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Z H A O J I N

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) CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANIES AND
THE TARGET ASSETS INVOLVING
THE NON-PUBLIC ISSUANCE OF CONSIDERATION SHARES
AND
(2) SPECIFIC MANDATES
AND
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTERESTS
IN THE TARGET COMPANIES AND THE TARGET ASSETS INVOLVING THE NON-PUBLIC
ISSUANCE OF CONSIDERATION SHARES**

The Board is pleased to announce that on 27 September 2019 (after trading hours), the Company and Zhaojin Group entered into the Transfer Agreement, pursuant to which the Company conditionally agreed to acquire, and Zhaojin Group conditionally agreed to sell, the Target Interests and the Target Assets at the Consideration of RMB402,048,800, which shall be satisfied in full by the allotment and issuance of 49,697,009 Consideration Shares at the Issue Price of RMB8.09 per Consideration Share.

Upon completion of the Acquisition, each of Zhaojin Geology Exploration and the Supplies Centre will become a wholly-owned subsidiary of the Company and Goldsoft Technology will become a non-wholly owned subsidiary of the Company. The Company will also acquire the ownership of the Target Assets.

SPECIFIC MANDATES

The Consideration Shares will be issued pursuant to the Specific Mandates to be sought from the Independent Shareholders at the EGM and the Class Meetings.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhaojin Group is the controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition (which involves the allotment and issue of the Consideration Shares) constitutes a connected transaction of the Company, which is subject to reporting, announcement and the 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 allotment and issue of the Consideration Shares is also subject to the approval by a special resolution of Shareholders at the EGM, and the approvals by special resolutions of H Share Shareholders and Domestic Share Shareholders at separate class meetings conducted in accordance with the Articles of Association. Therefore, the EGM, the H Share Class Meeting and the Domestic Share Class Meeting will be held to approve the allotment and issue of the Consideration Shares.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Transfer Agreement and the transactions contemplated thereunder, including the Specific Mandates.

The Company has appointed Donvex Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Transfer Agreement and the transactions contemplated thereunder, including the Specific Mandates.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Upon completion of the Non-Public Issuance, the registered capital and shareholding structure of the Company will change and the Articles of Association are required to be amended to reflect the relevant changes.

The Company proposes to make certain amendments to the Articles of Association, to take effect subject to and upon completion of the Non-Public Issuance, in order to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the Consideration Shares.

EGM AND THE CLASS MEETINGS

The EGM will be convened to consider and, if thought fit, pass resolutions to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder, the grant of Specific Mandates to allot and issue the Consideration Shares and the proposed amendments to the Articles of Association.

The Class Meetings will be convened to consider and, if thought fit, pass resolutions to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder and the grant of Specific Mandates to allot and issue the Consideration Shares.

The relevant resolutions in respect of, among other things, the Transfer Agreement and the transactions contemplated thereunder and the grant of Specific Mandates to allot and issue the Consideration Shares will be proposed by way of special resolutions at the EGM and the Class Meetings for approval by the Independent Shareholders.

The relevant resolutions in respect of the proposed amendments to the Articles of Association will be proposed by way of special resolutions at the EGM for approval by the Shareholders.

DESPATCH OF CIRCULAR

The Circular will be despatched to the Shareholders in compliance with the Listing Rules. As additional time is required by the Company to prepare the information to be included in the Circular, it is expected that the Circular will be despatched to the Shareholders on or before 25 October 2019. If there is expected to be a delay in the despatch of the Circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the Circular.

INTRODUCTION

The Board is pleased to announce that on 27 September 2019 (after trading hours), the Company and Zhaojin Group entered into the Transfer Agreement, pursuant to which the Company conditionally agreed to acquire, and Zhaojin Group conditionally agreed to sell the Target Interests and the Target Assets at the Consideration of RMB402,048,800, which shall be satisfied in full by the allotment and issuance of 49,697,009 Consideration Shares at the Issue Price of RMB8.09 per Consideration Share.

Upon completion of the Acquisition, each of Zhaojin Geology Exploration and the Supplies Centre will become a wholly-owned subsidiary of the Company and Goldsoft Technology will become a non-wholly owned subsidiary of the Company. The Company will also acquire the ownership of the Target Assets.

MATERIAL TERMS OF THE TRANSFER AGREEMENT

Set out below are the material terms of the Transfer Agreement:

Date

27 September 2019 (after trading hours)

Parties

Vendor: Zhaojin Group

Purchaser: the Company

Subject matter

The Company agreed to acquire, and Zhaojin Group agreed to sell, the Target Interests and the Target Assets, free from any encumbrances including any pledge or freezing order imposed by any judicial body.

The Target Interests represents all of Zhaojin Group's interests in the Target Companies as at the date of the Transfer Agreement. The Transfer Agreement further provides that should all or any of the Target Companies undertake capital increase exercise such as a capitalisation of capital reserve prior to completion, Zhaojin Group shall transfer all of its equity interests in the Target Companies after such capital increase to the Company. The aggregate consideration payable by the Company for the Target Interests shall not be affected by such capital increase exercise and shall remain unchanged.

The Target Assets represent the land use rights of two parcels of state-owned land together with the buildings (structures) and machinery and equipment thereon legally owned by Zhaojin Group as at the date of the Transfer Agreement.

The completion of the transfer of the Target Interests and the completion of the transfer of the Target Assets from Zhaojin Group to the Company shall be inter-conditional upon each other.

Consideration and Basis

The Consideration for the Target Interests and the Target Assets, in aggregate, shall be RMB402,048,800, calculated as follows:

- (a) RMB88,076,700 as consideration for 100% equity interests of Zhaojin Geology Exploration, determined based on the appraised value for 100% equity interests of Zhaojin Geology Exploration as at 31 December 2018, i.e. RMB88,076,700, as set out in the Zhaojin Geology Exploration Valuation Report;
- (b) RMB62,780,000 as consideration for 100% equity interests of Supplies Centre, determined based on the appraised value for 100% equity interests of Supplies Centre as at 31 December 2018, i.e. RMB62,780,000, as set out in the Supplies Centre Valuation Report;
- (c) RMB44,956,100 as consideration for 67.37% equity interests of Goldsoft Technology, determined based on the appraised value for 100% equity interests of Goldsoft Technology as at 31 December 2018, i.e. RMB66,730,100, as set out in the Goldsoft Technology Valuation Report; and
- (d) RMB206,236,000 as consideration for 100% interests of the Target Assets, determined based on the appraised value for 100% interests of the Target Assets as at 31 December 2018, i.e. RMB206,236,000, as set out in the Target Assets Valuation Report.

