
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

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

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

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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)

**MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF FINANCIAL SERVICES AGREEMENTS
AND
PROPOSED REGISTRATION AND ISSUANCE OF RENEWABLE CORPORATE
BONDS OF NOT MORE THAN RMB2.0 BILLION IN THE PRC
AND
PROPOSED REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES OF
NOT MORE THAN RMB6.0 BILLION IN THE PRC
AND
PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR
GENERAL MEETINGS
AND
NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to the Independent Board Committee and Shareholders



Unless the context otherwise requires, capitalised terms used in this circular (including this cover page) have the same meanings as those defined in the section headed "Definitions" in this circular.

The EGM of the Company will be held at the Company's conference room at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 31 January 2024. The notice convening the EGM is set out in this circular.

Shareholders who have the right to attend and vote at the EGM are entitled to appoint one or more proxies (whether or not a Shareholder) in writing to attend and vote at the EGM 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. If you intend to appoint one or more proxies, you should first read the instructions on the accompanying proxy form, and deposit the signed proxy form and (if the proxy form is signed by a person under a power of attorney or other authority) the notarially certified copy of such power of attorney or other authority under which it is signed, no later than 9:00 a.m. on Tuesday, 30 January 2024, at (i) the Company's share registrar for H Shares 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 Shares); or (ii) the registered address of the Company in the PRC (for holders of Domestic Shares). Completion and return of the proxy form shall not preclude a Shareholder from attending and voting at the EGM or any adjourned meetings if he or she so wishes.

In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged, no later than 4:30 p.m. on Wednesday, 24 January 2024, with (i) the Company's share registrar for H Shares in Hong Kong, 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 Shares), or (ii) the registered address of the Company in the PRC (for holders of Domestic Shares).

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DEFINITIONS

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

“2020 Group Financial Services Agreement”	the financial services agreement entered into between the Company and Finance Company on 31 December 2020 for the provision of various financial services by Finance Company
“2020 Parent Group Financial Services Agreement”	the financial services agreement entered into between Shandong Zhaojin and Finance Company on 31 December 2020 for the provision of various financial services by Finance Company
“2023 Group Financial Services Agreement”	the financial services agreement entered into between the Company and Finance Company on 29 December 2023 for the provision of various financial services by Finance Company
“2023 Parent Group Financial Services Agreement”	the financial services agreement entered into between Shandong Zhaojin and Finance Company on 29 December 2023 for the provision of various financial services by Finance Company
“Articles of Association”	the articles of association of the Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company incorporated in the PRC on 16 April 2004 and the H Shares of which are listed on the main board of Hong Kong Stock Exchange
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Domestic Share(s)”	the ordinary shares issued by the Company, with RMB denominated par value of RMB1.00 each, which were subscribed for and paid up in RMB
“EGM”	the 2024 first extraordinary general meeting of the Company to be held at the Company’s conference room at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 31 January 2024

DEFINITIONS

“Finance Company”	Shandong Zhaojin Finance Company Limited* (山東招金集團財務有限公司), a connected subsidiary of the Company, details of which are set forth in the section headed “INFORMATION ON THE PARTIES”
“Financial Services Agreements”	collectively, the 2023 Parent Group Financial Services Agreement and the 2023 Group Financial Services Agreement
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas-listed foreign invested shares of RMB1.00 each in the share capital of the Company, which are denominated in RMB and listed on the main board of the Hong Kong Stock Exchange and traded in Hong Kong dollar
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company, comprising four independent non-executive Directors, and each of them does not have any material interest in the Financial Services Agreements
“Independent Financial Adviser”	Maxa Capital Limited (邁時資本有限公司), a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement (including the relevant proposed annual caps) and the deposit services, loan services and bill discounting services under the 2023 Parent Group Financial Services Agreement (including the relevant proposed annual caps)
“Independent Shareholders”	Shareholders other than (i) Shandong Zhaojin and its associates; and (ii) those with a material interest in the transactions contemplated under the Financial Services Agreements, if any
“Latest Practicable Date”	10 January 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBOC”	People’s Bank of China

DEFINITIONS

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571, of the laws of Hong Kong)
“Shandong Zhaojin”	Shandong Zhaojin Group Company Limited* (山東招金集團有限公司), the controlling Shareholder of the Company, details of which are set forth in the section headed “INFORMATION ON THE PARTIES”
“Shandong Zhaojin Group”	Shandong Zhaojin and its subsidiaries from time to time
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	the ordinary shares of RMB1.00 each in the share capital of the Company, comprising Domestic Shares and H Shares
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Transition Period”	the period from 1 January 2024 to the date of the EGM on which the Independent Shareholders approve (i) the provision of deposit and bills discounting services and the relevant proposed annual caps under the 2023 Group Financial Services Agreement, and (ii) the provision of deposit, loan and bills discounting services and the relevant proposed annual caps under the 2023 Parent Group Financial Services Agreement

* *For identification purpose only*

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. Jiang Guipeng (*Chairman*)
Mr. Duan Lei
Mr. Wang Ligang
Mr. Chen Lunan

Registered address:

No. 118 Wenquan Road
Zhaoyuan City
Shandong Province
PRC

Non-executive Directors:

Mr. Long Yi (*Vice chairman*)
Mr. Li Guanghui
Mr. Luan Wenjing

Principal place of business in Hong Kong:

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Independent Non-executive Directors:

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

15 January 2024

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF FINANCIAL SERVICES AGREEMENTS
AND
PROPOSED REGISTRATION AND ISSUANCE OF RENEWABLE CORPORATE
BONDS OF NOT MORE THAN RMB2.0 BILLION IN THE PRC
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* For identification purpose only

LETTER FROM THE BOARD

INTRODUCTION

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

- (i) the financial services to be provided pursuant to the 2023 Group Financial Services Agreement;
- (ii) the financial services to be provided pursuant to the 2023 Parent Group Financial Services Agreement;
- (iii) registration and issuance of renewable corporate bonds of not more than RMB2.0 billion in the PRC;
- (iv) registration and issuance of medium-term notes of not more than RMB6.0 billion in the PRC; and
- (v) amendments to the rules of procedures for general meetings.

(I) 2023 GROUP FINANCIAL SERVICES AGREEMENT

References are made to the announcement dated 31 December 2020 and the circular dated 31 December 2020 published by the Company in respect of, among other things, the 2020 Group Financial Services Agreement. As the 2020 Group Financial Services Agreement and annual caps of such continuing connected transactions have expired on 31 December 2023, the Company and Finance Company entered into the 2023 Group Financial Services Agreement on 29 December 2023, pursuant to which Finance Company agreed to provide financial services to the Qualified Entities (as defined below), including but not limited to deposit services, loan services and bill discounting services, on terms which are similar to the 2020 Group Financial Services Agreement.

The principal terms of the 2023 Group Financial Services Agreement are set out below:

Date:

29 December 2023

Parties:

- (1) The Company; and
- (2) Finance Company

LETTER FROM THE BOARD

Term:

From 1 January 2024 to 31 December 2026.

The 2023 Group Financial Services Agreement has become effective upon duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement beyond the Transition Period Limitation 1 (as defined below) during the Transition Period is subject to the approval of the Independent Shareholders at the EGM.

During the Transition Period, the Company and Finance Company will monitor and keep the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company under the 2023 Group Financial Services Agreement; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company under the 2023 Group Financial Services Agreement, less than 5%, respectively (collectively, the “**Transition Period Limitation 1**”).

Major Terms:

- (1) Finance Company agreed to provide the following major services to the Company and corporations which satisfy the following qualifications: (i) any companies controlled by the Company (the “**Controlled Corporations**”); (ii) any companies which the Company and the Controlled Corporations, individually or collectively, directly or indirectly, hold(s) more than 20% equity interest; (iii) any companies which the Company and the Controlled Corporations directly holds less than 20% but being the single largest shareholder of such companies; and (iv) the institutional entity or social organization legal persons of the Company and the Controlled Corporations (collectively, the “**Qualified Entities**”):
 - i. deposit services;
 - ii. bill discounting services;
 - iii. loan services; and
 - iv. other financial services including (a) entrusted loans, bond underwriting, non-finance guarantees, financial consultation, credit certification and other relevant advisory and agency services; (b) acceptance services; (c) fund settlement and payment services; (d) interbank lending; (e) fixed-income portfolio investment; and (f) other services as approved by CBIRC (collectively, “**Other Group Financial Services**”).

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with Other Group Financial Services on an annual basis is less than 0.1%, the Other Group Financial Services under the 2023 Group Financial Services Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

LETTER FROM THE BOARD

- (2) The Company shall choose Finance Company to provide deposit services to the Qualified Entities provided that: (i) the deposit services and deposit products to be provided by Finance Company shall comply with the requirements of the PBOC (*Note 1*); and (ii) the interest rates for the deposit paid by Finance Company shall not be lower than the interest rates paid by other major independent financial institutions and commercial banks for the provision of the same or similar deposit services in the PRC.
- (3) The Company shall choose Finance Company to provide bill discounting services to the Qualified Entities provided that the interest rates for the provision of bill discounting services to be charged by Finance Company shall not be higher than the interest rates charged by other major independent financial institutions and commercial banks for the provision of same or similar level of bill discounting services in the PRC.
- (4) The Company shall choose Finance Company to provide loan services to the Qualified Entities provided that the loan interest rates charged by Finance Company shall not be higher than the interest rates charged by other major independent financial institutions and commercial banks for providing comparable loans in the PRC.
- (5) The 2023 Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangements in relation to the financial services to be provided under the 2023 Group Financial Services Agreement and such specific contracts shall be consistent with the principles and terms of the 2023 Group Financial Services Agreement.

Note:

1. According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》)” issued by the CBRC, finance companies shall abide by the provisions on administration of interest rates of the PBOC. Accordingly, the interest rate on the deposit services provided by Finance Company under the 2023 Group Financial Services Agreement shall be based on the benchmark interest rate promulgated by the PBOC and such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, which means any adjustment on the deposit interest rate offered by Finance Company under the 2023 Group Financial Services Agreement shall be within the interest rate offered by the PBOC on comparable deposit.

LETTER FROM THE BOARD

- (6) The Company and/or Finance Company will undertake the following capital risks control measures in respect of the 2023 Group Financial Services Agreement:
- i. Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of the Qualified Entities.
 - ii. The Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
 - iii. The Company will monitor the transactions under the 2023 Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2023 Group Financial Services Agreement.
 - iv. A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company before the tenth day of each month so that the Company can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps under the 2023 Group Financial Services Agreement.

INTERNAL CONTROL ON PRICING

The interest rates for deposit, loan and bill discounting services will be determined after considering the interest rates charged by/offered by other independent commercial banks and financial institutions in the PRC for the provision of same or similar loans, deposit and bill discounting services: (i) for deposit and loan services, the departments of the Company responsible for carrying out specific business will conduct interest rate research on a regular basis (quarterly for deposit services and semi-annually for loan services) in accordance with internal regulations. Specifically, for each type of the deposit services and loan services, the departments of the Company responsible for carrying out specific business will obtain quotations from at least 10 independent commercial banks (mainly include state-owned commercial banks and joint-stock banks) and financial institutions in the PRC, through onsite consultation and online inquiry. The interest rate quotations obtained through the interest rate research will be recorded and kept in writing, and will be used as the basis for determining the interest rates for the deposit and loan services to be provided by Finance Company to the Qualified Entities; and (ii) for bill discounting services, the departments of the Company responsible for carrying out specific business will check the bill discounting rates published by Shanghai Commercial Paper Exchange Corporation Ltd. (the “SHCPE”) on the pricing dates stipulated in the specific contracts under the 2023 Group Financial Services Agreement, which will be used as the basis for determining the interest rates for the bill discounting services to be provided by Finance Company to the Qualified Entities. The interest rates published by the SHCPE for bill discounting are also commonly used as references by other independent commercial banks and financial institutions in the PRC. Prior to the entering into specific contracts under the 2023 Group Financial Services Agreement, the finance department of the Company will evaluate and compare the above quotations with the interest rates for deposit, loan and bill discounting services provided by Finance Company taking into account the actual situations and the relevant transactions will be reported to and approved by the head of the finance department of the Company, so as to ensure that the interest rates charged/offered by Finance Company are on normal commercial terms and shall not be less favourable to the Qualified Entities than the interest rates charged/offered by other independent major financial institutions and commercial banks for providing the same or similar services.

LETTER FROM THE BOARD

In addition, the management of the Company will regularly review and conduct spot checks on the execution of the specific contracts under the 2023 Group Financial Services Agreement to ensure that (i) the staff of the finance department of the Company have compared the terms provided by Finance Company with the terms from other independent third parties; and (ii) the terms offered by Finance Company are no less favorable than those offered by major financial institutions and commercial banks in the PRC.

By adopting the policies set out above, the Directors are of the view that the Company can ensure (i) the interest rates payable for the Qualified Entities' deposits shall not be lower than the interest rates offered by other major independent financial institutions and commercial banks for comparable deposit services in the PRC; (ii) the loan and bill discounting interest rates charged by Finance Company shall not be higher than that charged by other major independent financial institutions and commercial banks for providing comparable loans and bill discounting services in the PRC; and (iii) the terms of the 2023 Group Financial Services Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the qualified entities which satisfy the members qualifications under the 2020 Group Financial Services Agreement (the “**2020 Qualified Entities**”) for each of the three years ended 31 December 2021, 2022 and 2023:

	For the year ended 31 December		
	2021	2022	2023
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Qualified Entities with Finance Company	RMB2,078 million	RMB3,115 million	RMB4,113 million

Reference is made to the 2020 Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Qualified Entities with Finance Company under the 2020 Group Financial Services Agreement shall not exceed RMB4,000 million, RMB4,500 million and RMB5,000 million.

The Directors have been monitoring the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Qualified Entities with Finance Company under the 2020 Group Financial Services Agreement, and such amounts did not exceed the caps for the three years ended 31 December 2021, 2022 and 2023.

LETTER FROM THE BOARD

Bill Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the three years ended 31 December 2021, 2022 and 2023:

	For the year ended 31 December		
	2021	2022	2023
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities for bill discounting services	RMB610 million	RMB520 million	RMB400 million

Reference is made to the 2020 Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement shall not exceed RMB1,500 million, RMB2,000 million and RMB2,500 million.

The Directors have been monitoring the maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities for bill discounting services under the 2020 Group Financial Services Agreement, and such amounts did not exceed the caps for the three years ended 31 December 2021, 2022 and 2023.

LETTER FROM THE BOARD

Loan Services

The table below sets forth the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the three years ended 31 December 2021, 2022 and 2023:

	For the year ended 31 December		
	2021	2022	2023
Maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities	RMB1,643 million	RMB1,727 million	RMB1,316 million

Reference is made to the 2020 Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement shall not exceed RMB4,500 million, RMB5,000 million and RMB5,500 million.

The Directors have been monitoring the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement, and such amounts did not exceed the caps for the three years ended 31 December 2021, 2022 and 2023.

