth the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subject Shares (including the Connected Subscription), assuming 80 million new Domestic Shares will be issued to the Asset Management Plan and there are no other changes in the shareholding structure of the Company after the Latest Practicable Date:

Shareholders	Shareholding structure as at the Latest Practicable Date		Shareholding structure after the issue of Subject Shares	
	<i>Number of shares held</i>	<i>% of total shares</i>	<i>Number of shares held</i>	<i>% of total shares</i>
Domestic Shares				
Zhaojin Group	1,086,514,000	36.63	1,086,514,000	35.67
Shanghai Yuyuan Tourist Mart Co., Ltd.	742,000,000	25.02	742,000,000	24.36
Shanghai Fosun Industrial Investment Co., Ltd.	106,000,000	3.57	106,000,000	3.48
Zhaojin Non-Ferrous Mining Company Limited	50,967,195	1.72	50,967,195	1.67
Shanghai Laomiao Gold Co., Ltd.	21,200,000	0.71	21,200,000	0.70
Asset Management Plan	–	–	80,000,000	2.63
Zhaoyuan City State- owned Assets Operation Company Limited	84,800,000	2.86	84,800,000	2.78
Total Domestic Shares	2,091,481,195	70.52	2,171,481,195	71.29
H Shares				
Luyin Trading Pte. Ltd.	43,890,000	1.48	43,890,000	1.44
Huatai No.8 QDII Asset Management Plan	565,000	0.02	565,000	0.02
Other Public Shareholders	829,891,000	27.98	829,891,000	27.25
Total H Shares	874,346,000	29.48	874,346,000	28.71
Total (Domestic Shares and H Shares)	2,965,827,195	100.00	3,045,827,195	100.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the illustration above, immediately after the implementation of the ESSP (including the Connected Subscriptions) and assuming there is no change in the issued share capital of, and shareholding in, the Company from the Latest Practicable Date up to the date of the full participation in the ESSP, we noted that the shareholding of the existing public H Shares Shareholders in the Company would be diluted from approximately 27.98% to approximately 27.25%. The existing public H Shares Shareholders would have a potential maximum decrease in shareholding of approximately 0.73% following the implementation of the ESSP.

Taking into account the potential benefits of the ESSP as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionally to their respective shareholdings, with all other things being equal, we consider such potential dilution to the shareholdings of the Independent Shareholders to be acceptable.

(vii) Possible financial effects of the Connected Subscriptions

Assets and Liabilities

According to the 2015 Annual Report, the audited consolidated total assets and liabilities of the Group as at 31 December 2015 were approximately RMB31,054,259,000 and approximately RMB17,413,145,000 respectively. Upon the implementation of the ESSP (including the Connected Subscriptions), the cash level of the Group will be increased by approximately RMB218,676,640. As such, the ESSP is expected to have a positive impact on the assets of the Group. On the other hand, there should be no material effect on the liabilities of the Group under the ESSP.

Net asset value per Share

As disclosed in the 2015 Annual Report, the audited consolidated net asset value (“NAV”) attributable to the owners of the Company amounted to approximately RMB10,741 million as at 31 December 2015. Based on approximately 2,966 million Shares in issue as at the Latest Practicable Date, NAV per Share as at 31 December 2015 would be approximately RMB3.62.

Upon the implementation of the ESSP (including the Connected Subscriptions) and receipt of the maximum proceeds of approximately RMB237.6 million pursuant to the ESSP as mentioned above, the NAV attributable to the owners of the Company would be at approximately RMB10,979 million and the Company would have approximately 3,046 million issued Shares, resulting in the NAV per Share of RMB3.60. It is expected that there would be a dilutive effect on the NAV per Share of approximately 0.55% on a comparison basis. Having considered that the aforesaid dilutive effect on the NAV per Share is immaterial, we are of the view that it is justifiable.

Working capital

As disclosed in the 2015 Annual Report, the aggregate balance of cash at bank and on hand of the Group as at 31 December 2015 was approximately RMB2,033,203,000. Upon the implementation of the ESSP (including the Connected Subscriptions), the cash

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

level of the Group will be increased by approximately RMB218,676,640 and hence there would be improvement in the cash position of the Group of approximately RMB218,676,640, the ESSP is expected to have a positive impact on the working capital of the Group.

Gearing ratio

According to the 2015 Annual Report, the gearing ratio (defined as total liabilities divided by total assets) was approximately 45.4%. Upon the implementation of the ESSP, the cash level of the Group will be increased by approximately RMB218,676,640. As such, the gearing ratio of the Group will be improved. It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon implementation of the ESSP.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular the fact that (i) the terms of the Connected Subscriptions are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned though the Connected Subscriptions is not conducted in the ordinary and usual course of business of the Company; and (ii) the Connected Subscriptions by the Connected Participants is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM and the relevant Class Meetings to approve the Connected Subscriptions.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 18 years of experience in the finance and investment banking industry.

ZHAOJIN MINING INDUSTRY COMPANY LIMITED

(299 Jinhui Road, Zhaoyuan City, Shangdong Province)



**The First Employee Shares
Subscription Plan (Draft)**

December 2015

CONTENTS

DEFINITIONS	44
I. PURPOSES OF IMPLEMENTING THE ESSP	46
II. BASIC PRINCIPLES	46
III. TARGET PARTICIPANTS AND BASIS FOR DETERMINATION	47
IV. SOURCES OF FUNDING AND SHARES	47
V. PRICE OF THE SUBJECT SHARES	48
VI. INFORMATION ON THE HOLDERS	49
VII. TERM OF THE ESSP	49
VIII. LOCK-UP PERIOD AND MORATORIUM PERIOD OF THE SUBJECT SHARES	49
IX. RIGHTS AND OBLIGATIONS OF PARTIES TO THE ESSP	50
X. MANAGEMENT MODE OF THE ESSP AND SELECTION AND APPOINTMENT OF THE MANAGEMENT AGENCY	51
XI. MAIN CONTENTS OF THE ASSET MANAGEMENT CONTRACT ON THE ESSP	52
XII. HOLDERS' MEETING, MANAGEMENT COMMITTEE AND ASSET MANAGEMENT AGENCY OF THE ESSP	53
XIII. PARTICIPATION IN FINANCING ARRANGEMENTS OF THE COMPANY BY THE ESSP	58
XIV. ASSETS OF THE ESSP AND ITS INVESTMENTS	58
XV. MEASURES TO BE TAKEN FOR THE ENTITLEMENTS UNDER THE ESSP	59
XVI. PROCEDURES FOR IMPLEMENTING THE ESSP	60
XVII. MISCELLANEOUS	61

DEFINITIONS

Unless otherwise specified, the following abbreviations shall have the following meanings in this document:

Company, the Company, Listed Company, Zhaojin Mining Industry	Zhaojin Mining Industry Company Limited
Controlling Shareholder, Zhaojin Group	Shandong Zhaojin Group Co., Ltd., the controlling shareholder of the Company
The ESSP, ESSP, the Plan	The First Employee Shares Subscription Plan of Zhaojin Mining Industry Company Limited
A Holder of the ESSP or a Holder	an employee who has subscribed the ESSP Portions
Representative of the ESSP or the Representative	Zhaojin Mining Industry Company Limited as authorised by the Holders
Asset Management Plan	“Minmetals Securities Zhaojin Mining No. 1 Directional Asset Management Plan” established under the agreement executed by the Company as authorised by the Holders, Minmetals Securities and Bank of Ningbo
CSRC	China Securities Regulatory Commission
SASAC	the State-owned Assets Supervision and Administration Commission of Shandong Province
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
Articles of Association	the Articles of Association of the Company
General Meeting of Shareholders	the General Meeting of Shareholders of the Company
Management Committee	ESSP Management Committee which is the daily supervision and management organ of the ESSP

Encashment

a way to reduce relevant shares and realize earnings through the Asset Management Plan

RMB

the lawful currency of the PRC

I. PURPOSES OF IMPLEMENTING THE ESSP

“The First Employee Shares Subscription Plan of Zhaojin Mining Industry Company Limited” is implemented, in accordance with the Company Law, Securities Law and relevant laws, administrative regulations, rules, regulatory documents as well as the Articles of Association. The purposes of implementing the ESSP are:

- (I) to achieve the consistency of benefits of the Shareholders, the Company and the employees, to safeguard the rights and interests of the Shareholders and to bring efficient and lasting return to the Shareholders;
- (II) to further improve the corporate governance structure of the Company, to enhance the work initiative of the employees and the stability of talented teams, and to perfect the long-term effective incentive and restraint mechanism of the Company;
- (III) to improve the benefit-sharing and risk-sharing mechanism between the core employees and all the Shareholders, to increase the sense of ownership of the employees, to stimulate entrepreneurial passion of the employees, to enhance the cohesiveness and competitiveness of the Company in an effort to lay a solid foundation for the transformation and development of the Company in the context of the current economic situation.