The Valuation Reports have been filed and approved by SASAC Authority. For further information about the Valuation Reports, please refer to the section headed “Further information about the Valuation Reports” in this announcement.

Payment of Consideration

The Consideration of RMB402,048,800 shall be satisfied in full by the allotment and issuance of 49,697,009 Consideration Shares at the Issue Price of RMB8.09 per Consideration Share.

The Issue Price of RMB8.09 per Consideration Share is equivalent to HK\$8.96 per Consideration Share at the exchange rate of HK\$1:RMB0.9025, being the central parity rate of Hong Kong dollar against RMB in the inter-bank foreign exchange market on 26 September 2019 as announced by China Foreign Exchange Trading Centre.

The Consideration Shares, when issued, shall be free from all encumbrances.

For further information on the Consideration Shares, please refer to the section headed “Further information about the Consideration Shares” in this announcement.

Conditions Precedent

The completion of the Acquisition is conditional upon the fulfilment or waiver (if applicable) of the following conditions:

- (a) conditions to be satisfied jointly by the Company and Zhaojin Group:
 - (i) having obtained all necessary approvals, consents and permits that are required to be obtained from all the competent governmental authorities and regulatory departments, including but not limited to the the relevant SASAC Authority, in respect of the Transfer Agreement and the transactions contemplated thereunder; and
 - (ii) all such approvals, consents and permits have not caused any material change to any terms and conditions of the Transfer Agreement and the transactions contemplated thereunder (including but not limited to the assets or equity interests to be transferred and the consideration under the Transfer Agreement).
- (b) conditions to be satisfied by the Company (unless fully or partially waived by Zhaojin Group, subject to compliance with the stipulations of the relevant laws):
 - (i) the completion of Company's internal approval procedures for approving the Acquisition, including but not limited to the passing of the resolutions by the Independent Shareholders at the EGM, the H Share Shareholders at the H Share Class Meeting and the Domestic Share Shareholders at the Domestic Share Class Meeting, respectively;
 - (ii) the warranties given by the Company not being breached by the Company; and
 - (iii) the obligations of the Company under the Transfer Agreement not being breached by the Company.

- (c) conditions to be satisfied by Zhaojin Group (unless fully or partially waived by the Company, subject to compliance with the stipulations of the relevant laws):
- (i) the completion of the relevant internal approval procedures of Zhaojin Group for approving the Acquisition;
 - (ii) the Target Assets being truthfully, legally and validly held by Zhaojin Group and are not subject to any encumbrance, including any pledge or freezing order imposed by any judicial body, and are in good condition for the purpose of transfer;
 - (iii) each of the Target Interests being truthfully, legally and validly held by Zhaojin Group and is not subject to any encumbrance, including any pledge or freezing order imposed by any judicial body, and is in good condition for the purpose of transfer;
 - (iv) the warranties given by Zhaojin Group not being breached by Zhaojin Group; and
 - (v) the obligations of Zhaojin Group under the Transfer Agreement not being breached by Zhaojin Group.

Completion

After fulfilment or waiver of the conditions precedent (as the case may be) of the conditions precedent under the Transfer Agreement, Zhaojin Group shall submit the relevant documents to the relevant authorities so as to procure completion of the transfers of the Target Interests and Target Assets.

Completions of the transfers of the Target Interests and the Target Assets from Zhaojin Group to the Company shall take place on the Equity Interests Completion Date and the Assets Completion Date, respectively.

On the Assets Completion Date, the Company will directly own the right of ownership or right of use of the Target Assets. On the Equity Interests Completion Date, the Company will directly hold each of the Target Interests.

Pursuant to the Transfer Agreement, the Company shall allot and issue the Consideration Shares to Zhaojin Group and complete the share registration procedures at the China Securities Depository and Clearing Corporation Limited within 30 Business Days from the satisfaction or waiver (as the case may be) of all the conditions precedent under the paragraph headed “Conditions Precedent” in this announcement.

Upon completion of the above-mentioned share registration, Zhaojin Group will become the holder of the Consideration Shares.

Post-completion Guarantee in relation to Zhaojin Geology Exploration

Zhaojin Group has also granted the Guarantee Letter to the Company pursuant to which Zhaojin Group guaranteed that Zhaojin Geology Exploration shall narrow the loss by 50%, achieve breakeven and record a profit of RMB3 million (excluding the revenue from disposal of the mining right in Madagascar at a price lower than the cost) within 12 months, 24 months and 36 months, respectively, from the Share Registration Completion Date. If Zhaojin Geology Exploration fails to meet the above targets within 36 months from the Share Registration Completion Date, Zhaojin Group shall make up the difference in the relevant operating results of Zhaojin Geology Exploration to the Company. If the Non-Public Issuance does not proceed, the guarantee shall lapse automatically.

The Company will comply with the disclosure requirements set out in Rule 14A.63 of the Listing Rules in respect of such guarantee.

FURTHER INFORMATION ABOUT THE VALUATION REPORTS

The valuation methods applied by Shandong Zhengyuan for the valuation of Zhaojin Geology Exploration and Supplies Centre are (i) the assets based approach for Zhaojin Geology Exploration; and (ii) a combination of assets based and income approach for Supplies Centre.

The valuation methods applied by Linyi Tianhengxin for the valuation of Goldsoft Technology and the Target Assets are (i) a combination of assets based and income approach for Goldsoft Technology; and (ii) the cost approach for the Target Assets.

Given that the valuation of Supplies Centre and Goldsoft Technology involved the income approach which constitutes a profit forecast under Rule 14.61 of the Listing Rules, the Company is required to comply with the requirements under Rules 14.60A, 14.62 and 14A.68(7) of the Listing Rules to publish additional information such as details of the principal assumptions for the profit forecast, a letter from the Company's auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and a letter from the board of directors of the Company confirming that they have made the forecast after due and careful enquiry. The principal assumptions used in relation to the valuation of Supplies Centre and Goldsoft Technology are set out in Appendix I and Appendix II to this announcement, respectively.

Ernst & Young, acting as the Company's auditor, has reported to the Directors on the arithmetical accuracy of the calculations of the discounted cash flow forecast upon which the Supplies Centre Valuation Report and the Goldsoft Technology Valuation Report were based. The Directors confirm that the valuation of the equity interests in each of the Supplies Centre and Goldsoft Technology has been made after due and careful enquiry.

The reports from Ernst & Young dated 27 September 2019 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix III and Appendix IV to this announcement, respectively.