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for each of the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the Qualified Entities with Finance Company	RMB5,000 million	RMB5,500 million	RMB6,000 million

The above amounts are arrived at after considering the following factors:

- (1) The level of cashflow of the Group in the past three financial years: the cash and cash equivalent of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 were approximately RMB1,840 million, RMB2,998 million and RMB3,583 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2022 was approximately RMB2,807 million.
- (2) The expected increase in deposit of the Group in the three years ending 31 December 2026 resulting from the expected increase in cashflow of the Group resulting from the possible implementation of financing plan of the Group in the ensuing three years, including but not limited to, the loans obtained from financial institutions other than Finance Company, the possible issue of corporate bonds, medium-term notes, perpetual medium-term notes, renewable corporate bonds and/or super-short-term notes (the “**Group Financing Plan**”).

According to the Group Financing Plan, the capital to be raised by the Group are expected to be RMB3,500 million, RMB3,500 million and RMB3,500 million for each of the three financial years ending 31 December 2026, which is expected to bring an increase in cash inflow for the Group.

- (3) The expected increasing level of deposit of the Group every year as a result of the increasing scale of assets of the Group in the ensuing three years.
- (4) The Group is fully promoting the construction of the Ruihai Mining project, which is expected to increase the Group’s revenue upon commencement of production, leading to the expected increase in cash flow of the Group and the amount of deposit to be placed with Finance Company.

LETTER FROM THE BOARD

- (5) Based on the monitoring of past gold prices and the judgement on the development trend of domestic and international markets, it is expected that there will be further increase in gold prices in the future, which would increase the Group's revenue and the amount of deposits to be placed with Finance Company.
- (6) Based on the business objective of Finance Company to centralize the management and unify the allocation of the Group's funds in order to enhance the fund utilization efficiency and reduce financial risks, the Group will make adjustments to increase the concentration of capital of the Group in Finance Company, which will result in an expected increase in the amount of deposit to be placed with Finance Company.

As a result of the factors set out in (2) to (6) above, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2026.

Bill Discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the Qualified Entities for bill discounting services	RMB1,000 million	RMB1,500 million	RMB2,000 million

The above amounts are determined after taking into account the following factors:

- (1) The actual maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 were lower than the annual caps under the 2020 Group Financial Services Agreement. Accordingly, the proposed maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for the three years ending 31 December 2026 has been adjusted downwards, with a view to better aligning with the actual demand of the Qualified Entities' business for bill discounting services.

LETTER FROM THE BOARD

- (2) Finance Company obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and the Qualified Entities were gradually changed from cash settlement to settlement by electronic bill discounting according to the policy of the PBOC. The use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that Finance Company lowers its financing cost and provides bill discounting services to the Qualified Entities in a more cost-efficient manner. Based on the above, it is expected that the proportion of settlement by Qualified Entities using electronic bill discounting will further increase in the three years ending 31 December 2026, leading to an increase in the number of electronic bills issued by the Qualified Entities through Finance Company. Upon issuing the electronic bills, the Qualified Entities may hold the bills, endorse the bills or apply for discounting with Finance Company. If they choose to apply for discounting with Finance Company, it will lead to an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Qualified Entities for bill discounting services. Accordingly, a further increase in the proportion of use of electronic bill for settlement by Finance Company and the Qualified Entities will increase the probability of an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Qualified Entities for bill discounting services.

Taking into account the adjustment to the amount of proposed annual caps, the increasing use of bill discounting services to provide funding to the Qualified Entities and the availability of Finance Company to provide such services on an ongoing basis, it is expected that the maximum daily outstanding balance of funds (including interest accrued thereon) to be provided by Finance Company to the Qualified Entities for bill discounting services for the three years ending 31 December 2026 are reasonable.

Loan Services

The provision of loan services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement constitutes a form of financial assistance under the Listing Rules. Given that the loan interest rates charged by Finance Company shall not be higher than that charged by other major independent financial institutions and commercial banks for providing comparable loans in the PRC, such financial assistance is on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC which is not secured by the assets of the Qualified Entities, it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company expects that the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement for each of the three years ending 31 December 2026 shall not exceed RMB4,500 million, RMB5,000 million and RMB5,500 million, respectively.

LETTER FROM THE BOARD

(II) 2023 PARENT GROUP FINANCIAL SERVICES AGREEMENT

References are made to the announcement dated 31 December 2020 and the circular dated 31 December 2020 published by the Company in respect of, among other things, the 2020 Parent Group Financial Services Agreement. As the 2020 Parent Group Financial Services Agreement and annual caps of such continuing connected transactions have expired on 31 December 2023, on 29 December 2023, Shandong Zhaojin and Finance Company entered into the 2023 Parent Group Financial Services Agreement, pursuant to which Finance Company agreed to provide financial services, including but not limited to deposit services, loan services and bill discounting services to Zhaojin Qualified Entities (as defined below), on terms which are similar to the 2020 Parent Group Financial Services Agreement.

The principal terms of the 2023 Parent Group Financial Services Agreement are set out below:

Date:

29 December 2023

Parties:

- (1) Shandong Zhaojin; and
- (2) Finance Company

Term:

From 1 January 2024 to 31 December 2026.

The 2023 Parent Group Financial Services Agreement has become effective upon duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement beyond the Transition Period Limitation 2 (as defined below) during the Transition Period is subject to the approval of the Independent Shareholders at the EGM.

During the Transition Period, Shandong Zhaojin and Finance Company will monitor and keep the highest applicable percentage (as defined under Rule 14.07 of the Listing Rules) ratio in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company; and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company under the 2023 Parent Group Financial Services Agreement, less than 5%, respectively (collectively, the “**Transition Period Limitation 2**”).

LETTER FROM THE BOARD

Major Terms:

(1) Finance Company agreed to provide the following major services to Shandong Zhaojin and its subsidiaries (other than the Company and its subsidiaries) which satisfy the following members qualifications: (i) any companies controlled by Shandong Zhaojin (the “**Zhaojin Controlled Corporations**”); (ii) any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively, directly or indirectly, hold(s) more than 20% equity interest; (iii) any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations directly holds less than 20% but being the single largest shareholder of such companies; and (iv) the institutional entity or social organization legal persons of Shandong Zhaojin and the Zhaojin Controlled Corporations (collectively, the “**Zhaojin Qualified Entities**”):

i. deposit services;

ii. bill discounting services;

iii. loan services; and

iv. other financial services including (a) entrusted loans, bond underwriting, non-finance guarantees, financial consultation, credit certification and other relevant advisory and agency services; (b) acceptance services; (c) fund settlement and payment services; (d) interbank lending; (e) fixed-income portfolio investment; and (f) other services as approved by CBIRC (collectively, “**Other Parent Group Financial Services**”).

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the service fees in connection with Other Parent Group Financial Services on an annual basis is less than 0.1%, the Other Parent Group Financial Services under the 2023 Group Financial Services Agreement will be fully exempt under Rule 14A.76(1) of the Listing Rules.

(2) Shandong Zhaojin shall choose Finance Company to provide deposit services to the Zhaojin Qualified Entities provided that: (i) the deposit services and deposit products to be provided shall comply with the requirements of the PBOC (*Note 1*); and (ii) the interest rates for the deposit paid by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates offered by other major independent financial institutions and commercial banks for the provision of same or similar deposit services in the PRC and shall not be higher than the interest rates paid by Finance Company for the provision of the same deposit services to other parties.

Note:

1. According to the requirements under the “Measures for the Administration of Finance Companies of Enterprise Groups” (《企業集團財務公司管理辦法》) issued by the CBRC, finance companies shall abide by the provisions on administration of interest rates of the PBOC. Accordingly, the interest rate on the deposit services provided by Finance Company under the 2023 Parent Group Financial Services Agreement shall be based on the benchmark interest rate promulgated by the PBOC and such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, which means any adjustment on the interest rate offered by Finance Company under the 2023 Parent Group Financial Services Agreement shall be within the interest rate offered by the PBOC on comparable deposit.

LETTER FROM THE BOARD

- (3) Shandong Zhaojin shall choose Finance Company to provide bill discounting services to the Zhaojin Qualified Entities provided that the interest rates for the bill discounting services provided by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates offered by other major independent financial institutions and commercial banks for the provision of same or similar bill discounting services in the PRC and shall not be lower than the interest rates charged by Finance Company for the provision of same level of bill discounting services to other parties.
- (4) Shandong Zhaojin shall choose Finance Company to provide loan services to the Zhaojin Qualified Entities provided that the interest rates for the loan services charged by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates charged by other major independent financial institutions and commercial banks for the provision of same or similar loan services in the PRC and shall not be lower than the interest rates charged by Finance Company for the provision of the same loan services to other parties.
- (5) The 2023 Parent Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangements in relation to the financial services to be provided under the 2023 Parent Group Financial Services Agreement and such specific contracts shall be consistent with the principles and terms of the 2023 Parent Group Financial Services Agreement.
- (6) The Company and/or Finance Company will undertake the following capital risks control measures in respect of the 2023 Parent Group Financial Services Agreement:
 - i. Finance Company will ensure the safe and stable operation of the funds management system, which has undergone the security test in respect of connection to online commercial banking system and has reached the national security standards for commercial banks to ensure the security of the funds of the Zhaojin Qualified Entities.
 - ii. The Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.
 - iii. The Company will monitor the transactions under the 2023 Parent Group Financial Services Agreement and ensure that the transaction amounts will not exceed the relevant annual caps under the 2023 Parent Group Financial Services Agreement.
 - iv. A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company and Shandong Zhaojin before the tenth day of each month so that the Company and Shandong Zhaojin can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps under the 2023 Parent Group Financial Services Agreement.

LETTER FROM THE BOARD

INTERNAL CONTROL ON PRICING

The interest rates for deposit, loan and bill discounting services will be determined after taking into account the interest rates charged by/offered by other major independent commercial banks and financial institutions in the PRC for the provision of same or similar loan, deposit and bill discounting services: (i) for deposit and loan services, the departments of Finance Company responsible for carrying out specific business will conduct interest rate research on a regular basis (quarterly for deposit services and semi-annually for loan services) in accordance with internal regulations. Specifically, for each type of the deposit services and loan services, the departments of the Finance Company responsible for carrying out specific business will obtain quotations from at least 10 independent commercial banks (mainly include state-owned commercial banks and joint-stock banks) and financial institutions in the PRC, through onsite consultation and online inquiry. The interest rate quotations obtained through the interest rate research will be recorded and kept in writing, and will be used as the basis for determining the interest rates for the deposit and loan services to be provided by Finance Company to the Zhaojin Qualified Entities; and (ii) for bill discounting services, the departments of Finance Company responsible for carrying out specific business will check the bill discounting rates published by SHCPE on the pricing dates stipulated in the specific contracts under the 2023 Parent Group Financial Services Agreement, which will be used as the basis for determining the interest rates for the bill discounting services to be provided by Finance Company to the Zhaojin Qualified Entities. The interest rates published by the SHCPE for bill discounting are also commonly used as references by other independent commercial banks and financial institutions in the PRC. Prior to the entering into specific contracts under the 2023 Parent Group Financial Services Agreement, Finance Company will evaluate and compare the above quotations with the interest rates quoted for deposit, loan and bill discounting services provided to the Zhaojin Qualified Entities taking into account the actual situations, so as to ensure that the interest rates charged/offered by Finance Company are on normal commercial terms and shall not be less favourable to Finance Company than the interest rates charged/offered by other independent major financial institutions and commercial banks for providing the same or similar services.

There are stringent internal control policies implemented by the Company with regard to financial services transactions under the 2023 Parent Group Financial Services Agreement. The finance department of the Company will compare the interest rates on deposits, loans and bill discounting offered by Finance Company to the Zhaojin Qualified Entities with those offered by Finance Company to other parties.

The Company's finance department will review the relevant interest rates on a regular basis to ensure due observance and performance of the 2023 Parent Group Financial Services Agreement.

By adopting the above measures, the Directors are of the view that the Company can ensure (i) the interest rates provided on deposits placed by the Zhaojin Qualified Entities will not be higher than those to be provided by Finance Company to other parties for comparable deposits; (ii) the interest rates on loans and bill discounting charged by Finance Company will not be lower than those to be charged by Finance Company to other parties for the provision of comparable loans and services; (iii) the interest rates charged/offered by Finance Company will not be less favourable to Finance Company than the interest rates charged/offered by other independent major financial institutions and commercial banks for providing the same or similar services; and (iv) the terms of the 2023 Parent Group Financial Services Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the qualified entities which satisfy the members qualifications under the 2020 Parent Group Financial Services Agreement (the “**2020 Zhaojin Qualified Entities**”) for each of the three years ended 31 December 2021, 2022 and 2023:

	For the year ended 31 December		
	2021	2022	2023
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Zhaojin Qualified Entities with Finance Company	RMB2,315 million	RMB3,133 million	RMB1,730 million

Reference is made to the 2020 Parent Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Zhaojin Qualified Entities with Finance Company under the 2020 Parent Group Financial Services Agreement shall not exceed RMB5,000 million, RMB5,500 million and RMB6,000 million.

The Directors have been monitoring the maximum daily outstanding balance of deposits (including interest accrued thereon) placed by the 2020 Zhaojin Qualified Entities with Finance Company under the 2020 Parent Group Financial Services Agreement, and such amounts did not exceed the caps for the three years ended 31 December 2021, 2022 and 2023.

LETTER FROM THE BOARD

Bill Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the three years ended 31 December 2021, 2022 and 2023:

	For the year ended 31 December		
	2021	2022	2023
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities for bill discounting services	RMB725 million	RMB940 million	RMB900 million

Reference is made to the 2020 Parent Group Financial Services Agreement which stated that, for each of the three financial years ending 31 December 2023, the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement shall not exceed RMB2,000 million, RMB2,500 million and RMB2,500 million.

The Directors have been monitoring the maximum daily outstanding balance of funds provided by Finance Company to the 2020 Zhaojin Qualified Entities for bill discounting services (including interest accrued thereon) under the 2020 Parent Group Financial Services Agreement, and such amounts did not exceed the caps for the three years ended 31 December 2021, 2022 and 2023.

LETTER FROM THE BOARD

Loan Services

The table below sets forth the maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the three years ended 31 December 2021, 2022 and 2023:

	For the year ended 31 December		
	2021	2022	2023
Maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities	RMB1,517 million	RMB1,655 million	RMB1,941 million

Reference is made to the 2020 Parent Group Financial Services Agreement which stated that, for the each of three financial years ending 31 December 2023, the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement shall not exceed RMB4,000 million, RMB4,500 million and RMB5,000 million.

The Directors have been monitoring the maximum outstanding loan amount (including interest accrued thereon) provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement, and such amounts did not exceed the caps for the three years ended 31 December 2021, 2022 and 2023.

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of deposits (including interest accrued thereon) placed by Zhaojin Qualified Entities with Finance Company	RMB5,000 million	RMB5,500 million	RMB6,000 million

The above amounts are arrived at after considering the following factors:

- (1) The level of cashflow of Shandong Zhaojin Group in the past three financial years: the cash and cash equivalent of Shandong Zhaojin Group as at 31 December 2020, 31 December 2021 and 31 December 2022 were approximately RMB3,265 million, RMB3,317 million and RMB4,569 million, respectively. The average level of cashflow for the past three financial years ended 31 December 2022 was approximately RMB3,717 million.
- (2) The expected increase in deposit of Shandong Zhaojin Group in the three years ending 31 December 2026 resulting from the expected increase in cashflow of Shandong Zhaojin Group resulting from the possible implementation of financing plan of Shandong Zhaojin Group in the ensuing three years, including but not limited to, the loans obtained from financial institutions other than Finance Company, the possible issue of corporate bonds, medium-term notes and/or super-short-term notes (the “**Zhaojin Financing Plan**”).