II. BASIC PRINCIPLES

(I) Legal compliance principle

In implementing the ESSP, the Company shall follow the procedures in strict compliance with the provisions of the laws and administrative regulations, which require the Company to disclose true, accurate and complete information in a timely manner. No person is permitted to engage in insider trading, illegal transfer of benefits, manipulation of the securities market, and other fraudulent actions through the ESSP.

(II) Voluntary participation principle

The implementation of the ESSP is subject to the discretionary decisions of the Company, and voluntary participation of the employees. The Company is not permitted to force the employees to participate in the ESSP in any ways such as apportionment and mandatory distribution.

(III) Voluntary risk undertaking principle

The Holders under the ESSP will be responsible for their own gains or losses and will undertake their own risks, and their equity rights rank *pari passu* with those of other investors.

(IV) Selective participation by the employees principle

The target participants of the ESSP shall conform with the criteria established by the Company and shall be subject to the confirmation of the Board and the verification of the board of supervisors.

III. TARGET PARTICIPANTS AND BASIS FOR DETERMINATION

(I) Basis for determining target participants

1. *Legal basis for determining target participants*

The Company determines the list of target participants of the ESSP in accordance with the Company Law, Securities Law and relevant laws, regulations and regulatory documents as well as the Articles of Association, along with the actual situation of the Company.

2. *Criteria for determining the target participants*

“Employees” participating in the ESSP refer to the persons meeting any of the following criteria:

- (1) existing directors (excluding the independent Directors), supervisors and senior management of the Company;
- (2) principals-in-charge of offices of the subsidiaries, affiliated companies and headquarters of the Company;
- (3) core technicians, key business executives and related officers who work at the Company and are engaged by the Company and have entered into employment contracts with the Company or its subsidiaries and continuously served the Company or its subsidiaries for one year or above.

A detailed list of the employees participating in the ESSP shall be determined by the Board.

The final number of employees participating in the ESSP shall be determined in accordance with the actual payment status for the subscription of the ESSP.

(II) Verification of target participants

The Company’s board of supervisors will verify the list of target participants and report the verification results at the General Meeting of Shareholders.

IV. SOURCES OF FUNDING AND SHARES

(I) Source of funding of the ESSP

The funds of the target participants for subscribing the ESSP Portions come from the target participants’ lawful remuneration or are raised by them through other lawful means.

The total ESSP Portions are expected to be no more than 80 million and the total capital involved is expected to be no more than RMB239.2 million, with RMB2.99 per portion which corresponds to one Domestic Share newly issued by the Company. The minimum portion subscribed by each individual employee will be 1,000 and the total subscription amount will be in the integral multiples of $1,000 \times \text{RMB}2.99$. The total ESSP Portions will not be more than 2.7% of the total current share capital of the Company, i.e. not more than 80 million shares.

The amount in excess of the subscription price of the Subject Shares paid by the target participants under the ESSP will be used to pay for the management fee and custodian fee of the Asset Management Plan. The residual amount after the payment of the management fee and custodian fee will still be managed by the Asset Management Plan with the ownership thereof attributed to the Holders.

The target participants should transfer their subscribed capital in full into the ESSP's capital account within the prescribed time in accordance with the arrangements for Non-Public Issuance and the agreements on the ESSP. In the case of failure to pay the subscribed capital in full and on schedule, a target participant will be automatically deprived of the right to subscribe the unpaid ESSP Portions.

(II) Source of shares of the ESSP

The shares of the ESSP come from the Non-Public Issuance.

V. PRICE OF THE SUBJECT SHARES

The Domestic Shares to be issued in accordance with the Non-Public Issuance in relation to the ESSP will be at a price of RMB2.97 per share.

The issue price is determined based on: (i) no less than 85% of the price of H Shares of the Company during 20 trading days immediately preceding the date of considering and approving the announcement of the ESSP by the Board (Average trading price during 20 trading days immediately preceding the pricing reference date = Total transaction amount during the 20 trading days immediately preceding the pricing reference date \div Total transaction volume during the 20 trading days immediately preceding the pricing reference date), i.e. RMB2.97; and (ii) no less than the audited net asset value attributable to the parent per share of the Company as at the end of 2014 (i.e. RMB2.92). Where ex-right and ex-dividend of the Company's shares occur in the period from the pricing reference date to the issuing date, the issuing price will be adjusted accordingly.

The final price of implementing the ESSP shall be subject to the price approved by the SASAC and at the General Meeting of Shareholders of the Company.

VI. INFORMATION ON THE HOLDERS

The ESSP Portions proposed to be subscribed by the employees are detailed as follows:

Position	Number of person(s) subscribed	Number of ESSP Portions (Portion)	Subscription amount (RMB)
Weng Zhanbin, Chairman	1	1,200,000	3,588,000
Li Xiuchen, President	1	1,000,000	2,990,000
Cong Jianmao, Executive Director	1	500,000	1,495,000
Sun Xiduan, Vice President	1	300,000	897,000
Wang Ligang, Vice President and Secretary of the Board	1	1,000,000	2,990,000
Dong Xin, Vice President	1	300,000	897,000
Zhao Hua, Supervisor	1	200,000	598,000
Employees of the Company and its subsidiaries participating in the ESSP (other than directors, supervisors and senior management of the Company)	2,385	68,936,000	206,118,640
Total	2,392	73,436,000	219,573,640

The final amount subscribed by the employees in the ESSP shall be subject to the actual capital contributed by them.

VII. TERM OF THE ESSP

1. Term of the ESSP shall be 72 months commencing from the registration of the Subject Shares under the name of the Asset Management Plan established for the purpose of implementing the ESSP.
2. Where the Subject Shares cannot be encashed completely prior to the expiry of the term due to restrictions in the selling of the Subject Shares pursuant to the relevant laws, regulations and regulatory documents or due to insufficient liquidity of shares, the term of the ESSP could be extended accordingly. Where the term of the ESSP is to be extended, such extension shall be subject to the consent of the Board and the Holders' Meeting.

VIII. LOCK-UP PERIOD AND MORATORIUM PERIOD OF THE SUBJECT SHARES

Lock-Up Period of the ESSP is 36 months commencing from the date when the Subject Shares are registered under the name of the Asset Management Plan which is established for implementing the ESSP.

During the term of the ESSP, in case the Domestic Shares are listed and traded, the shares to be subscribed under the ESSP shall, in addition to the above Lock-Up Period, also meet relevant requirements of the securities regulatory authorities and stock exchanges regarding the selling restrictions on shares (hereinafter referred to as the “Moratorium Period”).

During the Lock-Up Period and the Moratorium Period, the Asset Management Plan may not transfer the Subject Shares in any manner or create any restrictions on rights of the Subject Shares. Meanwhile, the Holders of the Asset Management Plan may not transfer their interests in the ESSP Portions nor create any restrictions on rights thereon at their discretion.

IX. RIGHTS AND OBLIGATIONS OF PARTIES TO THE ESSP

(I) Rights of General Meeting of Shareholders

Rights of the General Meeting of Shareholders of the Company: consider and approve the establishment of the ESSP.