The qualifications of the experts who have provided their opinion and advice, which are included in this announcement, are as follows:

Name	Qualifications
Ernst & Young	Certified Public Accountants
Shandong Zhengyuan	Independent professional valuer
Linyi Tianhengxin	Independent professional valuer

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the above-mentioned experts is a third party independent from the Group and its connected persons. As at the date of this announcement, each of the above-mentioned experts (i) does not have any shareholding, directly or indirectly, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) does not have any direct or indirect interest in any assets which had been since 31 December 2018 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above-mentioned experts has given and has not withdrawn its consent to the publication of this announcement with the inclusion herein of its statement, letter or report and all references to its name (including qualification) in the form and context in which they appear.

FURTHER INFORMATION ABOUT THE CONSIDERATION SHARES

Class of shares and par value

The Consideration Shares to be issued are Domestic Shares with par value of RMB1.00 each.

Issue Price

The Issue Price represents the 90-day average closing price of HK\$8.96 per H Share as quoted on the Stock Exchange immediately preceding and excluding the Price Referencing Date, and shall not be less than the audited net asset value attributable to the owner of the Company per Share as at 31 December 2018 of RMB4.13.

The Issue Price of RMB8.09 per Consideration Share represents:

- (a) a discount of approximately 1.21% to the closing price of HK\$9.07 per H Share as quoted on the Stock Exchange on the Price Referencing Date;
- (b) a discount of approximately 6.47% to the average closing price of HK\$9.58 per H Share as quoted on the Stock Exchange in the last 5 consecutive trading days up to and excluding the Price Referencing Date;
- (c) a discount of approximately 4.98% to the average closing price of HK\$9.43 per H Share as quoted on the Stock Exchange in the last 10 consecutive trading days up to and excluding the Price Referencing Date;

- (d) a discount of approximately 6.60% to the average closing price of HK\$9.59 per H Share as quoted on the Stock Exchange in the last 20 consecutive trading days up to and excluding the Price Referencing Date; and
- (e) a premium of approximately 95.63% over the audited net asset value attributable to the owner of the Company per Share of approximately RMB4.13 (from the Company's financial statements for the year ended 31 December 2018 prepared in accordance with the PRC accounting standards, equivalent to approximately HK\$4.58 (based on the exchange rate of HK\$1:RMB0.9025, which is determined on the basis of the central parity rate of Hong Kong dollar against RMB in the inter-bank foreign exchange market on the trading day immediately preceding the Price Referencing Date as announced by China Foreign Exchange Trading Centre) as at 31 December 2018), based on the total number of issued Shares as at 31 December 2018.

The Directors (excluding independent non-executive Directors whose views will be set out in the Circular after considering the advice of the Independent Financial Adviser) consider that, the issue price of the Consideration Share is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

Number of Consideration Shares

The 49,697,009 Consideration Shares represent approximately 2.29% of the total number of issued Domestic Shares, and approximately 1.54% of the total issued Shares of the Company, as at the date of this announcement, and approximately 2.24% of the total number of issued Domestic Shares and approximately 1.52% of the total issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares, assuming no other changes to the issued share capital of the Company after the date of this announcement and before the Share Registration Completion Date.

Ranking of the Consideration Shares

The Consideration Shares will rank, upon issue, pari passu in all respects with the Domestic Shares in issue at the time of the allotment and issue of the Consideration Shares.

The Domestic Shares are not listed on any stock exchanges and currently there is no intention to apply for the listing of the Consideration Shares on the Stock Exchange.

SPECIFIC MANDATES

The Consideration Shares will be issued pursuant to the Specific Mandates to be sought from the Independent Shareholders at the EGM and the Class Meetings.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSFER AGREEMENT

Since geological exploration, procurement of supplies and digital mine construction are integral parts of the Company in its ordinary course of business, the acquisition of each of Zhaojin Geology Exploration, the Supplies Centre and Goldsoft Technology by the Company can reduce the number of connected transactions between the Company and Zhaojin Group in the future, and reduce the fees and expenses payable by the Company relating to exploration, procurement of materials, digital mine construction and other matters. The acquisition of the Target Assets will also help to further ensure the independence and completeness of the Company's business.

The Directors (excluding the independent non-executive Directors whose views will be set out in the Circular after considering the advice of the Independent Financial Adviser) consider that the Transfer Agreement was entered into on normal commercial terms, and the terms and conditions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FUND-RAISING ACTIVITY IN THE PAST TWELVE MONTHS

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

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 3,220,696,195 Shares in issue, comprising 2,171,481,195 Domestic Shares and 1,049,215,000 H Shares. Zhaojin Group holds (directly and indirectly) 1,137,481,195 Domestic Shares, representing 52.38% of the issued Domestic Shares and approximately 35.32% of the total issued Shares of the Company as at the date of this announcement. Immediately upon completion of the allotment and issue of the Consideration Shares, Zhaojin Group will hold 1,187,178,204 Domestic Shares, representing 53.45% of the total number of issued Domestic Shares as enlarged by the allotment and issue of the Consideration Shares, and approximately 36.30% of the total issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares, assuming no other changes to the shareholding structure of the Company after the date of this announcement and before the Share Registration Completion Date, save for the allotment and issue of the Consideration Shares.

For illustrative purposes only, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares (assuming 49,697,009 Consideration Shares will be issued and there are no other changes in the shareholding structure of the Company save for the allotment and issue of the Consideration Shares):

Name of Shareholder	Notes	Class of Shares	As at the date of this announcement			Immediately after the allotment and issue of the Consideration Shares		
			Number of Shares	Approximate	Approximate	Number of Shares	Approximate	Approximate
				% of the relevant class of Shares (%)	% of the total issued Shares of the Company (%)		% of the relevant class of Shares (%)	% of the total issued Shares of the Company (%)
Zhaojin Group		Domestic Shares	1,086,514,000	50.04	33.74	1,136,211,009	51.15	34.74
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.		Domestic Shares	742,000,000	34.17	23.04	742,000,000	33.41	22.69
Shanghai Fosun Industrial Investment Co., Ltd.		Domestic Shares	106,000,000	4.88	3.29	106,000,000	4.77	3.24
Zhaojin Non-Ferrous Mining Company Limited	1	Domestic Shares	50,967,195	2.35	1.58	50,967,195	2.29	1.56
Shanghai Laomiao Gold Co., Ltd.	2	Domestic Shares	21,200,000	0.98	0.66	21,200,000	0.95	0.65
Zhaoyuan City State-owned Assets Operation Company Limited* (招遠市國有資產經營有限公司)		Domestic Shares	84,800,000	3.91	2.63	84,800,000	3.82	2.59
The First Employees' Shares Subscription Plan of Zhaojin Mining Industry Company Limited		Domestic Shares	80,000,000	3.68	2.48	80,000,000	3.60	2.45
Total Domestic Shares			<u>2,171,481,195</u>	<u>100</u>	<u>67.43</u>	<u>2,221,178,204</u>	<u>100</u>	<u>67.92</u>
Luyin Trading Pte. Ltd.	3	H Shares	28,645,000	2.73	0.89	28,645,000	2.73	0.88
Other Public Shareholders		H Shares	<u>1,020,570,000</u>	<u>97.27</u>	<u>31.69</u>	<u>1,020,570,000</u>	<u>97.27</u>	<u>31.20</u>
Total H Shares			<u>1,049,215,000</u>	<u>100</u>	<u>32.58</u>	<u>1,049,215,000</u>	<u>100</u>	<u>32.08</u>
Total (Domestic Shares and H Shares)			<u>3,220,696,195</u>	<u>100</u>	<u>100</u>	<u>3,270,393,204</u>	<u>100</u>	<u>100</u>