According to the Zhaojin Financing Plan, the capital to be raised by Shandong Zhaojin Group are expected to be RMB3,500 million, RMB3,500 million and RMB3,500 million for each of the three financial years ending 31 December 2026, which is expected to bring an increase in cash inflow to Shandong Zhaojin Group.

LETTER FROM THE BOARD

- (3) The expected increasing level of deposit of Shandong Zhaojin Group every year as a result of the increasing scale of assets of Shandong Zhaojin Group in the ensuing three years.
- (4) Based on the monitoring of past gold prices and the judgement on the development trend of domestic and international markets, it is expected that there will be further increase in gold prices in the future, which would increase the Shandong Zhaojin Group's revenue and the amount of deposits placed with Finance Company.
- (5) Based on the business objective of Finance Company to centralize the management and unify the allocation of the Group's funds in order to enhance the fund utilization efficiency and reduce financial risks, Shandong Zhaojin Group will make adjustments to increase the concentration of capital of Shandong Zhaojin Group in Finance Company, which will result in an expected increase in the amount of deposit to be placed with Finance Company.

As a result of the factors set out in (2) to (5) above and considering the relevant pool rate of approximately 50% (Note 1) of Shandong Zhaojin, there is an increasing trend for the maximum daily outstanding balance of deposit for the three years ending 31 December 2026.

Bill Discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum daily outstanding balance of funds (including interest accrued thereon) provided by Finance Company to the Zhaojin Qualified Entities for bill discounting services	RMB1,500 million	RMB2,000 million	RMB2,000 million

Note:

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

In accordance with the relevant requirements of the Shandong Bureau of CBIRC, the pool rate of financial companies or institutions in Shandong Province shall not be lower than 50%. Pursuant to the "Finance Companies of Enterprises Groups Risk Assessment Grading Operation Checklist" (《企業集團財務公司風險評分操作表》), financial companies with pool rate of approximately 60% may be awarded with better year-end assessment results by the relevant authority and is beneficial for Finance Company to apply for operation of new business from CBIRC.

LETTER FROM THE BOARD

The above amounts are determined after taking into account the following factors:

- (1) The actual maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 were lower than the annual caps under the 2020 Parent Group Financial Services Agreement. Accordingly, the proposed maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 has been adjusted downwards, with a view to better aligning with the actual demand of the Zhaojin Qualified Entities' business for bill discounting services.
- (2) Finance Company obtained the necessary regulatory authorisations from the PBOC under the Measures for the Administration of the Business of Electronic Commercial Draft (電子商業匯票業務管理辦法) for conducting electronic bill discounting services in May 2017. Following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and Zhaojin Qualified Entities were gradually changed from cash settlement to settlement by electronic bill discounting since following the policy of the PBOC, the use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that Finance Company lowers its financing cost and provides bill discounting services to Zhaojin Qualified Entities in a more cost-efficient manner. Based on the above, it is expected that the proportion of settlement by Zhaojin Qualified Entities using electronic bill discounting will further increase in the three years ending 31 December 2026, leading to an increase in the number of electronic bills issued by the Zhaojin Qualified Entities through Finance Company. Upon issuing the electronic bills, the Zhaojin Qualified Entities may hold the bills, endorse the bills or apply for discounting with Finance Company. If they choose to apply for discounting with Finance Company, it will lead to an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Zhaojin Qualified Entities for bill discounting services. Accordingly, a further increase in the proportion of use of electronic bill for settlement by Finance Company and the Zhaojin Qualified Entities will increase the probability of an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Zhaojin Qualified Entities for bill discounting services.

Taking into account the adjustment to the amount of proposed annual caps, the increasing use of bill discounting services to provide funding to the Zhaojin Qualified Entities and the availability of Finance Company to provide such services on an ongoing basis, it is expected that the maximum daily outstanding balance of funds to be provided by Finance Company to the Zhaojin Qualified Entities for bill discounting services for the three years ending 31 December 2026 are reasonable.

LETTER FROM THE BOARD

Loan Services

The maximum outstanding loan amount (including interest accrued thereon) at any one point in time to be provided by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December		
	2024	2025	2026
Maximum outstanding loan amount provided by Finance Company to the Zhaojin Qualified Entities (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB5,000 million

The above amounts are arrived at after considering the maximum outstanding loan amount provided by Finance Company to the 2020 Zhaojin Qualified Entities in the past three years, and the level of loan and financing services required by the Zhaojin Qualified Entities in view of the development and operation plan of the Zhaojin Qualified Entities in the three years ending 31 December 2026.

In 2024, the maximum outstanding amount of loan to be obtained by the Zhaojin Qualified Entities from Finance Company shall be not more than RMB4,000 million. It is expected that Zhaojin Qualified Entities will use (i) no more than RMB2,000 million to repay the maturing loans; (ii) no more than RMB500 million for the import of refined gold for recruitment and gold processing; (iii) no more than RMB500 million for the construction of the Phase II project of the Golden Vocational College; and (iv) no more than RMB1,000 million to supplement working capital.

In 2025, the maximum outstanding amount of loan to be obtained by the Zhaojin Qualified Entities from Finance Company shall be not more than RMB4,500 million. It is expected that Zhaojin Qualified Entities will use (i) no more than RMB500 million for the import of refined gold for recruitment and gold processing; (ii) no more than RMB500 million as equity investment funds for the acquisition of non-ferrous domestic and foreign mining investment projects; (iii) no more than RMB2,500 million to repay the maturing loans; and (iv) no more than RMB1,000 million loan to supplement working capital.

In 2026, the maximum outstanding amount of loan to be obtained by the Zhaojin Qualified Entities from Finance Company shall be not more than RMB5,000 million. It is expected that Zhaojin Qualified Entities will use (i) no more than RMB500 million as funds for the real estate development projects; (ii) no more than RMB500 million for the import of refined gold for recruitment and gold processing; (iii) no more than RMB500 million as investment funds for the acquisition of non-ferrous equity and the construction of overseas mining projects; and (iv) no more than RMB3,500 million to repay the maturing loan.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 GROUP FINANCIAL SERVICES AGREEMENT AND THE 2023 PARENT GROUP FINANCIAL SERVICES AGREEMENT

1. The interest rate to be charged by/offered by Finance Company for the provision of deposit, bill discounting and loans to the Qualified Entities will be similar to or even more favourable than those charged by/offered by other major commercial banks in the PRC.
2. With the entry into the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement, the Qualified Entities and the Zhaojin Qualified Entities will be able to centralize control and management of their financial resources, promote wider uses and use efficiency of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the amount and utilization of capital. Meanwhile, diverse services can be provided under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement to satisfy the business needs of the Qualified Entities and the Zhaojin Qualified Entities.
3. Finance Company is a non-wholly-owned subsidiary of the Company and the financial services it provided under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement will contribute to the Group in terms of revenue increase and new profit growth points.
4. Subject to supervision and regulation of the PBOC and the CBIRC, Finance Company is a non-bank financial institute and provides services in accordance with rules and operation provisions of such regulatory bodies. In addition, capital risks may be reduced through risk control measures as stipulated in the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

DIRECTORS' VIEW

The Directors (including independent non-executive Directors) are of the view that: (i) the terms of the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms in ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole; and (ii) the relevant annual cap amounts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

BOARD'S APPROVAL

The Board has approved the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement. None of the Directors has any material interests in the proposed transactions under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

Mr. Jiang Guipeng, Mr. Li Guanghui and Mr. Luan Wenjing, being a director or management personnel of Shandong Zhaojin, had abstained from voting at the Board meeting for approving the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

INFORMATION ON THE PARTIES

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

Shandong Zhaojin is principally engaged in gold exploration, mining and refinery business, as well as investing in gold exploration, mining, smelting and refinery, and other gold-related businesses. Shandong Zhaojin is the controlling shareholder of the Company, directly holding 34.74% of the Shares of the Company as at the date of this circular. The ultimate beneficial owner of Shandong Zhaojin is the People's Government of Zhaoyuan City (招遠市人民政府) which holds 90% of the equity interest of Shandong Zhaojin.

Finance Company is a non-wholly-owned subsidiary of the Company and is directly held as to 51% by the Company and as to 40% by Shandong Zhaojin, respectively. Finance Company is a limited liability company established in the PRC on 1 July 2015 and is operating in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups as well as other applicable PRC laws and regulations. It is principally engaged in, among others, providing internal financial services to the Group and the Shandong Zhaojin Group. The Finance Company is a PRC non-bank financial institution and is regulated by the CBIRC.

LISTING RULES IMPLICATIONS UNDER THE 2023 GROUP FINANCIAL SERVICES AGREEMENT, THE 2023 PARENT GROUP FINANCIAL SERVICES AGREEMENT AND THE TRANSACTIONS DURING THE TRANSITION PERIOD

As at the Latest Practicable Date, Shandong Zhaojin is the controlling shareholder of the Company and is therefore a connected person of the Company. Finance Company is a non-wholly-owned subsidiary of the Company and is directly held as to 51% by the Company and as to 40% by Shandong Zhaojin, respectively. Finance Company is also a connected person of the Company given that it is a connected subsidiary of the Company and also an associate of Shandong Zhaojin. Accordingly, the transactions contemplated under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

2023 Group Financial Services Agreement

Deposit Services and Bill Discounting Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement constitutes (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loan Services

The provision of loan services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement constitutes a form of financial assistance under the Listing Rules. Given that the loan interest rates charged by Finance Company shall not be higher than that charged by other major independent financial institutions and commercial banks for providing comparable loans in the PRC, such financial assistance is on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC which is not secured by the assets of the Qualified Entities, it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Parent Group Financial Services Agreement

Deposit Services, Bill Discounting Services and Loan Services

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities; and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement constitute (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Transactions during the Transition Period

2023 Group Financial Services Agreement

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement, will not exceed Transition Period Limitation 1, which is more than 0.1% but is less than 5%, the provision of deposit services and bill discounting services during the Transition Period under the 2023 Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2023 Parent Group Financial Services Agreement

Given that, during the Transition Period, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement; and (iii) the maximum outstanding loan amount (including interest accrued thereon) at any one point in time that may be provided by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement, will not exceed Transition Period Limitation 2, which is more than 0.1% but is less than 5%, the provision of deposit services, bill discounting services and loan services during the Transition Period under the 2023 Parent Group Financial Services Agreement are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(III) PROPOSED REGISTRATION AND ISSUANCE OF RENEWABLE CORPORATE BONDS OF NOT MORE THAN RMB2.0 BILLION IN THE PRC

In order to ensure the sustainable, healthy and steady business development of the Company, and to further enhance the overall competitiveness and long-term profitability, the Board proposed to register and issue the renewable bonds (the “**Renewable Bonds**”) in the PRC with an aggregate amount of not more than RMB2.0 billion. Pursuant to the Articles of Association, the proposed registration and issuance of the Renewable Bonds are subject to the approval of the Shareholders by way of special resolution.

LETTER FROM THE BOARD

The proposed registration and issuance of the Renewable Bonds are subject to the review and approval of the relevant PRC regulatory authorities.

1. Principal terms of the Renewable Bonds

Details of the Renewable Bonds proposed to be issued are as follows:

- (i) Issuer: the Company;
- (ii) Method of issue: public issue to professional investors;
- (iii) Place of issue and listing: the PRC;
- (iv) Size of issue: the aggregate principal amount shall not be more than RMB2.0 billion, to be issued in one or more tranches;
- (v) Term of the bonds: each term of the Renewable Bonds shall not be more than 5 interest accruing years. The issuer is entitled to exercise the renewal option at the end of each term. When the issuer exercises the renewal option, the Renewable Bonds will be renewed for an additional term. In the event that no renewal option is exercised, the Renewable Bonds will be due in full;
- (vi) Renewal option: each term of the Renewable Bonds shall not be more than 5 interest accruing years. At the end of each term, the issuer is entitled to renew the Renewable Bonds for an additional term, or repay the Renewable Bonds in full as they fall due at the end of the term;
- (vii) Use of proceeds: the proceeds from the registration and issuance of the Renewable Bonds will be mainly used for the production and operation of the Company, including but not limited to replenishment of liquidity, repayment of borrowings and project investment expenses, which shall be within the scope as permitted by the relevant regulatory authorities;
- (viii) Order of repayment: in the event of winding up of the issuer, the order of settlement of the Renewable Bonds is inferior to the ordinary debts of the issuer, precedence over the ordinary shares of the issuer;
- (ix) Others: terms such as interest deferral will be included in the terms of the Renewable Bonds; and
- (x) Validity period of the resolution: 36 months from the date of passing of the relevant resolution at the EGM.

LETTER FROM THE BOARD

2. Authorisation and mandate to be granted to the Board

To ensure the proper completion of the proposed issue of the Renewable Bonds, it is proposed that a special resolution be passed by the Shareholders generally and unconditionally at the EGM to grant authority to the Board to deal with all such matters relating to the issue of the Renewable Bonds, including but not limited to the following:

- (i) so far as permitted by laws and regulations and according to the actual conditions of the Company and the market, determine and amend the actual plans for the issue of the Renewable Bonds, adjust the plans and relevant terms of the issue of the Renewable Bonds, including but not limited to specific matters such as the timing, method, quantity, price and term of the issue (including the term of the renewal option), method of determining interest, redemption provision, interest step-up provision, interest deferral provision, tranche structure and use of proceeds, to determine and appoint the relevant intermediaries to participate in the issue of Renewable Bonds, sign the legal documents and agreements relating to the issue of Renewable Bonds;
- (ii) take all necessary and ancillary actions relating to the issue of the Renewable Bonds, including but not limited to, making underwriting arrangements and lodging the application to the relevant PRC regulatory authorities for the issue of the Renewable Bonds, obtaining the approval(s) from the relevant PRC regulatory authorities, appointing trustee for the proposed issue of the Renewable Bonds, executing trust and custodian agreements and stipulating rules for Renewable Bonds holders' meeting and arranging for other issues and liquidity matters;
- (iii) take all necessary actions to determine and make arrangements for all matters relating to the proposed issue and listing of the Renewable Bonds, including negotiating, approving, authorising, executing, amending and completing the relevant legal documents, agreements, contracts relating to the issue and listing of the Renewable Bonds and make appropriate disclosure, and to approve, confirm and ratify any actions taken by the Board for the foregoing matters;
- (iv) deal with any matters relating to the issue and listing of the Renewable Bonds pursuant to the relevant rules of the relevant domestic stock exchange(s) and take all actions as deemed necessary by the Board relating to the issue and listing of the Renewable Bonds;
- (v) should there be any changes in the policies of the PRC regulatory authorities in relation to the issue of the Renewable Bonds or any new requirements under the relevant accounting standards, save for those matters subject to resolutions by the Shareholders in general meetings as stipulated by the relevant laws, regulations and the Articles of Association, amend the specific plan for the issue of the Renewable Bonds based on the feedback (if any) from the relevant PRC regulatory authorities or exercise discretion to postpone or suspend the issue of the Renewable Bonds; and
- (vi) the Board may delegate the authority to the chairman of the Board or the president of the Company, for dealing with the abovementioned matters.