(II) Rights and obligations of the Board

Rights of the Board: 1. formulate and revise the “Shares Subscription Plan”; 2. determine the list of target participants of the ESSP.

Rights of the Remuneration and Appraisal Committee: formulate and revise the “Measures for Daily Appraisal and Management of the Holders” in relation to the ESSP.

Obligations of the independent Directors: express opinions on the ESSP.

(III) Rights and obligations of the board of supervisors

Rights of the board of supervisors: review the “Shares Subscription Plan (Draft)” and relevant agreements and documents.

Obligations of the board of supervisors: 1. verify the list of employees participating in the ESSP, and report the verification results at the General Meeting of Shareholders; 2. express opinions on the ESSP.

(IV) Rights and obligations of the Holders

The Company’s employees qualified for participation and voluntarily participate in the ESSP are the Holders of the ESSP.

1. Rights of the Holders:

- (1) be entitled to the rights and interests of the ESSP assets based on the ESSP Portions they hold;

- (2) attend the Holders' Meetings according to the provisions of the ESSP and exercise the voting right in respect of the matters to be deliberated;
- (3) other rights of a Holder as specified in relevant laws, regulations or the ESSP.

2. Obligations of the Holders:

- (1) comply with the provisions of relevant laws, regulations and the "Shares Subscription Plan";
- (2) assume the risks of the ESSP investment based on their ESSP Portions;
- (3) comply with the resolutions in force approved by the Holders' Meetings;
- (4) assume other obligations of a Holder as specified in relevant laws, regulations or the ESSP;
- (5) comply with the relevant agreements executed by Zhaojin Mining Industry, as the collector of the subscription capital on the behalf of the ESSP, and the manager of the directional Asset Management Plan.

X. MANAGEMENT MODE OF THE ESSP AND SELECTION AND APPOINTMENT OF THE MANAGEMENT AGENCY

(I) Management mode

The Subject Shares of the ESSP will be managed under the Asset Management Plan established by the authorised professional asset management agency, and Zhaojin Mining Industry, as authorised by the employees participating in the ESSP, will execute relevant agreements with the manager of the directional Asset Management Plan.

(II) Selection and Appointment of the Management Agency of the ESSP

As determined by the Company's Board, Minmetals Securities is to be engaged as the management agency of the ESSP. Minmetals Securities Zhaojin Mining No. 1 Directional Asset Management Plan is established in accordance with relevant rules of the CSRC and other regulators on asset management practices and the relevant legal documents in relation to the ESSP, to manage the ESSP, safeguard the legitimate rights and interests of the ESSP and ensure the safety of the ESSP's property.

The Company, on behalf of ESSP, executed the "Minmetals Securities Zhaojin Mining No. 1 Directional Asset Management Plan Asset Management Contract" and relevant agreements and documents with Minmetals Securities.

XI. MAIN CONTENTS OF THE ASSET MANAGEMENT CONTRACT ON THE ESSP**(I) Full name of the Asset Management Plan**

Minmetals Securities Zhaojin Mining No. 1 Directional Asset Management Plan

(II) Parties to the Contract

1. Asset trustor: Zhaojin Mining Industry (as authorised by the Company's employees participating in the ESSP)
2. Asset Manager: Minmetals Securities
3. Asset Custodian: Bank of Ningbo

(III) Scope of investment

Investing in the Non-Public Issuance of Domestic Shares issued by Zhaojin Mining Industry (Stock Code: HK1818).

(IV) Contract term

Term of the contract is from the effective date of the contract to the completion date of the liquidation of the trusted assets.

(V) Accrual and payment of management expenses**1. *Categories of asset management expenses***

- (1) Management fee to the Asset Manager;
- (2) Custodian fee to the Asset Custodian;
- (3) Other expenses: other expenses incurred by the asset management agency in managing, applying and disposing of the trusted assets, subject to the requirements of relevant laws and regulations and applicable contracts or agreements.

2. *Accrual methods, accrual standards and payment methods of expenses*

The management fee to the Asset Manager and the custodian fee to the Asset Custodian shall be determined by the Asset Trustor, the Asset Manager and the Asset Custodian by negotiation.

3. *Items not classified as asset management expenses*

Any expenditure or the trusted assets' losses resulting from the Asset Manager's and the Asset Custodian's failure to perform their obligations in part or at all, and any expenses incurred that are unrelated to the operation of the trusted assets etc., shall not be classified as the operating expenses of the trusted assets.

4. Upon reaching consensus among the Asset Manager, the Asset Custodian and the Asset Trustor following negotiation, the asset management fee rate and the asset custodian fee rate may be adjusted in line with the market situation.

XII. HOLDERS' MEETING, MANAGEMENT COMMITTEE AND ASSET MANAGEMENT AGENCY OF THE ESSP

The Holders' Meeting is the organ of power of the ESSP; the Management Committee is established by the ESSP to supervise the daily management of the ESSP and to exercise the rights of Shareholders on behalf of the Holders or to authorise the assets management agency to exercise the shareholders' right; the Company's Board is responsible to draw up and modify the draft ESSP and to deal with other matters related to the ESSP within the scope of authorisation granted by the General Meeting of Shareholders; the management of the ESSP is delegated to a professional asset management agency.

(I) Holders' Meeting

1. Authorities of the Holders' Meeting

Holdings' Meeting consists of all Holders and is the organ of power of the ESSP. Each Holder is entitled to attend the Holders' Meeting and to exercise the voting right in proportion to the ESSP Portions he or she holds. A Holder may attend the Holders' Meeting and vote in person, or appoint a proxy to attend and vote at such a meeting.

2. A Holders' Meeting is to be held to consider and approve the following matters:

- (1) to elect or remove a member of the Management Committee;
- (2) to change or terminate the ESSP or to extend its term;
- (3) to consider and approve and revise "Constitution of the Employee Shares Subscription Plan Holders' Meeting";
- (4) to authorise the Management Committee to supervise the daily management of the ESSP;
- (5) to authorise the Management Committee to exercise the shareholders' rights of the Company;
- (6) to authorise the Management Committee to take responsibility for the coordination with the asset management agency;
- (7) to convene Holder's Meeting to consider other matters that the Management Committee considers necessary in obtaining approval.

3. The first Holders' meeting will be convened and presided over by the secretary of the Board, and the subsequent Holders' Meetings will be convened by the Management Committee and presided over by the head of the Management Committee. Where the head of the Management Committee cannot perform his or her duty, a member of the Management Committee as designated by the head of the Management Committee will preside over such meeting.
4. To convene a Holders' Meeting, the Management Committee shall issue a written notice 5 days in advance to all Holders through direct service, mailing, fax, e-mail, or other means. The written meeting notice should at least include the following contents:
 - (1) time and place of the meeting;
 - (2) the way to convene the meeting;
 - (3) proposed matters for consideration (agenda);
 - (4) the convener of the meeting and the chairperson, the proposer of the extraordinary meeting and its written proposal;
 - (5) the meeting materials necessary for voting at the meeting;
 - (6) the requirements for the Holders to attend the meeting in person or appoint other Holders as proxies to attend the meeting;
 - (7) contact person and contact information;
 - (8) issue date of the notice.

In the case of emergency, an oral notice may be used to convene a Holders' Meeting. Oral notice for the meeting shall at least include information as set forth under items (1) and (2) above and explanations on the circumstances necessary to convene a Holders' Meeting on an urgent basis.

5. *Voting procedures of the Holders' Meeting*

- (1) After each proposal has been fully discussed, the chairperson shall submit it in a timely manner to the Holders present at the meeting for voting. The chairperson may also decide to submit all proposals to the Holders present at the meeting for voting upon completion of discussion of all proposals. Voting is carried out by paper ballot.
- (2) Holders of the ESSP shall entitle to the voting rights in proportion to the ESSP Portions they hold respectively.