Notes:

1. Zhaojin Non-Ferrous Mining Company Limited is a wholly-owned subsidiary of Zhaojin Group.
2. Shanghai Laomiao Gold Co., Ltd is a wholly-owned subsidiary of Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.
3. Luyin Trading Pte. Ltd. is a wholly-owned subsidiary of Zhaojin Group.

BOARD'S APPROVAL

The resolution approving the Transfer Agreement and the transactions contemplated thereunder was approved at the Board meeting of the Company held on 27 September 2019. As executives of Zhaojin Group, Mr. Weng Zhanbin and Mr. Liu Yongsheng have abstained from voting at the Board meeting relating to approval of the Transfer Agreement.

INFORMATION OF THE PARTIES

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

Zhaojin Group is principally engaged in the business of gold exploration, mining and refining, and has investments in gold exploration, mining, smelting and refining and other gold related businesses.

INFORMATION OF THE TARGET COMPANIES

1. Zhaojin Geology Exploration

Zhaojin Geology Exploration is principally engaged in the exploration of solid mining resources, geological drilling and the analysis and testing of rocks and minerals. It holds approximately 10% interest in the mining right of a mine in Madagascar.

Set out below is the consolidated financial statements of Zhaojin Geology Exploration, prepared in accordance with the PRC accounting standards for the two financial years immediately preceding the Acquisition:

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(audited ⁴)
Net loss before tax	2,329,000	3,963,000
Net loss after tax	3,719,000	5,428,000

According to the audited⁴ consolidated financial information statements of Zhaojin Geology Exploration, prepared in accordance with the PRC accounting standards, the total assets and net assets of Zhaojin Geology Exploration were approximately RMB150,851,500 and RMB70,907,900, respectively, as at 31 December 2018.

Note:

4. The audit report of Shandong Hexin Accounting Firm dated 28 April 2019 (He Xin Shen Zi (2019) No. 030150).

According to the Zhaojin Geology Exploration Valuation Report, the appraised value of the 100% equity interest of Zhaojin Geology Exploration was RMB88,076,700 as at 31 December 2018.

2. Supplies Centre

The Supplies Centre is principally engaged in the business of steel, construction materials, mining machinery and accessories, reagent, chemical raw materials and products.

Set out below is the consolidated financial statements of the Supplies Centre, prepared in accordance with the PRC accounting standards for the two financial years immediately preceding the Acquisition:

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(audited ⁵)
Net profit before tax	9,209,000	9,746,000
Net profit after tax	7,066,000	7,210,000

According to the audited⁵ consolidated financial information statements of the Supplies Centre, prepared in accordance with the PRC accounting standards, the total assets and net assets of the Supplies Centre were approximately RMB88,175,900 and RMB44,251,000, respectively, as at 31 December 2018.

According to the Supplies Center Valuation Report, the appraised value of the 100% equity interest of the Supplies Centre was RMB62,780,000 as at 31 December 2018.

Note:

5. The audit report of Shandong Hexin Accounting Firm dated 28 April 2019 (He Xin Shen Zi (2019) No. 030149).

3. Goldsoft Technology

Goldsoft Technology is principally engaged in the design and construction of safety technology preventive engineering, the development of technology for communications and computer software and hardware, the design of computer systems, the provision of computer-based technical services and technical consulting, construction of smart engineering and security maintenance engineering.

Set out below is the audited consolidated financial statements of Goldsoft Technology, prepared in accordance with the PRC accounting standards for the two financial years immediately preceding the Acquisition:

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
	(audited ⁶)	(audited ⁶)
Net profit before tax	1,588,000	2,244,000
Net profit after tax	1,201,000	1,872,000

According to the audited⁶ consolidated financial information statements of Goldsoft Technology, prepared in accordance with the PRC accounting standards, the total assets and net assets of Goldsoft Technology were approximately RMB86,691,700 and RMB57,510,600, respectively, as at 31 December 2018.

According to the Goldsoft Technology Valuation Report, the appraised value of the 100% equity interest of Goldsoft Technology was RMB66,730,100 as at 31 December 2018. Accordingly, the appraised value of the 67.37% equity interest of Goldsoft Technology was RMB44,956,100 as at 31 December 2018.

Note:

6. The audit report of Zhongtianyuan Accounting Firm dated 11 April 2018 and 15 April 2019 (Zhong Tian Yun (2018) Shen Zi No. 90603 and Zhong Tian Yun (2019) Shen Zi No. 90578).

INFORMATION OF THE TARGET ASSETS

The Target Assets represent the land use rights of two parcels of state-owned land together with the buildings (structures) and machinery and equipment thereon. Of the two parcels of land, one is located within the factory area that is 700 meters north of the road and west of the intersection of Guoda Road and S608 in Zhaoyuan City, which is currently leased to the Wear-resistant Materials Company, a subsidiary of the Company. The other parcel of land is located in Xiwudang Village, Zhaocheng Town, Luo Feng, which is now used by the Supplies Centre. The buildings (structures) and machinery and equipment to be transferred are the above-ground buildings and factory machinery and equipment on the above-mentioned two parcels of land, which are currently used by Wear-resistant Materials Company and Supplies Centre on a lease basis.

The book value of the Target Assets was RMB194,033,100 according to the audited consolidated financial information statements of Zhaojin Group, prepared in accordance with the PRC accounting standards as at 31 December 2018. The appraised value of the Target Assets was RMB206,236,000 as at 31 December 2018 according to the Target Assets Valuation Report. The original acquisition cost of the Target Assets paid by Zhaojin Group was approximately RMB195,095,634.51.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhaojin Group is the controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition (which involves the allotment and issue of the Consideration Shares) constitutes a connected transaction of the Company, which is subject to reporting, announcement and the 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 allotment and issue of the Consideration Shares is also subject to the approval by a special resolution of Shareholders at the EGM, and the approvals by special resolutions of H Share Shareholders and Domestic Share Shareholders at separate class meetings conducted in accordance with the Articles of Association. Therefore, the EGM, the H Share Class Meeting and the Domestic Share Class Meeting will be held to approve the allotment and issue of the Consideration Shares.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Transfer Agreement and the transactions contemplated thereunder, including the Specific Mandates.