LETTER FROM THE BOARD

The grant of authority to the Board to deal with the above matters will take effect from the date of the passing of such resolution at the EGM.

(IV) PROPOSED REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES OF NOT MORE THAN RMB6.0 BILLION IN THE PRC

In order to adjust the debt structure of the Company and supplement the working capital, ensure the sustainable, healthy and steady business development of the Group, and further enhance the overall competitiveness and long-term profitability of the Company, the Board proposed to register and issue medium-term notes (the “**Medium-term Notes**”) in the PRC with an aggregate amount of not more than RMB6.0 billion. The proposed registration and issuance of the Medium-term Notes are subject to the approval of the Shareholders by way of special resolution.

The proposed issuance of the Medium-term Notes shall be registered and approved by National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會).

1. Principal terms of the Medium-term Notes

The principal terms of the Medium-term Notes proposed to be issued are as follows:

- (i) Issuer: the Company;
- (ii) Method of issuance: public offering in the inter-bank markets of PRC by way of centralized book-building and centralized placing led by the lead underwriter(s);
- (iii) Size of application: not more than RMB6.0 billion (inclusive), which will be issued in more tranches;
- (iv) Term of the notes: during the validity period of the registration the issuer may issue Medium-term Notes. Each tranche of Medium-term Notes issued during the validity period shall not exceed 7 years. The period of each tranche of Medium-term Notes shall be determined according to the market environment and the actual needs of the Company;
- (v) Method of principal and interest repayment: annual interest payment and principal repayment upon maturity;
- (vi) Use of proceeds: the proceeds from the issuance of the Medium-term Notes will be mainly for the production and operation activities of the Company, including but not limited to replenishment of liquidity and repayment of borrowings project, which shall be within the scope as permitted by the relevant regulatory authorities;
- (vii) Interest rate determination: determine interest rate through centralized bookkeeping for the members of the underwriting syndicate;
- (viii) Targets of the issuance: institutional investors in the inter-bank markets (other than those investors prohibited by the relevant national laws and regulations); and

LETTER FROM THE BOARD

- (ix) Validity period for the resolution: 36 months commencing from the date of approving this resolution at the EGM.

2. Authorisation and mandate to be granted to the Board

To ensure the proper completion of the issuance of the Medium-term Notes, it is proposed that a special resolution be passed by the Shareholders generally and unconditionally at the EGM to grant authority to the Board to deal with all such matters relating to the issuance of the Medium-term Notes, including but not limited to the following:

- (i) to the extent permitted by laws and regulations and based on the actual conditions of the Company and the market, to determine the actual plans for the issuance of the Medium-term Notes, to amend and adjust the plans and relevant terms of the issuance of the Medium-term Notes, including but not limited to specific matters such as the timing of issuance, method of issuance, issuance quantity, issue price, issuance term, issuance interest rates, tranche structure, use of proceeds, to determine and appoint the relevant intermediaries to participate in the issuance of the Medium-term Notes, to sign the legal documents, agreements in relation to the issuance and listing of the Medium-term Notes;
- (ii) should there be any changes in the opinions and policies of the PRC regulatory authorities in relation to the registration and issuance of the Medium-term Notes, or any changes in market conditions, save for those matters subject to the resolutions by the Shareholders at general meetings as stipulated by the relevant laws, regulations and the Articles of Association, to amend the specific plan for the issuance of the Medium-term Notes based on the feedback (if any) from the relevant PRC regulatory authorities or exercise discretion to postpone or suspend the issuance of the Medium-term Notes; and
- (iii) subject to the approval at the general meetings, to delegate the power and the authority to the chairman of the Board or the president of the Company, for dealing with the abovementioned matters.

The grant of authority to the Board to deal with the above matters will take effect from the date of passing of such resolution at the EGM.

LETTER FROM THE BOARD

(V) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR GENERAL MEETINGS

In accordance with the special provisions of the Company Law and the listing rules of PRC currently in force in respect of external guarantees of listed companies, and taking into account the actual situation of the Company, a special resolution will be proposed at the EGM to approve the amendments to Article 13 of the Rules of Procedures for General Meetings. The Board has considered, approved and proposed the amendments to Article 13 of the Rules of Procedures for General Meetings to bring them in line with the latest position of the Company.

The proposed amendments to Article 13 of the Rules of Procedures for General Meetings are subject to approval by the Shareholders by way of a special resolution at the EGM before they can be implemented.

No.	Existing Rules of Procedures for General Meetings	Proposed amendments to the Rules of Procedures for General Meetings
1	<p>Chapter 3 Authorisation by the general meeting</p> <p>... ..</p> <p>Article 13</p> <p>... ..</p> <p>(3) External guarantees</p> <p>The Company shall not provide guarantees for its shareholders, controlling subsidiaries of its shareholders, subsidiary enterprises of shareholders or personal liability and shall not directly or indirectly provide liability guarantee for debtors with gearing ratios exceeding 70%. If the Company provides guarantees to others, the guaranteed person shall provide counter-guarantee to the Company or take other necessary risk preventive measures. The aggregate amount of external guarantees of the Company shall not exceed 50% of the net assets stated in the consolidating accounting statements of the latest accounting year of the Company. Except for circumstances where approval by the general meeting is required in accordance with the provisions of the Listing Rules.</p>	<p>Chapter 3 Authorisation by the general meeting</p> <p>... ..</p> <p>Article 13</p> <p>... ..</p> <p>(3) External guarantees</p> <p>The Company shall not provide guarantees for its shareholders, controlling subsidiaries of its shareholders, subsidiary enterprises of shareholders or personal liability and shall not directly or indirectly provide liability guarantee for debtors with gearing ratios exceeding 70%. If the Company provides guarantees to others, the guaranteed person shall provide counter-guarantee to the Company or take other necessary risk preventive measures. The aggregate amount of external guarantees of the Company shall not exceed 50% of the net assets stated in the consolidating accounting statements of the latest accounting year of the Company. Except for circumstances where approval by the general meeting is required in accordance with the provisions of the Listing Rules.</p>

LETTER FROM THE BOARD

No.	Existing Rules of Procedures for General Meetings	Proposed amendments to the Rules of Procedures for General Meetings
	<p>The general meeting shall review and approve guarantees with a single amount accounting for more than 20% of the Company's latest audited net assets or with an amount of external guarantee within a consecutive 12-month period that is greater than 30% of the Company's latest audited net assets, and authorise the Board to review and approve guarantees with a single amount accounting for less than 20% of the Company's latest audited net assets or with an amount of external guarantee within a consecutive 12-month period that is less than 30% of the Company's latest audited net assets. Except for circumstances where approval by the general meeting is required in accordance with the provisions of the Listing Rules.</p> <p>... ..</p>	<p>The general meeting shall review and approve guarantees with a single amount accounting for more than 20% of the Company's latest audited net assets or with an amount of external guarantee within a consecutive 12-month period that is greater than 30% of the Company's latest audited net assets, and authorise the Board to review and approve guarantees with a single amount accounting for less than 20% of the Company's latest audited net assets or with an amount of external guarantee within a consecutive 12-month period that is less than 30% of the Company's latest audited net assets. Except for circumstances where approval by the general meeting is required in accordance with the provisions of the Listing Rules.</p> <p><u>1. Any guarantee provided after the aggregate amount of external guarantees of the Company and the Company's controlled subsidiaries exceeds 50% of the latest audited net assets;</u></p> <p><u>2. Any guarantee provided after the aggregate amount of external guarantees of the Company and the Company's controlled subsidiaries exceeds 30% of the latest audited total assets;</u></p> <p><u>3. Any guarantee provided by the Company after the aggregate amount of guarantees provided by the Company within 12 consecutive months exceeds 30% of the Company's latest audited total assets;</u></p>

LETTER FROM THE BOARD

No.	Existing Rules of Procedures for General Meetings	Proposed amendments to the Rules of Procedures for General Meetings
		<p data-bbox="948 293 1393 389"><u>4. Guarantees provided for guarantee objects with gearing ratios exceeding 70%;</u></p> <p data-bbox="948 423 1393 549"><u>5. Guarantees for which the amount of a single guarantee exceeds 10% of the latest audited net assets;</u></p> <p data-bbox="948 583 1393 678"><u>6. Guarantees provided to shareholders, ultimate beneficial owners and their related parties.</u></p> <p data-bbox="948 712 1393 806"><u>Except as otherwise provided in accordance with the Listing Rules and other applicable laws and regulations.</u></p> <p data-bbox="948 840 1002 861">... ..</p>

LETTER FROM THE BOARD

(VI) VOTING

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The Chairman of the EGM shall therefore demand voting on all resolutions set out in the notice of EGM be taken by way of poll pursuant to Article 8.18 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each Share registered in his/her name in the register of Shareholders. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same manner.

Any connected person with a material interest in the transactions contemplated under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement, and any Shareholder with a material interest in the transactions contemplated under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement and its associates, will abstain from voting at the relevant resolutions approving the provision of deposit and bills discounting services under the 2023 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement at the EGM.

Shandong Zhaojin and its associates, which hold approximately 37.16% of the Shares of the Company as at the Latest Practicable Date, will abstain from voting at the EGM to approve the provision of deposit and bills discounting services under the 2023 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement and their respective annual caps.

(VII) RECOMMENDATIONS

The Directors consider that the proposed resolutions to be approved at the EGM are fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions as set out in the notice of the EGM.

Your attention is drawn to the recommendation of the Independent Board Committee as set out in pages 40 to 41 to this circular and the letter from the Independent Financial Adviser as set out on pages 42 to 73 to this circular.

LETTER FROM THE BOARD

(VIII) CLOSURE OF REGISTER OF MEMBERS

The Shareholders should note that the register of members of the Company will be closed from 25 January 2024 to 31 January 2024 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged, no later than 4:30 p.m. on 24 January 2024, with (i) the Company's share registrar for H Shares in Hong Kong, 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 Shares), or (ii) the registered address of the Company in the PRC (for holders of Domestic Shares).

(IX) RESPONSIBILITY STATEMENT

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

Yours faithfully,
By order of the Board
Zhaojin Mining Industry Company Limited*
Jiang Guipeng
Chairman

15 January 2024

* For identification purpose only

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 provision of deposit and bills discounting services under the 2023 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement prepared for the purpose of incorporation in this circular.



ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code: 1818)

15 January 2024

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCIAL SERVICES AGREEMENTS

We refer to the circular of the Company dated 15 January 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise you on the terms of the provision of deposit and bills discounting services under the 2023 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement. Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 42 to 73 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.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the provision of deposit and bills discounting services under the 2023 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement contemplated thereunder and taking into account the independent advice of Maxa Capital Limited, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that (i) the terms of the provision of deposit and bills discounting services under the 2023 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the provision of deposit and bills discounting services under the 2023 Group Financial Services Agreement and the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement and their respective annual caps.

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 letter of advice from Maxa Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

15 January 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCIAL SERVICES AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement (including the relevant proposed annual caps) and deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement (including the relevant proposed annual caps), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular dated 15 January 2024 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 29 December 2023, the Company and Finance Company entered into the 2023 Group Financial Services Agreement, and Shandong Zhaojin and Finance Company entered into the 2023 Parent Group Financial Services Agreement, on terms which are similar to those of the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement, respectively. The Finance Company agreed to provide financial services, including but not limited to deposit services, loan services and bill discounting services to the Group under the 2023 Group Financial Services Agreement and to Shandong Zhaojin Group under the 2023 Parent Group Financial Services Agreement, respectively.

As at the Latest Practicable Date, Shandong Zhaojin is the controlling shareholder of the Company and is therefore a connected person of the Company. Finance Company, being a non-wholly-owned subsidiary of the Company held as to 40% by Shandong Zhaojin, is also a connected person of the Company given that it is a connected subsidiary of the Company and also an associate of Shandong Zhaojin. Accordingly, the transactions contemplated under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement (collectively the “**2023 Agreements**”) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities under the 2023 Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement constitutes (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities; and (iii) the maximum outstanding loan amount at any one point in time that may be provided by Finance Company to the Zhaojin Qualified Entities under the 2023 Parent Group Financial Services Agreement is more than 25%, respectively, the provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement constitute (i) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement and deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence. We are not associated or connected with the Company, Shandong Zhaojin and Finance Company or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the transactions contemplated under the 2023 Agreements. Save for this appointment as the Independent Financial Adviser in respect of the 2023 Agreements, there was no other engagement between the Company and us in the last two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Shandong Zhaojin and Finance Company or their respective substantial shareholders or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the 2020 Group Financial Services Agreement, the 2020 Parent Group Financial Services Agreement and the 2023 Agreements; (ii) the annual reports of the Company for the two years ended 31 December 2022 (the “**2021 Annual Report**” and “**2022 Annual Report**”, respectively); (iii) the third quarterly report of the Company for the nine months ended 30 September 2023 (the “**2023 Third Quarterly Report**”); (iv) the audit report of Finance Company for the year ended 31 December 2022; (v) the management accounts of Finance Company for the eleven months ended 30 November 2022 and 2023; (vi) the audit report of Shandong Zhaojin for the year ended 31 December 2022; (vii) the unaudited third quarterly report of Shandong Zhaojin for the nine months ended 30 September 2023; (viii) the business license and financial licenses of Finance Company; (ix) the internal control policies of Finance Company and the Measures for the Administration of Information Disclosure of the Company; (x) sample receipts for the deposit services, bill discounting services and loan services with the principal amounts and relevant interest rate provided by Finance Company to the Group, Shandong Zhaojin and other members in the group and receipts for the deposit services, bill discounting services and loan services provided by commercial banks in the PRC to the Group and Shandong Zhaojin and (xi) the Administrative Measures for Enterprise Group Finance Companies (“**企業集團財務公司管理辦法**”) promulgated by CBRC. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of this letter. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors’ representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor do we doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, Shandong Zhaojin and Finance Company and each of their respective subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the 2023 Agreements

1.1 Information on the Group

The Company is an integrated large-scale enterprise combining exploration, mining, processing and smelting operations. The Group primarily focuses on gold production business, especially the production of the two principal products Au9995 and Au9999 standard gold bullions. Taking advantage of its geographical superiority, advanced equipment and international standard technologies, the Company achieved to be one of the leading gold producers as well as one of the largest enterprises of gold smelting in the PRC.