- (3) Voting intention of the Holders consists of the affirmative vote, negative vote and abstention. The Holders present at the meeting shall choose one of them. Where any Holder fails to choose or chooses two or more voting intention at the same time, it shall be deemed as abstention. The Holders who fail to return after leaving the venue and without making any vote shall be deemed to have abstained from voting. Votes made after the chairperson of the Holders' Meeting announced the voting results or after the specified deadline for voting shall not be counted.
 - (4) The chairperson of the Holders' Meeting shall announce the voting results at the meetings. Every resolution shall be deemed as having been passed and become the valid resolution of the Holders' Meeting if more than 50% (excluding 50%) of the ESSP Portions held by the Holders present at the meeting were in favour of such resolution, except where consent from the Holders holding more than 2/3 portions is required for a resolution.
 - (5) Where a resolution of the Holders' Meeting needs to be submitted to the Company's Board or the General Meeting of Shareholders for consideration, it shall be submitted to the same for consideration in accordance with the requirements of the Articles of Association.
 - (6) The chairperson of the meeting shall be responsible for arranging a person to make records of the Holders' Meeting.
6. Holders who individually or in aggregate hold more than 5% ESSP Portions may submit an extraordinary proposal to the Holders' Meeting and such a proposal must be submitted to the Management Committee three days prior to the convening of the Holders' Meeting.
 7. Holders who individually or in aggregate hold more than 10% ESSP Portions may propose to hold a Holders' Meeting.

(II) Management Committee

1. The Management Committee is established by the ESSP to supervise the daily management of the ESSP and to exercise the shareholders' rights on behalf of the Holders or to authorise the assets management agency to exercise the shareholders' rights.

2. The Management Committee comprises of five members, with a head of the Management Committee. All members of the Management Committee shall be elected at the Holders' Meeting. The head of the Management Committee shall be elected by the majority of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the ESSP.
3. Members of the Management Committee shall comply with laws, administrative regulations and the "Constitution of the Employee Shares Subscription Plan Holders' Meeting" and shall owe to the ESSP the following fiduciary duties:
 - (1) not to abuse his or her position to accept bribes or other illegal income or embezzle the properties of the ESSP;
 - (2) not to misappropriate the capital of the ESSP;
 - (3) not to set up accounts in his or her own name or in any other name to deposit any of the assets or capital of the ESSP, without the consent of the Management Committee;
 - (4) not to lend the ESSP's capital to others or provide security for others with the ESSP's assets, without the consent of the Holders' Meeting;
 - (5) not to take advantage of his or her position to prejudice the interests of the ESSP. Where a member of the Management Committee causes any loss to the ESSP due to his or her breach of the fiduciary duty, such a member shall be liable for indemnification.
4. The Management Committee shall have the following duties:
 - (1) responsible for convening the Holders' Meetings;
 - (2) supervising the daily management of the ESSP on behalf of all Holders;
 - (3) exercising the shareholders' rights on behalf of all Holders or authorising the assets management agency to exercise the shareholders' rights;
 - (4) responsible for the coordination with the asset management agency;
 - (5) executing relevant agreements or contracts externally on behalf of the ESSP;

- (6) deciding whether to participate in the Company's fund-raising through placing of shares, issue of new shares, issue of convertible bonds or other financing methods and the corresponding financing solutions;
 - (7) deciding the method, time and proportion of reduction of shares of the ESSP;
 - (8) managing the distribution of interests of the ESSP;
 - (9) deciding the vesting of the compulsory transfer of ESSP Portions;
 - (10) handling the inheritance and registration of ESSP Portions;
 - (11) deciding whether to request the Company to repurchase underlying Domestic Shares of ESSP Portion in accordance with the terms of the ESSP;
 - (12) responsible for the liquidation of the ESSP after its term expires and the distribution of relevant interests according to the decisions of the Holders' Meeting;
 - (13) such other duties as authorised by the Holders' Meeting.
5. The head of the Management Committee shall have the following authorities:
- (1) presiding over the Holders' Meetings and convening and presiding over the meetings of the Management Committee;
 - (2) supervising and inspecting the implementation of resolutions of the Holders' Meetings and the Management Committee;
 - (3) other authorities as granted by the Management Committee.
6. Meetings of the Management Committee may be convened by the head of the Management Committee from time to time. Notice of meeting shall be sent to all members of the Management Committee one day prior to the holding of the meeting.
7. Members of the Management Committee may propose an extraordinary meeting of the Management Committee. The head of the Management Committee shall convene and preside over the meeting of the Management Committee within five days after receiving such a proposal.
8. The quorum of meetings of the Management Committee shall be a majority of members of the Management Committee. Any resolution of the Management Committee must only be valid upon passing by more than half of all members of the Management Committee. Each member of the Management Committee has one vote for each resolution of the Management Committee.

9. The resolutions of the Management Committee shall be voted by open ballot. On the premise that full expression of opinions of members of the Management Committee has been safeguarded, vote could be made by way of fax and shall be signed by the members of Management Committee present at the Meeting.
10. Meetings of the Management Committee shall be attended by the members in person; if a member fails to attend the meeting for any reason, he may, in writing, appoint any other member to attend the meeting on his or her behalf. The power of attorney shall set out the name of the proxy, the subject and scope of authorisation and the period of validity of the power of attorney, and shall be signed or sealed by the authorising party. A member appointed as the proxy of another member to attend the meeting shall exercise the rights of a member within the scope of authorisations conferred. Where a member is unable to attend a meeting of the Management Committee and has not appointed a proxy to attend the meeting on his or her behalf, he or she shall be deemed to have abstained from voting at the meeting.
11. The Management Committee shall keep minutes for all decisions made at its meetings in relation to the matters discussed thereat, and the minutes shall be signed by members of the Management Committee present at the meeting.

(III) Asset management agency

The management agency of the ESSP will manage the ESSP in accordance with relevant rules of the CSRC and other regulators on asset management practices and the agreements on the ESSP, safeguard the legitimate rights and interests of the ESSP and ensure the safety of the ESSP's property.

XIII. PARTICIPATION IN FINANCING ARRANGEMENTS OF THE COMPANY BY THE ESSP

When the Company raises funds through placing of shares, issue of new shares, issue of convertible bonds or other financing methods at any time during the term of the ESSP, the Management Committee will decide whether or not the ESSP will participate in such financing arrangements and the financing solutions.

XIV. ASSETS OF THE ESSP AND ITS INVESTMENTS

- (I) The cash capital contributed by the subscribers at the establishment of the ESSP is used for subscribing the shares issued under the Non-Public Issuance.
- (II) Assets of the ESSP are independent from the assets of the Company. The Company shall not classify the assets of the ESSP into its own assets. Any properties and gains from managing and applying the ESSP or from other ways shall be classified into the assets of the ESSP.

XV. MEASURES TO BE TAKEN FOR THE ENTITLEMENTS UNDER THE ESSP

- (I) During the Lock-Up Period of the ESSP, a Holder shall neither transfer the beneficial ownership of ESSP Portion held by him or her nor create any encumbrance on such ESSP Portions at his or her discretion.
- (II) Measures to be taken in the case of incapacity, retirement, resignation or transfer of jobs, or death of a Holder:
1. in the case of incapacity of a Holder, the ESSP Portions and interests held by such Holder in the ESSP shall not be affected.
 2. in the case of retirement of a Holder for reaching the retirement age required by the state, the ESSP Portions and interests held by such Holder in the ESSP shall not be affected.
 3. in the case of resignation or transfer of jobs of a Holder, the ESSP Portions and interests held by such Holder in the ESSP shall not be affected.
 4. in the case of death of a Holder, the ESSP Portions and interests held by such Holder in the ESSP shall remain unchanged, and the beneficial interests shall be inherited by his or her designated successor or lawful successor.
 5. other matters not covered will be decided upon by the Management Committee.
- (III) Where the Domestic Shares are listed on any stock exchange, in addition to the Lock-Up Period as agreed in the ESSP, the beneficial interest in the ESSP Portions held by the Holders will also be subject to a moratorium period pursuant to the regulatory requirements for listed companies, and within the moratorium period, a Holder shall neither transfer the beneficial interest in the ESSP Portions held by him or her in the ESSP nor create any encumbrance on such ESSP Portions. Upon expiry of the moratorium period, a Holder may reduce, within the quota of encashment, the beneficial interest in the ESSP Portions through the Asset Management Plan. Quota of encashment means the annual reduction arrangements and proportions as undertaken by the sponsoring Shareholder when launching the listing plan. A detailed reduction scheme will be determined by the Management Committee based on relevant regulations on the ESSP.
- (IV) Upon expiry of the three-year Lock-Up Period, if the Domestic Shares have yet to be listed on any stock exchange, a Holder shall be entitled to transfer, within the ESSP, his or her ESSP Portions at a price agreed by both parties; or to request the Company to, based on the corresponding accumulative net value of ESSP Portions held by him or her (accumulative net value equals to the sum of the Company's net asset value corresponding to such portions plus the accumulative dividends and other monetary capital retained in the ESSP) or at the principal for share purchase