The Company has appointed Donvex Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Transfer Agreement and the transactions contemplated thereunder, including the Specific Mandates.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Upon completion of the Non-Public Issuance, the registered capital and shareholding structure of the Company will change. Meanwhile, one of the Company's founder shareholder, Shanghai Yuyuan Tourist Mart Co., Ltd., changed its name to "Shanghai Yuyuan Tourist Mart (Group) Co., Ltd." and the Articles of Association are required to be amended to reflect the relevant changes.

The Company proposes to amend the Articles of Association as follows:

(a) Article 1.1

The original Article 1.1 reads as:

"Zhaojin Mining Industry Company Limited (hereinafter referred to as the "**Company**") is a joint stock limited company established in accordance with the Company Laws of the People's Republic of China (hereinafter referred to as the "**Company Law**") and Special Provisions of the State Council Concerning the Flotation and Listing Abroad of Stocks by Joint Stock Limited Companies (hereinafter referred to as the "**Special Provisions**") and other relevant laws and administrative regulations of the State. The Company was jointly established by Shandong Zhaojin Group Company Limited (hereinafter referred to as the "**Zhaojin Group**"), Shanghai Fosun Industrial Investment Co., Ltd. (hereinafter referred to as the "**Fosun Investment**"), Shanghai Yuyuan Tourist Mart Co., Ltd. (hereinafter referred to as the "**Yuyuan Mart**"), Shenzhen Guangxin Investments Co., Ltd. (hereinafter referred to as the "**Guangxin Investments**") and Shanghai Laomiao Gold Co., Ltd. (hereinafter referred to as the "**Laomiao Gold**") as its promoters and registered at Shandong Provincial Administration of Industry and Commerce on 16 April 2004.

The Company's business licence registration number is: 370000018082374.

Prior to the initial public offering of its overseas-listed foreign-invested shares (as defined in Article 3.4), the shareholders of the Company were Zhaojin Group, Fosun Investment, Yuyuan Mart, Guangxin Investments and Laomiao Gold. The shares held by Zhaojin Group are State-owned legal person shares in nature, and the shares held by Fosun Investment, Yuyuan Mart, Guangxin Investments and Laomiao Gold are social legal person shares in nature."

It is proposed that Article 1.1 be amended to read as follows:

“Zhaojin Mining Industry Company Limited (hereinafter referred to as the “**Company**”) is a joint stock limited company established in accordance with the Company Laws of the People’s Republic of China (hereinafter referred to as the “**Company Law**”) and Special Provisions of the State Council Concerning the Flotation and Listing Abroad of Stocks by Joint Stock Limited Companies (hereinafter referred to as the “**Special Provisions**”) and other relevant laws and administrative regulations of the State. The Company was jointly established by Shandong Zhaojin Group Company Limited (hereinafter referred to as the “**Zhaojin Group**”), Shanghai Fosun Industrial Investment Co., Ltd. (hereinafter referred to as the “**Fosun Investment**”), Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (hereinafter referred to as the “**Yuyuan**”), Shenzhen Guangxin Investments Co., Ltd. (hereinafter referred to as the “**Guangxin Investments**”) and Shanghai Laomiao Gold Co., Ltd. (hereinafter referred to as the “**Laomiao Gold**”) as its promoters and registered at Shandong Provincial Administration of Industry and Commerce on 16 April 2004.

The Company’s business licence registration number is: 370000018082374.

Prior to the initial public offering of its overseas-listed foreign-invested shares (as defined in Article 3.4), the shareholders of the Company were Zhaojin Group, Fosun Investment, Yuyuan, Guangxin Investments and Laomiao Gold. The shares held by Zhaojin Group are State-owned legal person shares in nature, and the shares held by Fosun Investment, Yuyuan, Guangxin Investments and Laomiao Gold are social legal person shares in nature.”

(b) Article 3.5

The original Article 3.5 reads as:

“The share capital structure of the Company: 3,220,696,195 ordinary shares, of which Zhaojin Group holds 1,086,514,000 domestic shares, representing 33.74% of the issued ordinary shares of the Company; Yuyuan Mart holds 742,000,000 domestic shares, representing 23.04% of the issued ordinary shares of the Company; Fosun Investment holds 106,000,000 domestic shares, representing 3.29% of the issued ordinary shares of the Company; Zhaoyuan City State-owned Assets Operation Company Limited holds 84,800,000 domestic shares, representing 2.63% of the issued ordinary shares of the Company; Laomiao Gold holds 21,200,000 domestic shares, representing 0.66% of the issued ordinary shares of the Company; Zhaojin Non-Ferrous Mining Company Limited holds 50,967,195 domestic shares, representing 1.58% of the issued ordinary shares of the Company; Zhaojin Mining Industry Company Limited First Employee Share Subscription Plan holds 80,000,000 domestic shares, representing 2.48% of the issued ordinary shares of the Company; Shareholders of overseas-listed foreign-invested shares hold 1,049,215,000 shares, representing 32.58% of the issued ordinary shares of the Company.”

It is proposed that Article 3.5 be amended to read as follows:

“The share capital structure of the Company: 3,270,393,204 ordinary shares, of which Zhaojin Group holds 1,136,211,009 domestic shares, representing 34.74% of the issued ordinary shares of the Company; Yuyuan holds 742,000,000 domestic shares, representing 22.69% of the issued ordinary shares of the Company; Fosun Investment holds 106,000,000 domestic shares, representing 3.24% of the issued ordinary shares of the Company; Zhaoyuan City State-owned Assets Operation Company Limited holds 84,800,000 domestic shares, representing 2.59% of the issued ordinary shares of the Company; Laomiao Gold holds 21,200,000 domestic shares, representing 0.65% of the issued ordinary shares of the Company; Zhaojin Non-Ferrous Mining Company Limited holds 50,967,195 domestic shares, representing 1.56% of the issued ordinary shares of the Company; Zhaojin Mining Industry Company Limited First Employee Share Subscription Plan holds 80,000,000 domestic shares, representing 2.45% of the issued ordinary shares of the Company; Shareholders of overseas-listed foreign-invested shares hold 1,049,215,000 shares, representing 32.08% of the issued ordinary shares of the Company.”