Set out below is the financial information of the Group for the years ended 31 December 2021 and 2022 and for the nine months ended 30 September 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards and extracted from the Company's 2022 Annual Report and 2023 Third Quarterly Report:

	For the nine months ended		For the year ended	
	30 September		31 December	
	2023	2022	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	6,384,638	5,788,796	7,885,557	6,859,446
Gross profit	2,477,008	2,132,279	2,655,912	2,692,077
Net profit	538,090	414,784	560,186	191,033
		As at		
		30 September	As at 31 December	
		2023	2022	2021
		RMB'000	RMB'000	RMB'000
		(unaudited)	(audited)	(audited)
Cash and cash equivalent		5,406,014	3,583,213	2,998,213
Total assets		48,763,478	45,887,495	43,022,606
Total liabilities		28,908,095	25,840,043	23,293,732
Net asset value		19,855,383	20,047,452	19,728,874

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, the Group's revenue amounted to approximately RMB7.89 billion for the year ended 31 December 2022 ("FY2022"), representing an increase of approximately 14.96% as compared to approximately RMB6.86 billion for the year ended 31 December 2021 ("FY2021"). According to the 2022 Annual Report, the increase in revenue was mainly due to the increase in the gold sales volume and the increase in gold prices of the Group. The Group's gross profit was approximately RMB2.66 billion, representing a decrease of approximately 1.34% as compared to approximately RMB2.69 billion FY2021. The decrease in gross profit was primarily due to the increase in the gold mining cost of the Group. The net profit amounted to approximately RMB560.19 million FY2022, representing a substantial increase of approximately of approximately 193.24% as compared to the previous year, which was mainly attributable to the increase in the output of mine-produced gold and increase in revenue of the Group.

The Group's total assets increased by 6.66% from approximately RMB43.02 billion as at 31 December 2021 to approximately RMB45.89 billion as at 31 December 2022, which was primarily due to the large increase in cash and cash equivalent. The total liabilities of the Group increased by 10.93% from approximately RMB23.29 billion at 31 December 2021 to approximately RMB25.84 billion as at 31 December 2022. Such increase in total liabilities of the Group was mainly due to the issue of corporate bonds of RMB3.0 billion in 2022. The Group's net asset value amounted approximately RMB20.05 billion as at 31 December 2022, representing an increase of 1.61% from approximately RMB19.73 billion as at 31 December 2021. The Group's cash and cash equivalent increased by 19.51% from RMB3.00 billion as at 31 December 2021 to approximately RMB3.59 billion as at 31 December 2022, which was mainly because the cash inflow from operating and financing activities of the Group was more than the cash outflow of investing activities and financing activities of the Group.

For the nine months ended 30 September 2023, the Group's revenue increased by 10.29% as compared with that for the same period in 2022 to approximately RMB6.38 billion, which was primarily due to the increase of gold price and effective organisation of production. Net profit of the Group recorded an increase of approximately 29.73% for the nine months ended 30 September 2023 as compared with that for the same period in 2022, from approximately RMB414.78 million to approximately RMB538.09 million. Such increase in net profit mainly benefited from the increase of gold price and the strengthening of operation management.

The Group's cash and cash equivalents recorded substantial increase by approximately 50.87% from approximately RMB3.58 billion as at 31 December 2022 to approximately RMB5.41 billion as at 30 September 2023, which is attributable to the cash inflow from operating and financing activities was more than the cash outflow of investing activities and financing activities. The total assets and total liabilities of the Group as at 30 September 2023 increased by approximately 6.27% and 11.87%, respectively, as compared with those as at 31 December 2022. The increase of total liabilities was mainly due to the increase of financial assets at fair value through profit or loss and the increase of total liabilities was mainly due to the increase of deposits from customers. The Group's net asset value as at 30 September 2023 maintained at a level similar with that as at 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Information on Shandong Zhaojin

Shandong Zhaojin is principally engaged in gold exploration, mining and refinery business, as well as investing in gold exploration, mining, smelting and refinery, and other gold-related businesses. Shandong Zhaojin is the controlling shareholder of the Company, directly holding 34.74% of the Shares of the Company. The ultimate beneficial owner of Shandong Zhaojin is the People's Government of Zhaoyuan City (招遠市人民政府) which holds 90% of the Shares of Shandong Zhaojin. According to the website of Shandong Zhaojin (<http://www.gold-zhaoyuan.com>), Shandong Zhaojin Group recorded revenue of RMB72.3 billion in 2022 and maintained gold reserves of 1,200 tons.

We have obtained and reviewed a credit rating report of Shandong Zhaojin issued by China Lianhe Credit Rating Co., Ltd dated 20 July 2023. The credit rating of Shandong Zhaojin was AAA grade with a stable outlook, which indicates that Shandong Zhaojin has good capability for loan repayment.

Set out below is the financial information of Shandong Zhaojin Group for the years ended 31 December 2021 and 2022 and for the nine months ended 30 September 2022 and 2023 prepared in accordance with China Accounting Standards for Business Enterprises and extracted from the Shandong Zhaojin's 2022 annual report and 2023 unaudited third quarterly report:

	For the nine months ended		For the year ended	
	30 September		31 December	
	2023	2022	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	48,498,513	41,474,764	56,432,283	49,626,910
Operating profit	1,394,265	592,563	729,215	513,614
Net profit	1,210,439	344,685	477,763	142,178
		As at		
		30 September	As at 31 December	
		2023	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)	(audited)
Cash and cash equivalent		6,156,002	5,221,299	3,810,853
Total assets		74,275,550	72,293,344	62,661,828
Total liabilities		54,680,388	50,490,391	43,761,933
Net asset value		19,595,162	21,802,952	18,899,894

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, Shandong Zhaojin Group recorded total revenue of approximately RMB56.43 billion for the year ended 31 December 2022, representing an increase of approximately 13.71% as compared with the previous year, which is mainly due to the increase of gold price. Net profit of Shandong Zhaojin Group recorded an impressive growth by 236.03% for the year ended 31 December 2022 as compared with that for the year ended 31 December 2021, from approximately RMB142.18 million to approximately RMB477.76 million. Such significant increase in net profit mainly due to the high profitability in gold smelting industry. As at 31 December 2022, the net asset value of Shandong Zhaojin Group increased by approximately 15.36% to approximately RMB21.80 billion from RMB18.90 billion as at 31 December 2021, which was mainly due to consolidation of Baoding Technology Co., Ltd.

For the nine months ended 30 September 2023, Shandong Zhaojin Group's revenue increased by approximately 16.93% as compared with the same period last year to approximately RMB48.50 billion, which is mainly due to the increased volume of gold production and the substantial increase of gold price. The net profit of Shandong Zhaojin Group for the nine months ended 30 September 2023 amounted approximately RMB0.34 billion, increased significantly by approximately 251.17% as compared with the same period last year, which is mainly due to the substantial increase of gold price. Shandong Zhaojin Group's total assets and total liabilities as at 30 September 2023 increased by approximately 2.74% and 8.30% to RMB74.28 billion and RMB54.68 billion respectively as compared with that as at 31 December 2022 while the net asset value of Shandong Zhaojin Group decreased by approximately 10.13%.

1.3 Information on Finance Company

The Finance Company, a non-wholly-owned subsidiary of the Company, is a limited liability company established in the PRC on 1 July 2015 and is operating in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups as well as other applicable PRC laws and regulations. It is principally engaged in, among others, providing internal financial services to the Group and the Shandong Zhaojin Group. The Finance Company is a PRC non-bank financial institution and is regulated by the CBIRC.

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Set out below is the financial information on Finance Company for the two years ended 31 December 2022 and the eleven months ended 30 November 2022 and 2023 prepared in accordance with China Accounting Standards for Business Enterprises and extracted from its 2022 audit report and its unaudited management accounts for the eleven months ended 30 November 2022 and 2023:

	For the eleven months ended		For the year ended	
	30 November		31 December	
	2023	2022	2022	2021
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	47,938	108,467	107,608	78,826
Operating profit	76,598	66,112	64,333	45,908
Net profit	58,806	52,319	51,366	38,257
		As at		
		30 November	As at 31 December	
		2023	2022	2021
		(unaudited)	(audited)	(audited)
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets		5,490,140	6,652,202	6,658,844
Total liabilities		3,820,555	4,993,026	5,021,133
Net asset value		1,669,585	1,659,176	1,637,710

As illustrated in the above table, Finance Company recorded total revenue and net profit of approximately RMB107.61 million and RMB51.37 million for the year ended 31 December 2022, representing an increase of approximately 36.51% and 34.27% respectively as compared with the previous year, which was primarily attributable to increase in investment income by approximately RMB24.78 million and increase in foreign exchange gains by approximately RMB18.67 million respectively. As at 31 December 2022, the net asset value of Finance Company increased by approximately 1.31% to approximately RMB1.66 billion from RMB1.64 billion as at 31 December 2021.

For the eleven months ended 30 November 2023, Finance Company's revenue decreased by approximately 55.80% as compared with the same period last year to approximately RMB47.94 million, which is mainly due to the exchange gains and the investment income decreased by approximately RMB31.98 million and RMB17.58 million respectively. The net profit of Finance Company for the eleven months ended 30 November 2023 amounted approximately RMB58.81 million, increased by approximately 12.40% as compared with the same period last year, which is mainly due to provision of assets decreased by approximately RMB71.90 million. Finance Company's total assets and total liabilities as at 30 November 2023 decreased by approximately 9.22% and 12.92% to RMB5.49 billion and RMB3.82 billion respectively as compared with that as at 31 December 2022 while the net asset value of Finance Company increased slightly by approximately 0.58%.

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As a licensed financial institution in the PRC, Finance Company is subject to stringent regulations and is regulated by PBOC and CBIRC. In accordance with the relevant requirements under the Measures for Administration of Finance Companies of Enterprise Groups promulgated by CBRC, group finance companies, including Finance Company:

- (a) are not allowed to engage in non-financial services business, including property investment or trading; and
- (b) must comply with the following ratio requirements: (i) the capital adequacy ratio shall not be lower than 10.5%; (ii) the inter-bank borrowing balance shall not exceed the total registered capital of the relevant finance company; (iii) the total amount of outstanding guarantees shall not exceed the total registered capital of the relevant finance company; (iv) the ratio of total amount of investment to total registered capital shall not exceed 70%; and (v) the ratio of self-owned fixed assets to total registered capital shall not exceed 20%.

We have obtained and reviewed the latest business licenses of the Finance Company issued in 2023 and has no concern on their validity. We have also obtained and reviewed the regulatory indicators reporting table of the Finance Company for three years ended 31 December 2022 and noted the Finance Company has complied with the Measures for Administration of Finance Companies of Enterprise Groups in this regard. According to the management of the Company, up to the Latest Practicable Date, there had been no record of non-compliance with relevant laws, rules and regulations of the PRC on Finance Company.

In assessing the financial risks of Finance Company, we have taken into consideration that:

- (a) the operations of Finance Company are subject to the supervision of CBIRC and PBOC and are regulated by the relevant PRC financial regulation and rules;
- (b) Finance Company has established internal control and risk management system in accordance with the relevant PRC financial services rules and regulations; and
- (c) Finance Company has solid financial track record, financial position and compliance record.

In light of the aforementioned, we believe that the financial risks involved in placing deposits with Finance Company is low and manageable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Reasons for and benefits of entering into the 2023 Agreements

As stated in the Letter from the Board, the reasons for and possible benefits of entering into the 2023 Agreements are as follows:

- (i) The interest rate to be charged by/offered by Finance Company for the provision of deposit, bill discounting services and loans to the Qualified Entities will be similar to or even more favourable than those charged by/offered by other major commercial banks in the PRC.
- (ii) By entering into the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement, the Qualified Entities and the Zhaojin Qualified Entities will be able to centralize control and management of their financial resources, promote wider uses and use efficiency of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the amount and utilization of capital. Meanwhile, diverse services can be provided under the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement to satisfy the business needs of the Qualified Entities and the Zhaojin Qualified Entities.
- (iii) Finance Company is a non-wholly-owned subsidiary of the Company and the financial services it currently carries out will contribute to the Group in terms of revenue increase and new profit growth points.
- (iv) Subject to supervision and regulation of the PBOC and the CBIRC, Finance Company is a non-bank financial institute and provides services in accordance with rules and operation provisions of such regulatory bodies. In addition, capital risks may be reduced through risk control measures as stipulated in the 2023 Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement.

We concur with the Company that the transactions contemplated under the 2023 Group Financial Services Agreement facilitate the Group to optimize its financial management, increase the efficiency of fund utilisation, and reduce the cost of financing and financing risks. It will not be detrimental to the interests of the Group. The deposit services under the 2023 Parent Group Financial Services Agreement generates additional revenue for the Group and further strengthen the centralization of the Finance Company as a financial platform in the Group to facilitate treasury operations within the Group. The billing discounting services and loan services under the 2023 Parent Group Financial Services Agreement facilitate increase the efficiency of fund utilisation of Finance Company to increase the Group's revenue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the basis of the aforesaid reasons for and possible benefits of the 2023 Agreements as represented by Directors and given that (i) entering into the 2023 Group Financial Services Agreement with Finance Company is in line with the Company's need for future capital control; (ii) entering into the 2023 Parent Group Financial Services Agreement by Shandong Zhaojin with Finance Company benefits the Company's revenue; and (iii) the credit risks of Finance Company is likely to be low and manageable and Shandong Zhaojin has good credit capability concluded in the section headed "1.2 Information on Shandong Zhaojin and Finance Company", we are of the view that the transactions under the 2023 Agreements are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the 2023 Agreements

2.1 Deposit services and bill discounting services under the 2023 Group Financial Services Agreement

Major Terms

On 29 December 2023, the Company and Finance Company entered into the 2023 Group Financial Services Agreement pursuant to which Finance Company agreed to provide financial services to the Group, including but not limited to deposit services, loan services and bill discounting services, on terms which are similar to the 2020 Group Financial Services Agreement.

The term of the 2023 Group Financial Services Agreement is from 1 January 2024 to 31 December 2026. The deposit services and bill discounting services under the 2023 Group Financial Services Agreement is subject to the approval from the Independent Shareholders at the EGM. During the Transition Period, the Company and the Finance Company will monitor and keep the highest applicable percentage ratio in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company under the 2023 Group Financial Services Agreement; and (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company under the 2023 Group Financial Services Agreement, less than 5%, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group shall choose Finance Company to provide deposit services to the Qualified Entities and the deposit services and deposit products to be provided shall comply with the requirements of the PBOC. According to the requirements under the Measures for the Administration of Finance Companies of Enterprise Groups issued by the CBRC, finance companies shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit services provided by Finance Company under the 2023 Group Financial Services Agreement shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e., any adjustment on the deposit interest rate offered by Finance Company under the 2023 Group Financial Services Agreement shall be within the interest rate offered by the PBOC on comparable deposit. The interest rates for the deposit paid by Finance Company shall not be lower than the interest rates paid by other major independent financial institutions and commercial banks for the provision of the same or similar services in the PRC.

The Group shall choose Finance Company to provide bill discounting services to the Qualified Entities and the interest rates for the provision of bill discounting services to be charged by Finance Company shall not be higher than the interest rates charged by other major independent financial institutions and commercial banks for the provision of same or similar level of bill discounting services in the PRC.

The 2023 Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangements in relation to the financial services to be provided under the 2023 Group Financial Services Agreement and such specific contracts shall be consistent with the principles and terms of the 2023 Group Financial Services Agreement.

Capital Risks Control Measures

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Finance Company will monitor the transactions under the 2023 Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the 2023 Group Financial Services Agreement.

A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company before the tenth day of each month so that the Company can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps under the 2023 Group Financial Services Agreement.