plus interests representing bank lending rate over the same period, net of the management fee, custodian fee and relevant expenses, whichever is higher as repurchase price, to repurchase and cancel the underlying Domestic Shares held by him or her in accordance with applicable laws, rules and regulations (including but not limited to the listing rules of applicable stock exchange and codes published by relevant regulatory authorities).

- (V) Measures to be taken upon expiry of the term of the ESSP and the Asset Management Plan related thereto.
- (VI) Measures to be taken after the expiry of the three year Lock-up period but before the expiry of the term of the ESSP.

Where the term of the ESSP and the Asset Management Plan related thereto expires and is not renewed, the liquidation of the ESSP should be completed within 30 working days after the expiry. At that time, the manager and the custodian of the Asset Management Plan shall distribute the cash portion in the Asset Management Plan, net of the management fee and custodian fee, to the trustor of the Asset Management Plan (the representative of the ESSP) according to the instructions of the trustor, and the manager will distribute any unrealized equity therein on as is basis to the trustor of the Asset Management Plan (the representative of the ESSP) and assist the trustor in going through the formalities of change of share ownership. After the assets of the Asset Management Plan have been distributed completely, the trustor (the representative of the ESSP) will further distribute such assets among the Holders in accordance with the scheme for the ESSP.

XVI. PROCEDURES FOR IMPLEMENTING THE ESSP

1. The Board of the Company is responsible to prepare the draft ESSP.
2. Hold the Holders' Meeting of the ESSP to appoint the members of the Management Committee and clarify the specific issues in relation to the implementation of the ESSP.
3. The draft ESSP shall be considered and approved by the Board, and the independent Directors shall give their independent opinions as to whether the ESSP is conducive to the sustainable development of the Company, or whether the ESSP would jeopardize the interests of the Company and its Shareholders as a whole, or whether there is any circumstance where employees are forced to participate in the ESSP by way of apportionment, compulsory allocation and other methods.

4. The board of supervisors of the Company is responsible to verify the list of the Holders and gives its opinions as to whether the ESSP is conducive to the sustainable development of the Company, or whether the ESSP would jeopardize the interests of the Company and its Shareholders as a whole, or whether there is any circumstance where employees are forced to participate in the ESSP by way of apportionment, compulsory allocation and other methods.
5. The Company seeks for opinions from the employees on the ESSP by way of workers' representatives meeting.
6. Submit the whole set of application materials to the SASAC and obtain the official reply.
7. A law firm shall be engaged by the Company to issue a legal advice on the ESSP.
8. The Company will issue circular to the Shareholder, and publish announcement in respect of the entire text of the ESSP and the major terms of the Subscription Agreement.
9. Hold the General Meeting of Shareholders to consider and approve the ESSP.
10. The ESSP is considered and approved by the General Meeting of Shareholders.
11. The Board, as authorised by the General Meeting of Shareholders, deal with the Non-Public Issuance of Domestic Shares to be subscribed by the ESSP and the distribution of entitlements and other matters.

XVII. MISCELLANEOUS

1. The financial and accounting affairs and taxes involved in the Company's implementation of the ESSP shall be subject to relevant financial systems, accounting standards and tax systems;
2. The ESSP shall not be implemented until it has been approved by the SASAC and considered and approved by the General Meeting of Shareholders.

MAJOR TERMS OF THE SUBSCRIPTION AGREEMENT**Issue Price**

The Issue Price is RMB2.97 per Subject Share, determined based on the following principles:

- (i) the Issue Price shall be no less than 85% of the 20-day average trading price of the H Shares prior to 29 December 2015 (i.e. RMB2.97 per H Share, calculated at RMB1:HK\$1.197, based on the mid-point rate of exchange for RMB into HK\$ as quoted by Bank of China Limited on the day prior to the price referencing date); and
- (ii) the Issue Price shall not be less than the audited net asset value attributable to the owner of the Company per Share as at 31 December 2014 (i.e. RMB2.92).

The 20-day average trading price of the H Shares (“A”) is calculated based on the following formula:

$$A = B/C$$

B = the total trading amount of the H Shares in the 20 days prior to the relevant price referencing date

C = the total trading volume of the H Shares in the 20 days prior to the relevant price referencing date

The Issue Price shall be adjusted according to any ex-rights or ex-dividends activities undertaken by the Company between the price referencing date and the issue date of the Subject Shares.

Conditions

The Subscription Agreement shall become effective upon the fulfilment of the following conditions:

- (1) the resolution regarding the implementation of the ESSP by way of Non-Public Issuance of new Domestic Shares having been approved by the Board;
- (2) the relevant approvals from SASAC having been obtained; and
- (3) the approval for the resolution regarding the implementation of the ESSP by way of Non-Public Issuance at the EGM and the Class Meetings having been obtained.

As at the Latest Practicable Date, conditions (1) and (2) above have been fulfilled.

Payment of Subscription Monies

The deadline for the payment of the subscription monies shall be determined by the Company after the Subscription Agreement has become effective.

Minmetals Securities shall, before the payment deadline set by the Company, make a single lump sum payment of the total subscription monies by depositing such amount (from the entrusted asset under the Asset Management Plan) into the special purpose account opened by the Company.

The Company shall issue the Subject Shares to the Asset Management Plan upon receipt of the total subscription monies.

Lock-up Period and Moratorium Period

The Lock-Up Period for the Subject Shares is 36 months from the date on which the Subject Shares are being registered under the name of the Asset Management Plan.

During the term of the ESSP, if the Domestic Shares are listed, the Subject Shares will also be subject to any selling restrictions imposed by the relevant securities authorities and stock exchange.

Others

The Subscription Agreement does not include any long stop date for the Non-Public Issuance.

DETAILS OF THE NON-PUBLIC ISSUANCE

Class and nominal value of the shares to be issued	:	New Domestic Shares of RMB1.00 each
Method of issuance	:	Non-public issuance
Subscriber	:	Asset Management Plan
Number of shares to be issued	:	Not more than 80 million new Domestic Shares, representing approximately 2.69% of the total issued share capital of the Company and approximately 3.83% of the total issued Domestic Shares of the Company as at the Latest Practicable Date
Issue price	:	RMB2.97 per new Domestic Shares
Price determination method	:	The Issue Price is determined based on the following principles <ul style="list-style-type: none">(i) the Issue Price shall be no less than 85% of the 20-day average trading price of the H Shares prior to 29 December 2015 (i.e. RMB2.97 per H Share, calculated at RMB1:HK\$1.197, based on the mid-point rate of exchange for RMB into HKD as quoted by Bank of China Limited on the day prior to the price referencing date which is 29 December 2015); and(ii) the Issue Price shall not be less than the audited net asset value attributable to the owner of the Company per Share as at 31 December 2014 (i.e. RMB2.92).
		The net price is RMB2.955 per new Domestic Share
Total proceeds	:	Not more than RMB237.6 million
Lock-up Period	:	36 months from the date the new Domestic Shares issued are registered under the name of the Asset Management Plan
Moratorium Period	:	During the term of the ESSP, if the Domestic Shares are listed, the shares issued will also be subject to any selling restrictions imposed by the relevant securities authorities and stock exchange
Use of Proceeds	:	To supplement working capital
Validity period of the resolutions	:	12 months starting from the date the resolutions in respect of the non-public issuance of Domestic Shares are approved by the Shareholders at the EGM and the Class Meetings