(c) Article 3.8

The original Article 3.8 reads as:

“The registered capital of the Company is RMB3,220,696,195.”

It is proposed that Article 3.8 be amended to read as follows:

“The registered capital of the Company is RMB3,270,393,204.”

EGM AND THE CLASS MEETINGS

The EGM will be convened to consider and, if thought fit, pass resolutions to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder, the grant of Specific Mandates to allot and issue the Consideration Shares and the proposed amendments to the Articles of Association.

The Class Meetings will be convened to consider and, if thought fit, pass resolutions to approve, among other things the Transfer Agreement and the transactions contemplated thereunder and the grant of Specific Mandates to allot and issue the Consideration Shares.

The relevant resolutions in respect of, among other things, the Transfer Agreement and the transactions contemplated thereunder and the grant of Specific Mandates to allot and issue the Consideration Shares will be proposed by way of special resolutions at the EGM and the Class Meetings for approval by the Independent Shareholders.

The relevant resolutions in respect of the proposed amendments to the Articles of Association will be proposed by way of special resolutions at the EGM for approval by the Shareholders.

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 Transfer Agreement and the transactions contemplated thereunder is required to abstain from voting on the relevant resolutions at the EGM and the Class Meetings.

Since Zhaojin Group holds (directly and indirectly) 1,137,481,195 Domestic Shares, representing 52.38% of the issued Domestic Shares and approximately 35.32% of the total issued Shares of the Company as at the date of this announcement, Zhaojin Group and its associates must abstain from voting on the resolutions approving the Transfer Agreement and the transactions contemplated thereunder and the Specific Mandates at the EGM and the Class Meetings.

DESPATCH OF CIRCULAR

The Circular will be despatched to the Shareholders in compliance with the Listing Rules. As additional time is required by the Company to prepare the information to be included in the Circular, it is expected that the Circular will be despatched to the Shareholders on or before 25 October 2019. If there is expected to be a delay in the despatch of the Circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the Circular.

WARNING

COMPLETION OF THE TRANSACTIONS CONTEMPLATED UNDER THE TRANSFER AGREEMENT IS SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS. THE TRANSACTIONS CONTEMPLATED UNDER THE TRANSFER AGREEMENT MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES, AND ARE RECOMMENDED TO CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR OR OTHER PROFESSIONAL PARTIES IF THEY ARE IN ANY DOUBT ABOUT THEIR POSITION AND AS TO THE ACTIONS THEY SHOULD TAKE.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Interests and the Target Assets by the Company from Zhaojin Group pursuant to the terms and conditions of the Transfer Agreement
“Articles of Association”	the articles of association of the Company
“Assets Completion Date”	the date on which (i) the change of registration in respect of the transfer of the Target Assets from Zhaojin Group to the Company has been completed at local natural resources and planning bureau; and (ii) Zhaojin Group has delivered the Target Assets to the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Days”	any day other than (i) Saturdays and Sundays; (ii) public holidays in the PRC; or (iii) days on which banks in the PRC are entitled to or required to close for business pursuant to laws of the PRC
“Circular”	the circular of the Company containing, among other matters, details of the Transfer Agreement, a letter of advice from the Independent Board Committee and a letter of advice from the Independent Financial Adviser
“Class Meeting(s)”	the Domestic Share Class Meeting and the H Share Class Meeting
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司), a joint stock company duly incorporated in the PRC with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of RMB402,048,800 payable by the Company to Zhaojin Group for the Target Interests and the Target Assets

“Consideration Shares”	49,697,009 new Domestic Shares based on an issue price of RMB8.09 per Consideration Share to be allotted and issued by the Company to Zhaojin Group as consideration for the Target Interests and the Target Assets pursuant to the Transfer Agreement
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary share(s) issued by the Company, with a RMB-denominated par value of RMB1.00 each, which are subscribed for and fully paid up in RMB
“Domestic Share Class Meeting”	the 2019 second class meeting of the Domestic Share Shareholders to be convened and held to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder and the grant of Specific Mandates to allot and issue the Consideration Shares
“Domestic Share Shareholder(s)”	holder(s) of Domestic Shares
“EGM”	the 2019 second extraordinary general meeting of the Company to be convened and held to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder, the grant of Specific Mandates to allot and issue the Consideration Shares and the proposed amendments to the Articles of Association
“Equity Interests Completion Date”	the date on which the changes in registration of the transfer of the Target Interests from Zhaojin Group to the Company have been completed at the State Administration for Market Regulation and the local administrations for industry and commerce
“Goldsoft Technology”	Shandong Goldsoft Technology Company Limited* (山東金軟科技股份有限公司), a limited liability company established in the PRC on 27 August 2001, which is owned as to 67.37% by Zhaojin Group as at the date of this announcement
“Goldsoft Technology Valuation Report”	the valuation report in respect of Goldsoft Technology (Lin Tian Heng Xin Ping Bao Zi (2019) No. 2046) dated 10 May 2019 issued by Linyi Tianhengxin
“Group”	the Company and its subsidiaries

“Guarantee Letter”	guarantee letter dated 27 September 2019 granted by Zhaojin Group to the Company in respect of the operating results of Zhaojin Geology Exploration
“H Share(s)”	the overseas-listed foreign invested share(s) in the share capital of the Company, with a RMB-denominated par value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the main board of the Stock Exchange
“H Share Class Meeting”	the 2019 second class meeting of the H Share Shareholders to be convened and held to approve, among other things, the Transfer Agreement and the transactions contemplated thereunder and the grant of Specific Mandates to allot and issue the Consideration Shares
“H Share Shareholder(s)”	holder(s) of H Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely (i) Ms. Chen Jinrong, (ii) Mr. Choy Sze Chung Jojo, (iii) Mr. Wei Junhao; and (iv) Mr. Shen Shifu, established to advise the Independent Shareholders in respect of the Transfer Agreement and the transactions contemplated thereunder and the Specific Mandates
“Independent Financial Adviser”	Donvex Capital Limited, a licensed corporation under the SFO, to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Transfer Agreement and the transactions contemplated thereunder and the Specific Mandates
“Independent Shareholder(s)”	Shareholder(s) other than (i) Zhaojin Group and its associates; and (ii) any other Shareholder who has a material interest in the Transfer Agreement and the transactions contemplated thereunder
“Issue Price”	the issue price of each Consideration Share