In assessing the fairness and reasonableness of the terms in the 2023 Group Financial Services Agreement, we have obtained and reviewed both the 2020 Group Financial Services Agreement and the 2023 Group Financial Services Agreement and we concur with the Board that the major terms in the 2023 Group Financial Services Agreement are similar with those in the 2020 Group Financial Services Agreement, which was approved by the independent shareholders in the extraordinary general meeting held on 29 January 2021. We have also obtained and reviewed three sets of monthly reports (covering deposit services, bill discounting services and loan services) setting out the utilisation of the annual caps provided by Finance Company to the Group from December 2021 to October 2023 which were randomly selected by the Company as per our request and found that all the utilisation amount are within the annual caps which was fully complied the internal control policy of the Finance Company. We consider that the Finance Company has an effective mechanism in place to monitor the transactions on an on-going basis under the 2023 Group Financial Services Agreement to ensure that the transaction amount under the 2023 Group Financial Services Agreement will not exceed the relevant annual caps.

In respect of the pricing policy, we have obtained and reviewed 4 sets of receipts for deposit services and 3 sets of receipts for bill discounting services provided by Finance Company to the Qualified Entities from 2021 to 2023 which were randomly selected by the Company as per our request and compared such interests rates with the interest rates for the same type of deposit for the same period provided by major commercial banks in the PRC to the Qualified Entities and announced by the PBOC, and noted that the pricing policies under the 2020 Group Financial Services Agreement, which are the same as those under the 2023 Group Financial Services Agreement, have been strictly complied. Please refer to the section headed “4. Internal Control Policies” below for further details in this regard. In other words, the interest rates for the deposit services offered by Finance Company will not be lower than the interest rate paid by other major independent commercial banks for the provision of the same services in the PRC and the interest rates for the bill discounting services offered by Finance Company will not be higher than the interest rate charged by other major independent commercial banks for the provision of same level of bill discounting services in the PRC, which we consider to be fair and reasonable.

In view of the above, we consider that the terms of the deposit services and bill discounting services under the 2023 Group Financial Services Agreement are on normal commercial terms, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 Deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement

Major Terms

On 29 December 2023, Shandong Zhaojin and Finance Company entered into the 2023 Parent Group Financial Services Agreement pursuant to which Finance Company agreed to provide financial services, including deposit services, loan services, bill discounting services and settlement services to Shandong Zhaojin Group, on terms which are similar to the 2020 Parent Group Financial Services Agreement.

The term of the 2023 Parent Group Financial Services Agreement is from 1 January 2024 to 31 December 2026. The provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement by Finance Company to the Zhaojin Qualified Entities is subject to the approval of the Independent Shareholders at the EGM. During the Transition Period, Shandong Zhaojin and the Finance Company will monitor and keep the highest applicable percentage ratio in respect of each of (i) the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company; (ii) the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company; and (iii) the maximum outstanding loan amount at any one point in time that may be provided by Finance Company under the 2023 Parent Group Financial Services Agreement less than 5%, respectively.

Shandong Zhaojin shall choose Finance Company to provide deposit services to the Zhaojin Qualified Entities and the deposit services and deposit products to be provided by Finance Company to the Zhaojin Qualified Entities shall comply with the requirements of the PBOC. According to the requirements under the Measures for the Administration of Finance Companies of Enterprise Groups issued by the CBRC, finance companies shall abide by the provisions on administration of interest rates of the PBOC. The interest rate on the deposit services provided by Finance Company under the 2023 Parent Group Financial Services Agreement shall be based on the benchmark interest rate promulgated by the PBOC. Such interest rate shall not exceed the range of deposit interest rate promulgated by the PBOC from time to time, i.e., any adjustment on the interest rate offered by Finance Company under the 2023 Parent Group Financial Services Agreement shall be within the interest rate offered by the PBOC on comparable deposit. The interest rates for the deposit paid by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates offered by other major independent financial institutions and commercial banks for the provision of same or similar deposit services in the PRC shall not be higher than the interest rate paid by Finance Company for the provision of the same deposit services to other parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shandong Zhaojin shall choose Finance Company to provide bill discounting services to the Zhaojin Qualified Entities and the interest rates for the bill discounting services provided by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates offered by other major independent financial institutions and commercial banks for the provision of same or similar bill discounting services in the PRC and shall not be lower than the interest rates charged by Finance Company for the provision of same level of bill discounting services to other parties.

Shandong Zhaojin shall choose Finance Company to provide loan services to the Zhaojin Qualified Entities provided that the interest rates for the loan services charged by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rates charged by other major independent financial institutions and commercial banks for the provision of same or similar loan services in the PRC and shall not be lower than the interest rates charged by Finance Company for the provision of the same loan services to other parties.

The 2023 Parent Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangements in relation to the financial services to be provided under the 2023 Parent Group Financial Services Agreement provided that such specific contracts shall be consistent with the principles and terms of the 2023 Parent Group Financial Services Agreement.

Capital Risks Control Measures

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

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

Finance Company will monitor the transactions under the 2023 Parent Group Financial Services Agreement and ensure that the transaction amounts will not exceed the relevant annual caps under the 2023 Parent Group Financial Services Agreement.

A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company and Shandong Zhaojin before the tenth day of each month so that the Company and Shandong Zhaojin can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps under the 2023 Parent Group Financial Services Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the terms in the 2023 Parent Group Financial Services Agreement, we have obtained and reviewed both the 2020 Parent Group Financial Services Agreement and the 2023 Parent Group Financial Services Agreement and we concur with the Board that the major terms in the 2023 Parent Group Financial Services Agreement are similar with those in the 2020 Parent Group Financial Services Agreement, which was approved by the independent shareholders in the extraordinary general meeting held on 29 January 2021. We have also obtained and reviewed three sets of monthly reports (covering deposit services, bill discounting services and loan services) setting out the utilisation of the annual caps provided by Finance Company to Shandong Zhaojin from December 2021 to October 2023 which were randomly selected by the Company as per our request and found that all the utilisation amount are within the annual caps which was fully complied the internal control policy of the Finance Company. We consider that the Finance Company has an effective mechanism in place to monitor the transactions on an on-going basis under the 2023 Parent Group Financial Services Agreement to ensure that the transaction amount under the 2023 Parent Group Financial Services Agreement will not exceed the relevant annual caps.

In respect of the pricing policy, we have obtained and reviewed 4 sets of receipts for deposit services, 3 sets of receipts for bill discounting services and 1 set of receipt for loan services provided by Finance Company to Shandong Zhaojin from 2022 to 2023 which were randomly selected by the Company as per our request and compared such interest rates with the interest rates for the same type of deposit services, bill discounting services and loan services for the same period provided by Finance Company to other parties and provided by major commercial banks in the PRC to Shandong Zhaojin, and noted that the pricing policies under the 2020 Parent Group Financial Services Agreement, which are the same as those under the 2023 Parent Group Financial Services Agreement, have been strictly complied. Please refer to the section headed “4. Internal Control Policies” below for further details in this regard. In other words, the interest rates for the deposit services offered by Finance Company will not be higher than the interest rate paid by Finance Company for the provision of the same services to other parties and the interest rates for the bill discounting services and loan services offered by Finance Company will not be lower than the interest rate charged by Finance Company for the provision of same level of bill discounting services to other parties, which we consider to be fair and reasonable.

In view of the above, we consider that the terms of the deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement are on normal commercial terms, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Proposed Annual Caps

3.1 Historical Transaction Amounts

3.1.1 Historical Transaction Amounts of the 2020 Group Finance Services Agreement

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the qualified entities which satisfy the members qualifications under the 2020 Group Financial Services Agreement (the “**2020 Qualified Entities**”) for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Maximum daily outstanding balance of deposits placed by the 2020 Qualified Entities with Finance Company (including interest accrued thereon)	RMB2,078 million	RMB3,115 million	RMB4,113 million

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the 2020 Qualified Entities for the year ending 31 December 2023 contemplated under the 2020 Group Financial Services Agreement is RMB5,000 million which has not been exceeded as at the Latest Practicable Date and did not exceed as at 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Bill Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Maximum daily outstanding balance of funds provided by Finance Company to the 2020 Qualified Entities for bill discounting services (including interest accrued thereon)	RMB610 million	RMB520 million	RMB400 million

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities for the year ending 31 December 2023 contemplated under the 2020 Group Financial Services Agreement is RMB2,500 million which has not been exceeded as at the Latest Practicable Date and did not exceed as at 31 December 2023.

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3.1.2 Historical Transaction Amounts of the 2020 Parent Group Finance Services Agreement

Deposit Services

The table below sets forth the maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the qualified entities which satisfy the members qualifications under the 2020 Parent Group Financial Services Agreement (the “**2020 Zhaojin Qualified Entities**”) for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Maximum daily outstanding balance of deposits placed by the 2020 Zhaojin Qualified Entities with Finance Company (including interest accrued thereon)	RMB2,315 million	RMB3,133 million	RMB1,730 million

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the 2020 Zhaojin Qualified Entities for the year ending 31 December 2023 contemplated under the 2020 Parent Group Financial Services Agreement is RMB6,000 million which has not been exceeded as at the Latest Practicable Date and did not exceed as at 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Billing Discounting Services

The table below sets forth the maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Maximum daily outstanding balance of funds provided by Finance Company to the 2020 Zhaojin Qualified Entities for bill discounting services (including interest accrued thereon)	RMB725 million	RMB940 million	RMB900 million

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities for the year ending 31 December 2023 contemplated under the 2020 Parent Group Financial Services Agreement is RMB2,500 million which has not been exceeded as at the Latest Practicable Date and did not exceed as at 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loan Services

The table below sets forth the maximum daily outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Maximum outstanding loan amount provided by Finance Company to the 2020 Zhaojin Qualified Entities (including interest accrued thereon)	RMB1,517 million	RMB1,655 million	RMB1,941 million

The maximum outstanding loan amount (including interest accrued thereon) at any one point in time provided by Finance Company to 2020 Zhaojin Qualified Entities for the year ending 31 December 2023 contemplated under the 2020 Parent Group Financial Services Agreement is RMB5,000 million which has not been exceeded as at the Latest Practicable Date and did not exceed as at 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 Proposed Caps

3.2.1 Proposed Annual Caps of the 2023 Group Finance Services Agreement

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Maximum daily outstanding balance of deposits placed by the Qualified Entities with Finance Company (including interest accrued thereon)	RMB5,000 million	RMB5,500 million	RMB6,000 million

Bill discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Maximum daily outstanding balance of funds provided by Finance Company to the Qualified Entities for bill discounting services (including interest accrued thereon)	RMB1,000 million	RMB1,500 million	RMB2,000 million

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assessment on the proposed caps

In assessing the fairness and reasonableness of the proposed caps under the 2023 Group Financial Services Agreement, we have reviewed and noted the proposed caps for deposit services increase as compared with the existing annual caps under the 2020 Group Financial Services Agreement (“**Existing Deposit Caps**”) and the proposed caps for bill discounting services decrease as compared with the existing annual caps under the 2020 Group Financial Services Agreement (“**Existing Bill Discounting Caps**”).

We have discussed with the management of the Company about the basis and assumptions in setting the proposed caps for deposit services and bill discounting services under the 2023 Group Financial Services Agreement. We have reviewed the Company’s 2022 annual report and 2023 Third Quarterly Report and noted that there is a continued expansion in the Group’s business scale. The Group’s revenue and net profits achieved growth of 10.29% and 29.73% for nine months ended 30 September 2023 as compared with the same period last year. Also, the Group’s total assets increased by 13.34% from approximately RMB43.02 billion as at 31 December 2021 to RMB48.76 billion as at 30 September 2023 and the Group’s cash and cash equivalents increased by 80.31% from approximately RMB3.00 billion as at 31 December 2021 to approximately RMB5.41 billion as at 30 September 2023. According to (i) the highest historical utilisation rate of the Existing Deposits Caps reached 89.74%; (ii) the expected increase in cashflow of the Group resulting from the possible implementation of financing plan of the Group in the ensuing three years and (iii) the revenue and the net profits achieved grow resulting from the Group’s business scale and cash balance is continued to expand, we concur with the Board that the proposed caps for deposit services with a yearly growth under the 2023 Group Financial Services Agreement are reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted the highest historical utilisation rate of Existing Bill Discounting Caps reached 40.67%. Although we have advised by the management of the Company, following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and the Qualified Entities were gradually changed from cash settlement to settlement by electronic bill discounting according to the policy of the PBOC, the use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that the Finance Company lowers its financing cost and provides bill discounting services to the Qualified Entities in a more cost-efficient manner. Based on the above, it is expected that the proportion of settlement by Qualified Entities using electronic bill discounting will further increase in the three years ending 31 December 2026, leading to an increase in the number of electronic bills issued by the Qualified Entities through Finance Company. Upon issuing the electronic bills, the Qualified Entities may hold the bills, endorse the bills or apply for discounting with Finance Company. If they choose to apply for discounting with Finance Company, it will lead to an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Qualified Entities for bill discounting services. Accordingly, a further increase in the proportion of use of electronic bill for settlement by Finance Company and the Qualified Entities will increase the probability of an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Qualified Entities for bill discounting services. But due to the 2020 Qualified Entities' actual maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Qualified Entities under the 2020 Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023 were lower than the annual caps under the 2020 Group Financial Services Agreement. Accordingly, the proposed maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Qualified Entities pursuant to the 2023 Group Financial Services Agreement for the three years ended 31 December 2026 has been adjusted downwards, with a view to better aligning with the actual demand of the 2020 Qualified Entities' business for bill discounting services. We concur with the Board that the proposed caps for bill discounting services under the 2023 Group Financial Services Agreement are reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above and given the 2023 Group Financial Services Agreement will be on a non-exclusive basis and the proposed caps provides the Group the right but not the obligation to utilise the deposit services and the bill discounting services under such agreement, we consider that the proposed caps for deposit services and bill discounting services under 2023 Group Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.2.2 Proposed Annual Caps of the 2023 Parent Group Finance Services Agreement

Deposit Services

The maximum daily outstanding balance of deposits (including interest accrued thereon) in relation to the provision of deposit services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Maximum daily outstanding balance of deposits placed by Zhaojin Qualified Entities with Finance Company (including interest accrued thereon)	RMB5,000 million	RMB5,500 million	RMB6,000 million

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Bill Discounting Services

The maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Maximum daily outstanding balance of funds provided by Finance Company to the Zhaojin Qualified Entities for bill discounting services (including interest accrued thereon)	RMB1,500 million	RMB2,000 million	RMB2,000 million

Loan Services

The maximum outstanding loan amount (including interest accrued thereon) at any one point in time to be provided by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 are as follows:

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Maximum outstanding loan amount provided by Finance Company to the Zhaojin Qualified Entities (including interest accrued thereon)	RMB4,000 million	RMB4,500 million	RMB5,000 million

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assessment on the proposed caps

In assessing the fairness and reasonableness of the proposed caps under the 2023 Parent Group Financial Services Agreement, we have reviewed and note the proposed caps for deposit services and loan services are remaining the same with those caps in the 2020 Parent Group Financial Services Agreement, which were approved by the independent shareholders in the extraordinary general meeting held on 29 January 2021 (“**Parent Group Existing Deposit Caps**” and “**Parent Group Existing Loan Caps**”, respectively) and the proposed caps for bill discounting services decrease as compared with the caps in the 2020 Parent Group Financial Services Agreement (“**Parent Group Existing Bill Discounting Caps**”).