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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors', Supervisors' and chief executives' interests and short positions in Shares, underlying shares or debentures of the Company and its associated corporations

To the knowledge of the Directors, supervisors and chief executives of the Company, as at the Latest Practicable Date, the interest and short positions of the Directors, supervisors and chief executives in the issued share capital of the Company which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange are as follows:

Name of Director/ chief executive	Class	Capacity	Number of Shares	Approximate % of interest in the Company	Approximate % of the relevant class of Shares of the Company	Long position/ Short position/ Lending pool
Weng Zhanbin	H Shares	Beneficiary of a trust	565,000	0.02	0.06	Long
Li Xiuchen	H Shares	Beneficiary of a trust	565,000	0.02	0.06	Long
Cong Jianmao	H Shares	Beneficiary of a trust	565,000	0.02	0.06	Long

Note:

- (1) Huatai No. 8 QDII Asset Management Plan holds the 565,000 H Shares on behalf of Zhaoyuan Jinshitou Business Consulting Co., Ltd., a company established under the laws of the PRC whose shareholders are the Directors (namely Weng Zhanbin, Li Xiuchen and Cong Jianmao), senior management and employees of the Company. Weng Zhanbin, Li Xiuchen and Cong Jianmao holds 7.943%, 3.971% and 2.383% equity interest in Zhaoyuan Jinshitou Business Consulting Co., Ltd., respectively.

Save as disclosed above, as at the Latest Practicable Date, and to the knowledge of the Directors, supervisors and senior management of the Company, no person had any interests or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Interests and short positions of substantial Shareholders in the Shares, underlying Shares and debentures of the Company and its associated corporations

To the best knowledge of the Directors, supervisors and chief executives of the Company, as at the Latest Practicable Date, the interest and short positions of the substantial shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
1 Shandong Zhaojin Group Company Limited	Domestic Shares	Beneficial owner	1,086,514,000 (Note 1)	36.63	51.95	-	Long position
	Domestic Shares	Interest of controlled corporation	50,967,195 (Note 4)	1.72	2.44	-	Long position
	H Shares	Interest of controlled corporation	43,890,000 (Note 1)	1.48	-	5.02	Long position
2 Shanghai Yuyuan Tourist Mart Co., Ltd.	Domestic Shares	Beneficial owner	742,000,000	25.02	35.48	-	Long position
	Domestic Shares	Interest of controlled corporation	21,200,000 (Notes 1 & 2)	0.71	1.01	-	Long position
3 Shanghai Fosun Industrial Investment Co., Ltd.	Domestic Shares	Beneficial owner	106,000,000 (Notes 1 & 3)	3.57	5.07	-	Long position
4 Shanghai Fosun High Technology (Group) Company Limited	Domestic Shares	Beneficial owner	106,000,000 (Notes 1 & 3)	3.57	5.07	-	Long position
5 Fosun International Limited	Domestic Shares	Beneficial owner	106,000,000 (Notes 1 & 3)	3.57	5.07	-	Long position
6 Fosun Holdings Limited	Domestic Shares	Beneficial owner	106,000,000 (Notes 1 & 3)	3.57	5.07	-	Long position
7 Fosun International Holdings Ltd.	Domestic Shares	Beneficial owner	106,000,000 (Notes 1 & 3)	3.57	5.07	-	Long position
8 Guo Guangchang	Domestic Shares	Interest of controlled corporation	106,000,000 (Notes 1 & 3)	3.57	5.07	-	Long position

Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
9 Schroders Plc	H Shares	Investment manager (Note 5)	51,386,940	1.73	-	5.88	Long position
10 Luyin Trading Pte Ltd.	H Shares	Beneficial owner	43,890,000 (Notes 1 & 4)	1.48	-	5.02	Long position
11 Morgan Stanley	H Shares	Interest of controlled corporation (Note 6)	44,293,972	1.49	-	5.07	Long position
		Interest of controlled corporation (Note 6)	42,846,500	1.44	-	4.90	Short position

Notes:

- (1) Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a Shareholder's shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless certain criteria are fulfilled, therefore substantial Shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange.
- (2) Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") holds 95% equity interests in Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold") and therefore the 21,200,000 Domestic Shares held by Laomiao Gold in the Company is shown as long position of Shanghai Yuyuan.
- (3) The 106,000,000 Shares represent the same block of Shares.
- (4) Zhaojin Group holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous") and therefore the 50,967,195 Domestic Shares held by Zhaojin Non-Ferrous in the Company is shown as long position of Zhaojin Group. Luyin Trading Pte Ltd. is a wholly-owned subsidiary of Zhaojin Group.
- (5) Schroders Plc is interested in the Shares of the Company through its directly or indirectly controlled companies.
- (6) Morgan Stanley is interested in the Shares of the Company through its directly or indirectly controlled companies.

As at the Latest Practicable Date, save as disclosed above and to the best knowledge of the Directors, supervisors and senior management of the Company, no person had any interests or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company.

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 2015 (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

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 followings are the qualification of the expert who has given advice or opinions contained in this circular:

Name	Qualifications
Lego Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter (as applicable) and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, the expert did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, the expert did not have any direct or indirect interests in any assets which have been, since 31 December 2015 (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 which 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 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. GENERAL

- a. The registered address, head office and principal place of business of the Company is No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC.
- b. The principal place of business in Hong Kong of the Company is 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- c. The branch share registrar and transfer office for H Shares is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- d. 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.
- e. 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.
- f. In the event of inconsistency, the English texts of this circular and the accompanying form of proxy prevail over their respective Chinese texts.

9. 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, and Class Meetings. Copy of the following documents will also be available for inspection on the website of the Company at <http://www.zhaojin.com.cn/> from the date of this circular up to and including the date of the EGM and the Class Meetings:

- a. the conditional share subscription agreement dated 29 December 2015 between the Company and Minmetals Securities (on behalf of Asset Management Plan and its agent) in relation to the ESSP;
- b. the asset management agreement dated 24 December 2015 between the Company and Minmetals Securities in relation to Asset Management Plan;
- c. the Minmetals Securities Zhaojin Mining No. 1 Directional Asset Management Plan;
- d. the letter from the Board as set out in the section headed “Letter from the Board” in this circular;
- e. the letter from the Independent Board Committee to the Independent Shareholders as set out in the sections headed “Letter from the Independent Board Committee” in this circular;
- f. the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in the section headed “Letter from the Independent Financial Adviser”; and
- g. this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF 2016 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2016 third extraordinary general meeting (the “**EGM**”) of Zhaojin Mining Industry Company Limited (the “**Company**”) will be held at the conference room at Zhaojin Shunhe International Hotel, Zhaoyuan City, Shandong Province, the People’s Republic of China (the “**PRC**”) at 9:00 a.m. on Monday, 19 September 2016 for the purpose of considering and if thought fit, passing the following resolution:

SPECIAL RESOLUTION

“THAT

- (a) the proposed employee shares subscription plan of the Company (the “**ESSP**”) as set out in Appendix I to the circular of the Company dated 29 July 2016 (the “**Circular**”) be and is hereby approved;
- (b) the conditional subscription agreement dated 29 December 2015 (the “**Subscription Agreement**”) entered into between the Company and Minmetals Securities Co., Ltd. in connection with the non-public issuance of not more than 80 million domestic shares of RMB1.00 each of the Company (the “**Domestic Shares**”) at the issue price of RMB2.97 (the “**Non-Public Issuance**”) to Minmetals Securities Zhaojin Mining No.1 Directional Asset Management Plan (the “**Asset Management Plan**”), a copy of which has been tabled at the meeting and marked “X” for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the details of the Non-Public Issuance as set out in Appendix II to the Circular in respect of the following items be and are hereby approved:
 - i. class and nominal value of the shares to be issued
 - ii. method of issuance
 - iii. subscriber