“Linyi Tianhengxin”	Linyi Tianhengxin Assets Appraisal Limited* (臨沂天恒信資產評估有限公司), the independent professional valuer appointed to appraise the valuation of the Target Assets and the entire equity interest of Goldsoft Technology for the purpose of the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Public Issuance”	the non-public issuance of the Consideration Shares by the Company to Zhaojin Group, and the subscription of the Consideration Shares by Zhaojin Group, pursuant to the Transfer Agreement
“PRC”	the People’s Republic of China
“Price Referencing Date”	27 September 2019, being the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC Authority”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC and its local offices
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Zhengyuan”	Shandong Zhengyuan Hexin Assets Appraisal Limited* (山東正源和信資產評估有限公司), the independent professional valuer appointed to appraise the valuation of the entire equity interests of each of Zhaojin Geology Exploration and the Supplies Centre for the purpose of the Acquisition
“Share(s)”	ordinary share(s) of RMB1.00 each in the share capital of the Company, comprising Domestic Shares and H Shares
“Share Registration Completion Date”	the date of allotment and issue of the Consideration Shares by the Company to Zhaojin Group and completion of share registration procedures with China Securities Depository and Clearing Corporation Limited
“Shareholder(s)”	the registered holder(s) of Domestic Shares and H Shares
“Specific Mandates”	the specific mandates to be sought from the Independent Shareholders at the EGM and the Class Meetings for the allotment and issue of the Consideration Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplies Centre”	Zhaoyuan Gold Supplies Centre Company Limited* (招遠市黃金物資供應中心有限公司), a limited liability company established in the PRC in 1992, which is wholly-owned by Zhaojin Group as at the date of this announcement
“Supplies Centre Valuation Report”	the valuation report in respect of Supplies Centre (Lu Zheng Xin Ping Bao Zi (2019) No. 1009) dated 18 May 2019 issued by Shandong Zhengyuan
“Target Assets”	the land use rights of two parcels of state-owned land in Zhaoyuan City, Shandong Province, the PRC, together with the buildings, fixtures, machinery and equipment thereon, which are owned by Zhaojin Group as at the date of this announcement
“Target Assets Valuation Report”	the valuation report in respect of the Target Assets (Lin Tian Heng Xin Ping Bao Zi (2019) No. 2046) dated 10 May 2019 issued by Linyi Tianhengxin
“Target Companies”	collectively, (i) Zhaojin Geology Exploration, (ii) the Supplies Centre; and (iii) Goldsoft Technology
“Target Interests”	collectively, (i) the 100% equity interest in Zhaojin Geology Exploration; (ii) the 100% equity interest in the Supplies Centre; and (iii) the 67.37% equity interest of Goldsoft Technology
“Transfer Agreement”	the transfer agreement entered into between the Company and Zhaojin Group on 27 September 2019 in respect of the Acquisition
“Valuation Reports”	collectively, (i) Zhaojin Geology Exploration Valuation Report, (ii) Supplies Centre Valuation Report, (iii) Goldsoft Technology Valuation Report, and (iv) Target Assets Valuation Report
“Valuers”	Shandong Zhengyuan and Linyi Tianhengxin, both of which are the independent professional valuers appointed for the purpose of the Acquisition
“Wear-resistant Materials Company”	Shandong Zhaojin New Wear-resistant Materials Company Limited* (山東招金新型耐磨材料有限公司), a limited liability company established in the PRC in 2017, which is owned as to 60% by the Company as at the date of this announcement

“Zhaojin Geology Exploration”	Shandong Zhaoyuan Geology Exploration Company Limited* (山東招金地質勘查有限公司), a limited liability company established in the PRC in 1987, which is wholly-owned by Zhaojin Group as at the date of this announcement
“Zhaojin Geology Exploration Valuation Report”	the valuation report in respect of Zhaojin Geology Exploration (Lu Zheng Xin Ping Bao Zi (2019) No. 1002) dated 18 May 2019 issued by Shandong Zhengyuan
“Zhaojin Group”	Shandong Zhaojin Group Company Limited* (山東招金集團有限公司), a state-owned limited company established in the PRC on 28 June 1992 and a promoter and the controlling shareholder of the Company
“%”	per cent

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

Zhaoyuan, the PRC, 27 September 2019

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

Executive Directors: Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang

Non-executive Directors: Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Yao Ziping and Mr. Gao Min

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

* For identification purpose only

APPENDIX I – PRINCIPAL ASSUMPTIONS OF THE VALUATION OF SUPPLIES CENTRE

The principal assumptions, including commercial assumptions, upon which the Supplies Centre Valuation Report was based are as follows:

(1) Prerequisites

1. Transaction assumption: all assets to be appraised are assumed to be in the course of trading. The valuation was conducted in accordance with the trade terms of the assets in simulated markets;
2. Open market assumption: open market assumption is an assumption that, in respect of the assets that are in the market or proposed to be traded in the market, the purchasers and sellers are of equal standing and have opportunities and time to access sufficient market information in order to make rational judgment of the functions, purpose and transaction prices of the assets. The basis of the open market assumption is that assets may be traded openly in the market;
3. Going concern assumption: based on the actual conditions of the assets as at the valuation reference date, there will be no material change within the foreseeable period of use, assuming that the enterprise continues to operate and the assets continue to be used legally and effectively in accordance with their current purpose, manner, scale, frequency and environment; and
4. Continuous use of assets assumption: firstly, it is assumed that the appraised assets are in use (including the assets in ongoing use and the assets reserved for use), and secondly, it is inferred that the assets in use will continue to be used at the original location for the original purpose.

(2) Basic assumptions

1. There will be no material change to the relevant prevailing laws, regulations and policies, and in the macroeconomic situation of the PRC; and there will be no material change in the political, economic and social environment of the regions in which the parties to this transaction are located; and there will be no unforeseeable circumstances or force majeure which cause material adverse changes; and
2. There will be no material change relating to the interest rate, exchange rate, tax bases, tax rate, and policy-based levies.

(3) Specific assumptions

1. The information provided by client and the assessed unit is true, legal and complete;
2. The operator of the assessed unit is responsible and the management of the assessed unit is capable of discharging their duties;
3. The assessed unit is in full compliance with all relevant laws and regulations;
4. The accounting policies to be adopted by the assessed unit in the future will be fundamentally consistent in material respects with the accounting policies adopted as at the date of the valuation report;
5. On the basis of the existing way of management and level of governance, the scope and manner of operation will be consistent with the current directions; and
6. There will be no other unforeseeable circumstances or force majeure which cause material adverse change to the enterprise.