We have discussed with the management of the Group the basis and assumptions in setting the proposed caps for deposit services and bill discounting services under the 2023 Parent Group Financial Services Agreement. We have reviewed Shandong Zhaojin’s 2022 annual report and 2023 Third Quarterly Report and noted that there is a continued expansion in Shandong Zhaojin’s business scale. Shandong Zhaojin’s revenue and net profits achieved growth of 16.93% and 251.17% for nine months ended 30 September 2023 as compared with the same period last year. Also, Shandong Zhaojin’s total assets increased by 18.53% from approximately RMB62.66 billion as at 31 December 2021 to RMB74.28 billion as at 30 September 2023 and the Group’s cash and cash equivalents increased by 61.54% from approximately RMB3.81 billion as at 31 December 2021 to approximately RMB6.16 billion as at 30 September 2023. We have also reviewed Notice of Acceptance of Registration release by the National Association of Financial Market Institutional Investors on 9 March 2023 and noted Shandong Zhaojin was approved to issue RMB2.0 billion medium-term notes and RMB6.0 billion super-short-term notes in the coming two years. In addition, as advised by the management of the Company, the potential large amount sales of gold affected by the increasing gold price may also significantly increase the overall assets scale of Shandong Zhaojin. Although the highest historical utilisation rate of the Parent Group Existing Deposits Caps only reached 56.96%, given (i) the proposed caps will be remaining the same as the Parent Group Existing Deposits Caps; (ii) Zhaojin Qualified Entities’s business scale is continued to expand; (iii) Zhaojin Qualified Entities’s cash balance will increase in line with its business scale, we concur with the Board that the proposed caps for deposit services under the 2023 Parent Group Financial Services Agreement are reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted the highest historical utilisation rates of Parent Group Existing Bill Discounting Caps only reached 39.27%. Although we have advised by the management of the Company, following the obtaining of the relevant regulatory authorisations, the methods for settlement of debt between Finance Company and the Qualified Entities were gradually changed from cash settlement to settlement by electronic bill discounting since under the policy of the PBOC, the use of electronic bill discounting enables Finance Company to obtain a lower interest rate in re-discounting or forward-discounting of the electronic bills, so that the Finance Company lowers its financing cost and provides bill discounting services to the Qualified Entities in a more cost-efficient manner. Based on the above, it is expected that the proportion of settlement by Zhaojin Qualified Entities using electronic bill discounting will further increase in the next three years ending 31 December 2026, leading to an increase in the number of electronic bills issued by the Qualified Entities through Finance Company. Upon issuing the electronic bills, the Qualified Entities may hold the bills, endorse the bills or apply for discounting with Finance Company. If they choose to apply for discounting with Finance Company, it will lead to an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Qualified Entities for bill discounting services. Accordingly, a further increase in the proportion of use of electronic bill for settlement by Finance Company and the Qualified Entities will increase the probability of an increase in the maximum daily outstanding balance of funds provided by Finance Company to the Qualified Entities for bill discounting services. But due to the 2020 Zhaojin Qualified Entities' actual maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the 2020 Zhaojin Qualified Entities under the 2020 Parent Group Financial Services Agreement for each of the two years ended 31 December 2021 and 31 December 2022, and the eleven months ended 30 November 2023 were lower than the annual caps under 2020 Parent Group Financial Services Agreement. Accordingly, the proposed maximum daily outstanding balance of funds (including interest accrued thereon) in relation to the provision of bill discounting services by Finance Company to the Zhaojin Qualified Entities pursuant to the 2023 Parent Group Financial Services Agreement for the three years ending 31 December 2026 has been adjusted downwards, with a view to better aligning with the actual demand of the Zhaojin Qualified Entities' business for bill discounting services. We concur with the Board that the proposed caps for bill discounting services under the 2023 Parent Group Financial Services Agreement are reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted the highest historical utilisation rates of Parent Group Existing Loan Caps only reached 42.35%. As advised by the management of Shandong Zhaojin Group, (i) approximately RMB1,500 million for the import of refined gold for recruitment and gold processing in the coming three years; (ii) the construction of the Phase II project of the Golden Vocational College will require around RMB0.5 billion liquid capital; (iii) the acquisition of non-ferrous domestic and foreign mining investment projects by Shandong Zhaojin will require around RMB1.0 billion liquid capital; and (iv) the real estate development projects will require around RMB0.5 billion liquid capital in the coming three years. In addition, there is a continued expansion of Shandong Zhaojin's business scale as mentioned above, which indicates Shandong Zhaojin may have more capital needs in the future development. Although the highest historical utilisation rates of Parent Group Existing Loan Caps only reached 42.35%, given (i) the proposed caps will be remaining the same as the Parent Group Existing Loan Caps; and (ii) the capital need of Shandong Zhaojin would increase due to its future business development, we concur with the Board that the proposed caps for loan services under the 2023 Parent Group Financial Services Agreement with a yearly growth are reasonable.

Based on the above, we consider that the proposed caps for deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Internal Control Policies

The Company has adopted certain internal control procedures in relation to its utilisation of Finance Company's services, details of which are included in section headed "INTERNAL CONTROL ON PRICING" under the section headed "2023 Group Financial Services Agreement" and "2023 Parent Group Financial Services Agreement" in the Letter from the Board. We have also obtained and reviewed the Company's Measures for the Administration of Information Disclosure, which includes the measures for administration of continuing connected transactions of the Group.

Finance Company is a non-financial institution subject to supervision of the CBIRC, and Finance Company shall operate business in accordance with the Measure for the Administration of Finance Companies of Enterprise Groups issued by the CBIRC for the purpose of overseeing the operation and reducing the possibility of financial risks of finance companies of enterprise groups. Such administrative measures set forth measures on supervision, management, and risk control in accordance to operating finance companies of enterprise groups, including but not limited to maintaining certain financial ratios and reports to the CBIRC. We have obtained and reviewed the operating license of Finance Company issued by CBIRC and reviewed the internal control policies and procedures and risk management measures of Finance Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.1 Internal Control on Pricing under the 2023 Group Financial Services Agreement

We have obtained and reviewed 4 sets of receipts for the deposit services (covering demand deposits, agreement deposits and time deposits with the principal amounts and relevant interest rate) provided by Finance Company to the Group from June 2023 to July 2023 which were randomly selected by the Company as per our request. As the 4 sets of depository receipts consist of all types of deposit, we believe the random selected samples obtained and reviewed by us are fair and representative samples of the historical terms offered by Finance Company to the Group. We have obtained and compared the interest rates offered by two independent commercial banks in respect of 2 sets of demand deposit services and time deposit services provided to the Group for the same period, which were provided by the Company as per our request, and noted that the interest rates of such deposit services provided are not higher than the interest rates of the deposit services provided by Finance Company to the Group. We have discussed with the management of the Company and understood that the Company collected quotations from other commercial banks via phone and confirmed that the interest rates for time deposits provided by Finance Company to the Group were not lower than the interest rates provided by any other major commercial banks for the same type of deposits. In addition, we also checked and noted that the interest rates for the deposits services provided by Finance Company to the Group were not lower than the interest rates for the same type of deposits announced by the PBOC for the same period.

We have obtained and review 3 sets of receipts for the bill discounting services provided by Finance Company to the Group from December 2021 to January 2023, and we believe such randomly selected samples are fair and representative samples of the historical terms offered by Finance Company to the Group. We understood from the management of the Company that the Company has made phone quotations with commercial banks to confirm the interest rates provided by Finance Company for bill discounting services to the Group were not higher than the interest rates provided by commercial banks, and the Group has not conducted any historical bill discounting transactions with independent third parties.

4.2 Internal Control on Pricing under the 2023 Parent Group Financial Services Agreement

We have obtained and reviewed 4 sets of receipts for the deposit services (covering demand deposits, agreement deposits and time deposits with the principal amounts and relevant interest rate) provided by Finance Company to Shandong Zhaojin from April 2023 to June 2023 which were randomly selected by the Company as per our request. As the 4 sets of depository receipts consist of all types of deposit, we believe such randomly selected samples are fair and representative samples of the historical terms offered by Finance Company to Shandong Zhaojin. We have also obtained and compared the interest rates offered by 2 major commercial banks in the PRC in respect of deposit services provided to Shandong Zhaojin for the same period, which were randomly selected by the Company as per our request, and noted that the interest rates offered by Finance Company to Shandong Zhaojin were not higher than that offered by major independent commercial banks. We also obtained and compared the interest rates offered by Finance Company for 3 sets of deposit services to other parties for the same period, and noted that the interest rates of such deposit services were the same as the interest rates provided by Finance Company to Shandong Zhaojin. In addition, we also checked and noted that the interest rates for the deposits services provided by Finance Company to Shandong Zhaojin were not lower than the interest rates for the same type of deposits announced by the PBOC for the same period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed 3 sets of receipts for the bill discounting services provided by Finance Company to Shandong Zhaojin from May 2022 to December 2022 which were randomly selected by the Company as per our request, and we believe such randomly selected samples are fair and representative samples of the historical terms offered by Finance Company to Shandong Zhaojin. We have also obtained and compared the interest rates offered by Finance Company for 3 sets of bill discounting services to other parties for the same period and noted that the interest rates of bill discounting services were not higher than the interest rates provided by Finance Company to Shandong Zhaojin.

We have obtained and reviewed 1 set of receipt for the loan services provided by Finance Company to Shandong Zhaojin in May 2022 which was the only one loan services offered by Finance Company to Shandong Zhaojin from 2021 to 2023. The currency is USD for such loan services. We have also obtained and compared the interest rates offered by an major independent commercial bank for 1 set of loan services to Shandong Zhaojin with USD currency for the same period and noted that the interest rates of loan services were 0.38% higher than the interest rates provided by Finance Company to Shandong Zhaojin. As advised by the management of the Company, the higher interest provided by the major independent commercial bank is attributable to the loan period for the loan services provided by Finance Company to Shandong Zhaojin is a very short-term loan for one and half months while the loan period for the loan services provided by the major independent commercial bank to Shandong Zhaojin is one year. The Company will provide a higher interest rate to long period loan services than the short term one.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the 2021 Annual Report and the 2022 Annual Report and noted that the independent non-executive Directors and the auditor of the Company have reviewed the non-exempt continuing connected transactions, including the 2020 Group Financial Services Agreement and the 2020 Parent Group Financial Services Agreement, during such years and provided the relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

Based on the above, we concur with the Directors' view that the Group has effective internal policies in place to continue to monitor the continuing connected transactions under the 2023 Agreements and relevant proposed annual caps, and hence the interest of the Independent Shareholders would be safeguard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement (including the relevant proposed annual caps) and the provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement (including the relevant proposed annual caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and (ii) the entering into of the 2023 Agreements is in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the provision of deposit services and bill discounting services and relevant proposed caps under the 2023 Group Financial Services Agreement and the provision of deposit services, bill discounting services and loan services under the 2023 Parent Group Financial Services Agreement and their respective annual caps.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Michael Fok
Managing Director

Mr. Michael Fok is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 23 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2020 has been disclosed on pages 105 to 244 of the annual report of the Company for the year ended 31 December 2020 published on 22 April 2021; (ii) for the year ended 31 December 2021 has been disclosed on pages 101 to 244 of the annual report of the Company for the year ended 31 December 2021 published on 19 April 2022; (iii) for the year ended 31 December 2022 has been disclosed on pages 105 to 252 of the annual report of the Company for the year ended 31 December 2022 published on 14 April 2023; and (iv) for the six months ended 30 June 2023 has been disclosed on pages 23 to 56 of the interim report of the Company for the six months ended 30 June 2023 published on 20 September 2023. All the above annual reports and interim report of the Company have been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zhaojin.com.cn).

- (i) annual report of the Company for the year ended 31 December 2020 can be accessed via the link at: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042201460.pdf>
- (ii) annual report of the Company for the year ended 31 December 2021 can be accessed via the link at: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0419/2022041901015.pdf>
- (iii) annual report of the Company for the year ended 31 December 2022 can be accessed via the link at: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0414/2023041400297.pdf>
- (iv) interim report of the Company for the six months ended 30 June 2023 can be accessed via the link at: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0920/2023092000398.pdf>

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will closely focus on the tasks and targets set by the Board, deepen the “Five Excellence Competition (五優競賽)”, closely monitor the three key development supporting factors of quality, production and reserves, and make every effort to ensure the enhancement of production, reserves and effectiveness within the Company.

Keeping monitoring production capacity, increasing production output and carrying out production and sales in a scientific manner to achieve the goal of increasing production and profitability

The Group will focus on entry grade, recovery rate and other key production indicators, to strengthen process control and operational management, so as to fully control the grade and conquer the indicators. We will also increase the density and intensity of assessment and scheduling, implementing daily scheduling and monthly assessments for the gold output of the backbone mines, to ensure the achievement of production targets. Taking advantage of the expected increase in gold prices, we will enhance our capabilities in capturing market trends, carrying out band operation, and managing risks to ensure a steady increase in sales and profitability.

Seizing opportunities, seeking breakthroughs, and focusing on our strengths to achieve rapid and effective project development

The Group will facilitate the project construction in two aspects. Firstly, the Company will prioritize the construction of the key project of Ruihai Mining* (瑞海礦業), and will focus on ensuring the commencement and completion of the production as scheduled. Secondly, the Group will concentrate its strengths on ten major research and technology projects and accelerate the transformation of research results. Thirdly, the Group will formulate plans for the projects of the deep exploration and the comprehensive utilization of tailings of the key mines, so as to realize the Group's development plan of laying a foundation for long-term benefits.

Focusing on increasing reserves, strengthening reserves, and enhancing resource acquisition to achieve transformation and implementation

Under the background of the deep restructuring of global gold industry, the Group will firmly grasp resources, being the lifeline of our business. Firstly, the Group will focus on the implementation of prospecting projects in key mines, and accelerate the process of "exploration to extraction, extraction to construction" to ensure the production continuation and capacity growth. Secondly, the Group will accelerate the transformation and implementation of national and international early-stage external development projects, and transform project advantages into development advantages.

Focusing on governance, building culture and practicing ESG concepts to achieve harmonious development

The Group will further strengthen its corporate governance, enhance the compliance operation of the general meeting, the Board and the supervisory committee (三會), promote the standard of information disclosure management and increase the interaction and communication with investors. The Group will put into practice the concept of People-oriented Harmony (人本和諧) and launch the construction of corporate culture and pro-people projects to ensure the healthy and sustainable development of the Company.

3. INDEBTEDNESS

As at the close of business on 30 November 2023, the Group had unaudited outstanding interest-bearing bank and other borrowings of approximately RMB8.585 billion, bonds outstanding of approximately RMB8.0 billion and outstanding principal of gold lease of approximately RMB3.603 billion.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 30 November 2023.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 30 November 2023.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available banking facilities and the internally generated resources of the Group, the Group has sufficient working capital for its requirements with the next 12 months from the date of this circular.