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

- iv. number of shares to be issued
 - v. issue price
 - vi. price determination method
 - vii. total proceeds
 - viii. lock-up period
 - ix. moratorium period
 - x. use of proceeds
 - xi. validity period of the resolutions
- (d) the subscription of portions of the ESSP (“**ESSP Portions**”) by connected persons of the Company (the “**Connected Participant**”) in the manner described under the section headed “Letter From the Board – Connected Subscriptions” in the Circular (the “**Connected Subscription**”), including but not limited to the allotment and issue of not more than 10,815,000 Domestic Shares (subject to the final number of ESSP Portions (and therefore the corresponding Domestic Shares) subscribed by the Connected Participants) to the Asset Management Plan for the purposes of the Connected Subscriptions, and the transactions contemplated thereunder be and is hereby approved;
- (e) any executive director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the ESSP, the Subscription Agreement, the Non-Public Issuance, the Connected Subscriptions and the amendment, variation or modification of the terms and conditions of the ESSP, the Subscription Agreement, the Non-Public Issuance and the Connected Subscriptions on such terms and conditions as any executive director(s) of the Company may think fit.”

By order of the Board
ZHAOJIN MINING INDUSTRY COMPANY LIMITED*
Weng Zhanbin
Chairman

Zhaoyuan, the PRC, 29 July 2016

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Unless otherwise indicated, capitalized terms used herein shall have the same meaning as those defined in the circular of the Company dated 29 July 2016.
2. In order to determine the shareholders who are entitled to attend the EGM, the register of members of the Company will be closed from 20 August 2016 to 19 September 2016, both days inclusive, during which no transfer of shares will be registered.

For qualifying to attend and vote at the EGM, the shareholders whose transfer have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H Shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Share or the registered address of the Company at No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC for holders of Domestic Share for registration at or before 4:30 p.m. on Friday, 19 August 2016.

3. Shareholders of the Company whose names appear on the register of members of the Company on 20 August 2016 will be entitled to attend and vote at the EGM or any adjourned meetings.
4. If a shareholder appoints more than one proxy to attend the meeting, its proxy can only vote by poll.
5. Holders of H Share and holders of Domestic Share who have the right to attend and vote at the EGM are entitled to appoint one or more proxies (whether or not a shareholder) to attend and vote on his/her behalf. For those shareholders who appoint more than one proxy, such proxies can only exercise their voting rights by way of poll. Shareholders who intend to appoint one or more proxies should first read the accompanying circular.
6. If a proxy is appointed to attend the EGM on behalf of a shareholder, the proxy must produce proof of identity and the authorisation instrument with the date of issue and duly signed by the proxy or its legal personal representative, and in the case of legal representatives of legal person shareholders, such legal representatives must produce proof of identity and effective document to identify its identity as legal representative. If a legal person shareholder appoints a company representative other than its legal representative to attend the EGM, such representative must produce proof of identity and the authorisation instrument bearing the company chop of the legal person shareholder and duly authorised by its legal representative.
7. If the proxy form is signed by a person under a power of attorney or other authority, the power of attorney or other authority must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other authority under which it is signed together with the proxy form must be deposited at the H Shares registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Share) not less than 24 hours before the time for holding the EGM or the registered address of the Company (for holders of Domestic Share) not less than 24 hours before the time for holding the EGM.
8. Shareholders who intend to attend the EGM should return the reply slip by hand, by post, by telegram or by fax to the registered address of the Company (for holders of Domestic Share), or the Company's H Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Share) on or before 30 August 2016. Completion and return of the reply slip of the EGM will not preclude a shareholder from attending the EGM.
9. The EGM is expected to be held for less than half a day. Shareholders and their proxies who attend the meeting shall arrange for their own transportation and accommodation at their own expenses.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The registered address of the Company is as follows:

No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC

Tel: (86 535) 8256086

Fax: (86 535) 8262256

Postal code: 265400

As at the date of this notice, members of the Board comprises:

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

Non-executive Directors: Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min

Independent non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu

NOTICE OF DOMESTIC SHAREHOLDERS MEETING



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)

NOTICE OF DOMESTIC SHAREHOLDERS MEETING

NOTICE IS HEREBY GIVEN that the class meeting of the domestic shareholders (the “**Domestic Shareholders Meeting**”) of Zhaojin Mining Industry Company Limited (the “**Company**”) will be held at the conference room at Zhaojin Shunhe International Hotel, Zhaoyuan City, Shandong Province, the People’s Republic of China (the “**PRC**”) at 10:00 a.m. on Monday, 19 September 2016 for the purpose of considering and if thought fit, passing the following resolution:

SPECIAL RESOLUTION

“THAT

- (a) the proposed employee shares subscription plan of the Company (the “**ESSP**”) as set out in Appendix I to the circular of the Company dated 29 July 2016 (the “**Circular**”) be and is hereby approved;
- (b) the conditional subscription agreement dated 29 December 2015 (the “**Subscription Agreement**”) entered into between the Company and Minmetals Securities Co., Ltd. in connection with the non-public issuance of not more than 80 million domestic shares of RMB1.00 each of the Company (the “**Domestic Shares**”) at the issue price of RMB2.97 (the “**Non-Public Issuance**”) to Minmetals Securities Zhaojin Mining No.1 Directional Asset Management Plan (the “**Asset Management Plan**”), a copy of which has been tabled at the meeting and marked “X” for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the details of the Non-Public Issuance as set out in Appendix II to the Circular in respect of the following items be and are hereby approved:
 - i. class and nominal value of the shares to be issued
 - ii. method of issuance
 - iii. subscriber

* *For identification purpose only*

NOTICE OF DOMESTIC SHAREHOLDERS MEETING

- iv. number of shares to be issued
 - v. issue price
 - vi. price determination method
 - vii. total proceeds
 - viii. lock-up period
 - ix. moratorium period
 - x. use of proceeds
 - xi. validity period of the resolutions
- (d) the subscription of portions of the ESSP (“**ESSP Portions**”) by connected persons of the Company (the “**Connected Participant**”) in the manner described under the section headed “Letter From the Board – Connected Subscriptions” in the Circular (the “**Connected Subscription**”), including but not limited to the allotment and issue of not more than 10,815,000 Domestic Shares (subject to the final number of ESSP Portions (and therefore the corresponding Domestic Shares) subscribed by the Connected Participants) to the Asset Management Plan for the purposes of the Connected Subscriptions, and the transactions contemplated thereunder be and is hereby approved;
- (e) any executive director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the ESSP, the Subscription Agreement, the Non-Public Issuance, the Connected Subscriptions and the amendment, variation or modification of the terms and conditions of the ESSP, the Subscription Agreement, the Non-Public Issuance and the Connected Subscriptions on such terms and conditions as any executive director(s) of the Company may think fit.”

By order of the Board
ZHAOJIN MINING INDUSTRY COMPANY LIMITED*
Weng Zhanbin
Chairman

Zhaoyuan, the PRC, 29 July 2016

NOTICE OF DOMESTIC SHAREHOLDERS MEETING

Notes:

1. Unless otherwise indicated, capitalized terms used herein shall have the same meaning as those defined in the circular of the Company dated 29 July 2016.
2. In order to determine the holders of Domestic Shares who are entitled to attend the Domestic Shareholders Meeting, the register of members of the Company will be closed from 20 August 2016 to 19 September 2016, both days inclusive, during which no transfer of shares will be registered.

For qualifying to attend and vote at the Domestic Shareholders Meeting, the holders of Domestic Shares whose transfer have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the registered address of the Company at No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC for holders of Domestic Share for registration at or before 4:30 p.m. on Friday, 19 August 2016.