(4) Special assumptions

1. The process through which the assessed unit acquired or obtained its assets is in compliance with the relevant laws and regulations of the PRC;
2. The assets of the Supplies Centre are not subject to any material defects, liabilities nor restrictions which affect their value;
3. There will be no material adverse factors affecting the value of the related assets of the Supplies Centre;
4. The Supplies Centre will have even cash inflow and even cash outflow subsequent to the valuation reference date, and interim discounting is adopted in respect of future cash flow;
5. Given that the Supplies Centre currently uses the business premises of Zhaojin Group at nil consideration, the impact arising from the leasing expenses of such business premises has been taken into account in deriving the forecast of the income method;
6. The impact on the Supplies Centre in relation to the transaction taxes for changes in property rights has not been taken into account; and
7. The possible relevant taxes arising from the appreciation or depreciation of valuation has not been taken into account.

APPENDIX II – PRINCIPAL ASSUMPTIONS OF THE VALUATION OF GOLDSOFT TECHNOLOGY

The principal assumptions, including commercial assumptions, upon which the Goldsoft Technology Valuation Report was based are as follows:

(1) General assumptions

1. Transaction assumption: all assets to be appraised were assumed to be in the course of trading. The valuation was conducted in accordance with the trade terms of the assets in simulated markets;
2. Open market assumption: it is assumed that the assets to be appraised are traded in open market in order to realise their market value; and the market value of assets are determined by the market conditions subject to the constraints of market mechanism, rather than by individual transaction. Open market refers to the fully developed and sound market conditions, which is a competitive market with voluntary purchasers and sellers, and in which purchasers and sellers are of equal standing and have opportunities and time to access sufficient market information; and the transactions were conducted by the purchasers and the sellers in a voluntary and rational manner, which are not subject to any mandatory or unrestricted conditions;
3. Going concern assumption: a valuation assumption made on the overall assets of enterprise as the appraised target, namely the enterprise, as the business entity, continues to operate towards its business goals under its external environment. The business operator is responsible for and capable of taking up obligations; the enterprise operates in a lawful manner and makes appropriate profit to maintain the ability to operate as a going concern; and
4. Continuous use of assets assumption: continuous use of assets assumption is an assumption about the conditions of assets that are proposed to enter the market and the status of the assets under such market conditions. It is assumed that, firstly, the appraised assets are in use, and secondly, the assets in use will continue to be used. Under the continuous use assumption, neither the change of use of assets nor the best conditions of use has been taken into account, and the scope of use of the valuation conclusion is limited.

(2) Specific assumptions

1. There will be no material change to the relevant prevailing laws, regulations and policies, and in the macroeconomic situation of the PRC; and there will be no material change in the political, economic and social environment of the regions in which the parties to this transaction are located;
2. The operator of the enterprise is responsible and the management of enterprise is capable of discharging their duties;
3. Unless otherwise specified, enterprise is in full compliance with all relevant laws and regulations;
4. The accounting policies to be adopted by enterprise in the future will be fundamentally consistent in material respects with the accounting policies adopted as at the date of the valuation report;
5. On the basis of the existing way of management and level of governance, the scope and manner of operation will be consistent with the current directions;
6. The appraised assets are not subject to security, confiscation or other rights;
7. There will be no material change relating to the interest rate, exchange rate, tax bases, tax rate, and policy-based levies;
8. There will be no other unforeseeable circumstances or force majeure which cause material adverse change to the enterprise;
9. The valuation of assets is premised upon the actual amount of stock as at the valuation reference date, and the prevailing market price of the related assets is based upon the effective price in the PRC as at the valuation reference date;
10. The title certificates, financial accounting information and other information provided by the client and the assessed unit are true, complete and legal; and the scope of valuation is only based on the valuation application provided by the client and the assessed unit, without considering the contingent assets and contingent liabilities that may exist beyond the lists provided by the client and the assessed unit; and
11. The valuation does not take into account the impact of security, guarantee or other matters on the valuation conclusion.

APPENDIX III – REPORTS FROM THE AUDITOR OF THE COMPANY IN RELATION TO THE PROFIT FORECAST

The Board of Directors

Zhaojin Mining Industry Company Limited

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN ZHAOYUAN GOLD SUPPLIES CENTRE COMPANY LIMITED

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 18 May 2019 prepared by Shandong Zhengyuan Hexin Assets Appraisal Limited in respect of Zhaoyuan Gold Supplies Centre Company Limited (the “**Target**”) as at 31 December 2018 is based. The valuation is set out in the announcement of Zhaojin Mining Industry Company Limited (the “**Company**”) dated 27 September 2019 (the “**Announcement**”) in connection with the acquisition of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix I of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully

Ernst & Young

Certified Public Accountants

Hong Kong

27 September 2019

The Board of Directors

Zhaojin Mining Industry Company Limited

**No. 299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC**

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN SHANDONG GOLDSOFT TECHNOLOGY COMPANY LIMITED

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 18 May 2019 prepared by Linyi Tianhengxin Assets Appraisal Limited in respect of Shandong Goldsoft Technology Company Limited (the “**Target**”) as at 31 December 2018 is based. The valuation is set out in the announcement of Zhaojin Mining Industry Company Limited (the “**Company**”) dated 27 September 2019 (the “**Announcement**”) in connection with the acquisition of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix II of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully

Ernst & Young

Certified Public Accountants

Hong Kong

27 September 2019

APPENDIX IV – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

The Stock Exchange of Hong Kong Limited
8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

Connected Transaction in relation to the Acquisition of Equity Interests in the Target Companies and the Target Assets Involving the Non-Public Issuance of Consideration Shares

We refer to the announcement of Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (the “**Company**”) dated 27 September 2019 (the “**Announcement**”) in relation to, among other matters, the acquisition of the Target Interests and the Target Assets pursuant to the terms and conditions of the Transfer Agreement. Unless the context otherwise requires, the capitalised terms used herein shall have the same meanings ascribed to them in the Announcement.

We have reviewed and discussed the Supplies Centre Valuation Report and the Goldsoft Technology Valuation Report, which form the basis for determining the consideration for the acquisition of the 100% equity interest of the Supplies Centre and the 100% equity interest of Goldsoft Technology, respectively. We note that the methodology applied in deriving the valuation of the Supplies Centre and Goldsoft Technology is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We have considered the reports from the auditor of the Company, Ernst & Young, as set out in Appendix III to the Announcement, regarding the arithmetical accuracy of the calculations of the discounted cash flow forecast, upon which the Supplies Centre Valuation Report and the Goldsoft Technology Valuation Report are based.

On the basis of the above, pursuant to Rule 14.62(3) of the Listing Rules, we confirm that the profit forecast in relation to the valuation of the Supplies Centre and Goldsoft Technology as set out in the Supplies Centre Valuation Report and the Goldsoft Technology Valuation Report, respectively, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the Board of

Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司)

Weng Zhanbin

Chairman and Executive Director

27 September 2019

* For identification purpose only