3. Shareholders of the Company whose names appear on the register of members of Domestic Shares of the Company on 20 August 2016 will be entitled to attend and vote at the Domestic Shareholders Meeting or any adjourned meetings. Shareholders who have the right to attend and vote at the Domestic Shareholders Meeting are entitled to appoint one or more proxies to attend and vote at the Domestic Shareholders Meeting on his/her behalf. A proxy need not be a shareholder of the Company.
4. If a shareholder appoints more than one proxy to attend the meeting, its proxy can only vote by poll.
5. Holders of Domestic Share who have the right to attend and vote at the Domestic Shareholders Meeting are entitled to appoint one or more proxies (whether or not a shareholder) in writing to attend and vote on his/her behalf. For those shareholders who appoint more than one proxy, such proxies can only exercise their voting rights by way of poll. Shareholders who intend to appoint one or more proxies should first read the accompanying circular.
6. If a proxy is appointed to attend the Domestic Shareholders Meeting on behalf of a shareholder, the proxy must produce proof of identity and the authorisation instrument with the date of issue and duly signed by the proxy or its legal personal representative, and in the case of legal representatives of legal person shareholders, such legal representatives must produce proof of identity and effective document to identify its identity as legal representative. If a legal person shareholder appoints a company representative other than its legal representative to attend the Domestic Shareholders Meeting, such representative must produce proof of identity and the authorisation instrument bearing the company chop of the legal person shareholder and duly authorised by its legal representative.
7. If the proxy form is signed by a person under a power of attorney or other authority, the power of attorney or other authority must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other authority under which it is signed together with the proxy form must be deposited at the registrar address of the Company in the PRC not less than 24 hours before the time for holding the Domestic Shareholders Meeting.
8. Shareholders who intend to attend the Domestic Shareholders Meeting should return the reply slip of the Domestic Shareholders Meeting by hand, by post, by telegram or by fax to the registered address of the Company on or before 30 August 2016. Completion and return of the reply slip of the Domestic Shareholders Meeting will not preclude a shareholder from attending the Domestic Shareholders Meeting.
9. The Domestic Shareholders Meeting is expected to be held for less than half a day. Shareholders and their proxies who attend the meeting shall arrange for their own transportation and accommodation at their own expenses.

NOTICE OF DOMESTIC SHAREHOLDERS MEETING

The registered address of the Company is as follows:

No. 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC

Tel: (86 535) 8256086

Fax: (86 535) 8262256

Postal code: 265400

As at the date of this notice, members of the Board comprises:

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

Non-executive Director: Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min

Independent non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu

NOTICE OF H SHAREHOLDERS MEETING



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)

NOTICE OF H SHAREHOLDERS MEETING

NOTICE IS HEREBY GIVEN that the class meeting of the holders of H shares (the “**H Shares Class Meeting**”) of Zhaojin Mining Industry Company Limited (the “**Company**”) will be held at the conference room at Zhaojin Shunhe International Hotel, Zhaoyuan City, Shandong Province, the People’s Republic of China (the “**PRC**”) at 10:30 a.m. on Monday, 19 September 2016 for the purpose of considering and if thought fit, passing the following resolution:

SPECIAL RESOLUTION

“THAT

- (a) the proposed employee shares subscription plan of the Company (the “**ESSP**”) as set out in Appendix I to the circular of the Company dated 29 July 2016 (the “**Circular**”) be and is hereby approved;
- (b) the conditional subscription agreement dated 29 December 2015 (the “**Subscription Agreement**”) entered into between the Company and Minmetals Securities Co., Ltd. in connection with the non-public issuance of not more than 80 million domestic shares of RMB1.00 each of the Company (the “**Domestic Shares**”) at the issue price of RMB2.97 (the “**Non-Public Issuance**”) to Minmetals Securities Zhaojin Mining No.1 Directional Asset Management Plan (the “**Asset Management Plan**”), a copy of which has been tabled at the meeting and marked “X” for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the details of the Non-Public Issuance as set out in Appendix II to the Circular in respect of the following items be and are hereby approved:
 - i. class and nominal value of the shares to be issued
 - ii. method of issuance

* For identification purpose only

NOTICE OF H SHAREHOLDERS MEETING

- iii. subscriber
 - iv. number of shares to be issued
 - v. issue price
 - vi. price determination method
 - vii. total proceeds
 - viii. lock-up period
 - ix. moratorium period
 - x. use of proceeds
 - xi. validity period of the resolutions
- (d) the subscription of portions of the ESSP (“**ESSP Portions**”) by connected persons of the Company (the “**Connected Participant**”) in the manner described under the section headed “Letter From the Board – Connected Subscriptions” in the Circular (the “**Connected Subscription**”), including but not limited to the allotment and issue of not more than 10,815,000 Domestic Shares (subject to the final number of ESSP Portions (and therefore the corresponding Domestic Shares) subscribed by the Connected Participants) to the Asset Management Plan for the purposes of the Connected Subscriptions, and the transactions contemplated thereunder be and is hereby approved;
- (e) any executive director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the ESSP, the Subscription Agreement, the Non-Public Issuance, the Connected Subscriptions and the amendment, variation or modification of the terms and conditions of the ESSP, the Subscription Agreement, the Non-Public Issuance and the Connected Subscriptions on such terms and conditions as any executive director(s) of the Company may think fit.”

By order of the Board
ZHAOJIN MINING INDUSTRY COMPANY LIMITED*
Weng Zhanbin
Chairman

Zhaoyuan, the PRC, 29 July 2016

NOTICE OF H SHAREHOLDERS MEETING

Notes:

1. Unless otherwise indicated, capitalized terms used herein shall have the same meaning as those defined in the circular of the Company dated 29 July 2016.
2. In order to determine the holders of H Shares who are entitled to attend the H Shares Class Meeting, the H Shares register of the Company will be closed from 20 August 2016 to 19 September 2016, both days inclusive, during which no transfer of shares will be registered.

For qualifying to attend and vote at the H Shares Class Meeting, the holders of H Shares whose transfer have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H Shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration at or before 4:30 p.m. on Friday, 19 August 2016.

3. Shareholders of the Company whose names appear on the register of members of H Shares of the Company on 20 August 2016 will be entitled to attend and vote at the H Shares Class Meeting or any adjourned meetings. Shareholders who have the right to attend and vote at the H Shares Class Meeting are entitled to appoint one or more proxies to attend and vote at the H Shares Class Meeting on his/her behalf. A proxy need not be a shareholder of the Company.
4. If a shareholder appoints more than one proxy to attend the meeting, its proxy can only vote by poll.
5. Holders of H Share who have the right to attend and vote at the H Shares Class Meeting are entitled to appoint one or more proxies (whether or not a shareholder) in writing to attend and vote on his/her behalf. For those shareholders who appoint more than one proxy, such proxies can only exercise their voting rights by way of poll. Shareholders who intend to appoint one or more proxies should first read the accompanying circular.
6. If a proxy is appointed to attend the H Shares Class Meeting on behalf of a shareholder, the proxy must produce proof of identity and the authorisation instrument with the date of issue and duly signed by the proxy or its legal personal representative, and in the case of legal representatives of legal person shareholders, such legal representatives must produce proof of identity and effective document to identify its identity as legal representative. If a legal person shareholder appoints a company representative other than its legal representative to attend the H Shares Class Meeting, such representative must produce proof of identity and the authorisation instrument bearing the company chop of the legal person shareholder and duly authorised by its legal representative.
7. If the proxy form is signed by a person under a power of attorney or other authority, the power of attorney or other authority must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other authority under which it is signed together with the proxy form must be deposited at the H Shares registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the H Shares Class Meeting.
8. Shareholders who intend to attend the H Shares Class Meeting should return the reply slip by hand, by post, by telegram or by fax to the H Shares registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 30 August 2016. Completion and return of the reply slip of the H Shares Class Meeting will not preclude a shareholder from attending such Meeting.
9. The H Shares Class Meeting is expected to be held for less than half a day. Shareholders and their proxies who attend the meeting shall arrange for their own transportation and accommodation at their own expenses.

NOTICE OF H SHAREHOLDERS MEETING

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As at the date of this notice, members of the Board comprises:

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