5. EFFECT ON EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

The Company entered into the 2023 Group Financial Services Agreement with Finance Company for the purpose of strengthening the supervision and control of funds and the account management, raising lower-interest-rate loans and bill discounting and accessing higher interest rate on deposits through the funds management platform of Finance Company, which will not only help further enhance the capital usage efficiency and improve the overall operational standards of the corporate funds, but reinforce the bargain power of the Group for external financing. Despite of this, it is expected that the Group will not have dependence on Finance Company for accessing such services, and that the entering into of the 2023 Group Financial Services Agreement will not also impede the Group from entering into similar agreements with other financial institutes when it considers necessary.

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

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors, supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short position of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules, were as follows:

Name	Position	Class of Shares	Capacity	Number of Shares held	Approximate percentage of interest in the registered capital of the Company	Approximate percentage of interest in the total number of H Shares	Long position/ Short position
Jiang Guipeng	Chairman and Executive Director	H Shares	Beneficiary of a trust (other than a discretionary interest)	150,000	0.005%	0.006%	Long position
Duan Lei	Executive Director and President	H Shares	Beneficiary of a trust (other than a discretionary interest)	25,000	0.0008%	0.001%	Long position
Wang Ligang	Executive Director and Vice-president	H Shares	Beneficiary of a trust (other than a discretionary interest)	500,000	0.015%	0.019%	Long position
Zhao Hua	Supervisor	H Shares	Beneficiary of a trust (other than a discretionary interest)	100,000	0.003%	0.004%	Long position

As at the Latest Practicable Date, save as disclosed above, and to the knowledge of the Directors, supervisors and chief executives 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 to be notified to the Company and the Hong Kong Stock Exchange.

(b) Substantial Shareholders' interests and short positions in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, the interests and short positions of the substantial Shareholders in the Shares and underlying shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholders	Class of Shares	Capacity	Number of Shares held (Note 1)	Approximate percentage of interest in the registered capital of the Company	Approximate percentage of interest in the total number of issued Domestic Shares	Approximate percentage of interest in the total number of H Shares	Long position/ Short position/ Lending pool
Shandong Zhaojin	Domestic Shares	Beneficial owner	618,437,607	18.91%	93.58%	-	Long position
	H Shares	Beneficial owner	517,773,402	15.83%	-	19.84%	Long position
	H Shares	Interest of controlled corporation (Note 2)	78,920,195	2.41%	-	3.02%	Long position
Zijin Mining Group Co., Ltd.	H Shares	Interest of controlled corporation (Note 3)	654,078,741	20.00%	-	25.06%	Long position
Gold Mountains (H.K.) International Mining Co., Limited	H Shares	Beneficial owner (Note 3)	654,078,741	20.00%	-	25.06%	Long position
Van Eck Associates Corporation	H Shares	Investment manager (Note 4)	214,524,093	6.56%	-	8.22%	Long position
VanEck ETF-VanEck Gold Miners ETF	H Shares	Beneficial owner (Note 4)	135,202,500	4.13%	-	5.18%	Long position
State Street Bank & Trust Company	H Shares	Approved lending agent (Note 5)	205,023,532	6.27%	-	7.86%	Lending pool

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 Hong Kong Stock Exchange unless certain criteria are fulfilled, therefore substantial Shareholders' latest shareholding in the Company may be different from the shareholding filed with the Company and the Hong Kong Stock Exchange.
2. Shandong Zhaojin holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited* (招金有色礦業有限公司) (“**Zhaojin Non-Ferrous**”) and therefore the 50,967,195 H shares held by Zhaojin Non-Ferrous in the Company is shown as long position of Shandong Zhaojin. Luyin Trading Pte Ltd. (“**Luyin**”) is a wholly-owned subsidiary Shandong Zhaojin and therefore the 27,953,000 H shares held by Luyin is shown as long position of Shandong Zhaojin.
3. Zijin Mining Group Co., Ltd.* (紫金礦業集團股份有限公司) (“**Zijin Mining**”) is indirectly interested in the shares of the Company through its 100% interest in Gold Mountains (H.K.) International Mining Co., Limited (“**Gold Mountains (H.K.) International**”).
4. Van Eck Associates Corporation is the investment manager of the VanEck ETF – VanEck Gold Miners ETF.
5. State Street Bank & Trust Company is interested in the Shares through its directly or indirectly controlled companies.

As at the Latest Practicable Date, save as disclosed above, and to the knowledge of the Directors, supervisors and chief executives of the Company, no other person had interests or short positions in the Shares and underlying shares under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO.

As at the Latest Practicable Date, (i) Mr. Jiang Guipeng, Mr. Li Guanghui and Mr. Luan Wenjing were directors or management personnel of Shandong Zhaojin; and (ii) Mr. Long Yi and Mr. Chen Lunan were the management personnel of Zijin Mining. Save as disclosed above, no Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company 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, proposed Directors, supervisors or proposed supervisors of the Company 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, proposed Directors, supervisors or proposed supervisors of the Company had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPETING BUSINESS

Mr. Jiang Guipeng and Mr. Luan Wenjing are directors of Shandong Zhaojin, and Mr. Li Guanghui is a senior management member of Shandong Zhaojin, which 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. Mr. Long Yi and Mr. Chen Lunan are the management personnel of Zijin Mining, which is principally engaged in mining, production, refining and sales of gold and other mineral resources.

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

6. EXPERT AND CONSENT

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

Name	Qualifications
Maxa Capital Limited	the Independent Financial Adviser, which is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group and it does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since 31 December 2022 (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. The letter and recommendation given by the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

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 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

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

9. GENERAL

- (a) The branch share registrar and transfer office for H Shares is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Ms. Ng Ka Man, who is an associate member of both The Hong Kong Chartered Governance Institute (previously known as the Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (previously known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (c) In the event of inconsistency, the English texts of this circular and the accompanying form of proxy prevail over their respective Chinese texts.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the website of the HKEXnews (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.zhaojin.com.cn>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the 2023 Group Financial Services Agreement;
- (b) the 2023 Parent Group Financial Services Agreement;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders;
- (d) the letter from the Independent Financial Adviser; and
- (e) the written consent from the Independent Financial Adviser as referred to under the section headed “Expert and consent” in this appendix.

11. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the gold concentrates sales framework agreement dated 25 August 2023 entered into between the Company and Shandong Zhaojin in relation to the sale of gold concentrates by the Group to Shandong Zhaojin and its subsidiaries (excluding Zhaojin Non-Ferrous Mining Company Limited* (招金有色礦業有限公司) (“**Zhaojin Non-Ferrous**”) and its subsidiaries;
- (b) the geological prospecting services framework agreement dated 3 January 2023 entered into between Shandong Zhaojin and Shandong Zhaojin Geological Prospecting Co., Ltd* (山東招金地質勘查有限公司) (“**Shandong Zhaojin Geological**”) in relation to the provision of geological prospecting services by Shandong Zhaojin Geological to Shandong Zhaojin and/or its subsidiaries;
- (c) the material procurement framework agreement dated 3 January 2023 entered into between Shandong Zhaojin and Zhaoyuan Gold Materials Supply Center Co., Ltd* (招遠市黃金物資供應中心有限公司) (“**Materials Supply Center**”) in relation to the provision of materials sales services by Materials Supply Center to Shandong Zhaojin;
- (d) the processing and smelting, deep well resource extraction and recycling, testing and related technical services framework agreement dated 3 January 2023 entered into between the Company and Shandong Zhaojin Technology Company Limited* (山東招金科技有限公司) (“**Shandong Zhaojin Technology**”) in relation to the provision of processing and smelting, deep well resource extraction and recycling, testing and related technical services by Shandong Zhaojin Technology and its subsidiaries to the Group;

- (e) the equity transfer agreement dated 11 October 2022 entered into between the Company and Shandong Bowen Mining Co., Ltd* (山東博文礦業有限公司) in respect of the acquisition of the 6.14% equity interest of Shandong Ruiyin Mining Industry Company Limited* (山東瑞銀礦業發展有限公司);
- (f) the exploration, environmental governance and related technical services framework agreement dated 6 January 2022 entered into between the Company and the Third Institute of Geological and Mineral Exploration of Gansu Provincial Bureau of Geology and Mineral Resources* (甘肅省地質礦產勘查開發局第三地質礦產勘查院) (“**No. 3 Exploration Institute**”) in relation to the provision of exploration, environmental governance and related technical services by No. 3 Exploration Institute and its subsidiaries to the Group; and
- (g) the water treatment engineering services agreement dated 6 January 2022 entered into between the Company and Shandong Zhaojin Motian Co., Ltd.* (山東招金膜天有限公司) (“**Zhaojin Motian**”) in relation to supplying membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services for the Company by Zhaojin Motian and its subsidiaries.

NOTICE OF 2024 FIRST 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 2024 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 first extraordinary general meeting (the “EGM”) of Zhaojin Mining Industry Company Limited (the “**Company**”) will be held at the Company’s conference room at No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the People’s Republic of China (the “**PRC**”) at 9:00 a.m. on Wednesday, 31 January 2024 for the following purposes:

ORDINARY RESOLUTIONS

To consider and approve the following matters as ordinary resolutions:

- I. To consider and approve: (i) the provision of deposit and bills discounting services and the relevant proposed annual caps under the 2023 Group Financial Services Agreement and (ii) the provision of deposit services and bill discounting services under the 2023 Group Financial Services Agreement beyond the Transition Period Limitation 1 during the Transition Period (if any); and
- II. To consider and approve: (i) the provision of deposit, loan and bills discounting services and the relevant proposed annual caps under the 2023 Parent Group Financial Services Agreement; and (ii) the provision of deposit, loan and bills discounting services under the 2023 Parent Group Financial Services Agreement beyond the Transition Period Limitation 2 during the Transition Period (if any).

* For identification purpose only

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

SPECIAL RESOLUTIONS

To consider and approve the following matters as special resolutions:

I. REGISTRATION AND ISSUANCE OF RENEWABLE CORPORATE BONDS OF NOT MORE THAN RMB2.0 BILLION IN THE PRC

Each of the following proposed items in respect of the proposed issue of Renewable Bonds in the PRC be and is hereby individually approved (subject to the review and approval of the relevant PRC regulatory authorities):

1. Principal terms of Renewable Bonds

- (i) Issuer: the Company;
- (ii) Method of issue: public issue to professional investors;
- (iii) Place of issue: the PRC;
- (iv) Size of issue: the aggregate principal amount shall not be more than RMB2.0 billion, to be issued in one or more tranches;
- (v) Term of the bonds: each term of the Renewable Bonds shall not be more than 5 interest accruing years. The issuer is entitled to exercise the renewal option at the end of each term. When the issuer exercises the renewal option, the Renewable Bonds will be renewed for an additional term. In the event that no renewal option is exercised, the Renewable Bonds will be due in full;
- (vi) Renewal option: each term of the Renewable Bonds shall not be more than 5 interest accruing years. At the end of each term, the issuer is entitled to renew the Renewable Bonds for an additional term, or repay the Renewable Bonds in full as they fall due at the end of the term;
- (vii) Use of proceeds: the proceeds from the registration and issuance of the Renewable Bonds will be mainly used for the production and operation of the Company, including but not limited to replenishment of liquidity, repayment of borrowings and project investment expenses, which shall be within the scope as permitted by the relevant regulatory authorities;
- (viii) Order of repayment: in the event of winding up of the issuer, the order of settlement of the Renewable Bonds is inferior the ordinary debts of the issuer, precedence over the ordinary shares of the issuer;

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

- (ix) Others: terms such as interest deferral will be included in the terms of the Renewable Bonds; and
- (x) Validity period of the resolution: 36 months from the date of passing of the relevant resolution at the EGM.

2. Authorisation and mandate to be granted to the Board

The Board is hereby authorised to deal with all such matters relating to the issue of the Renewable Bonds, including but not limited to the following:

- (i) so far as permitted by laws and regulations and according to the actual conditions of the Company and the market, determine and amend the actual plans for the issue of the Renewable Bonds, adjust the plans and relevant terms of the issue of the Renewable Bonds, including but not limited to specific matters such as the timing, method, quantity, price and term of the issue (including the term of the renewal option), method of determining interest, redemption provision, interest step-up provision, interest deferral provision, tranche structure and use of proceeds, to determine and appoint the relevant intermediaries to participate in the issue of Renewable Bonds, sign the legal documents and agreements relating to the issue of Renewable Bonds, etc.;
- (ii) take all necessary and ancillary actions relating to the issue of the Renewable Bonds, including but not limited to, making underwriting arrangements and lodging the application to the relevant PRC regulatory authorities for the issue of the Renewable Bonds, obtaining the approval(s) from the relevant PRC regulatory authorities, appointing trustee for the proposed issue of the Renewable Bonds, executing trust and custodian agreements and stipulating rules for Renewable Bonds holders' meeting and arranging for other issues and liquidity matters;
- (iii) take all necessary actions to determine and make arrangements for all matters relating to the proposed issue and listing of the Renewable Bonds, including negotiating, approving, authorising, executing, amending and completing the relevant legal documents, agreements, contracts relating to the issue and listing of the Renewable Bonds and make appropriate disclosure, and to approve, confirm and ratify any actions taken by the Board for the foregoing matters;
- (iv) deal with any matters relating to the issue and listing of the Renewable Bonds pursuant to the relevant rules of the relevant domestic stock exchange(s); and take all actions as deemed necessary by the Board relating to the issue and listing of the Renewable Bonds;

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

- (v) should there be any changes in the policies of the PRC regulatory authorities in relation to the issue of the Renewable Bonds or any new requirements under the relevant accounting standards, save for those matters subject to resolutions by the Shareholders in general meetings as stipulated by the relevant laws, regulations and the Articles of Association, amend the specific plan for the issue of the Renewable Bonds based on the feedback (if any) from the relevant PRC regulatory authorities or exercise discretion to postpone or suspend the issue of the Renewable Bonds; and
- (vi) the Board may delegate the authority to the chairman of the Board or the president of the Company, for dealing with the abovementioned matters.

The grant of authority to the Board to deal with the above matters will take effect from the date of the passing of such resolution at the EGM.

II. REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES OF NOT MORE THAN RMB6.0 BILLION IN THE PRC

Each of the following proposed items in respect of the proposed registration and issuance of the Medium-term Notes of not more than RMB6.0 billion in the PRC be and is hereby individually approved (subject to the result of the review conducted by the CSRC):

1. Principal terms of the Medium-term Notes

The principal terms of the Medium-term Notes proposed to be issued are as follows:

- (i) Issuer: the Company;
- (ii) Method of issuance: public offering in the inter-bank markets of PRC by way of centralized book-building and centralized placing led by the lead underwriter(s);
- (iii) Size of application: not more than RMB6.0 billion (inclusive), which will be issued in more tranches;
- (iv) Term of the notes: during the validity period of the registration the issuer may issue Medium-term Notes. Each tranche of Medium-term Notes issued during the validity period shall not exceed 7 years. The period of each tranche of Medium-term Notes shall be determined according to the market environment and the actual needs of the Company;
- (v) Method of principal and interest repayment: annual interest payment and principal repayment upon maturity;
- (vi) Use of proceeds: the proceeds from the issuance of the Medium-term Notes will be mainly for the production and operation activities of the Company, including but not limited to replenishment of liquidity and repayment of borrowings project, which shall be within the scope as permitted by the relevant regulatory authorities;

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

- (vii) Interest rate determination: determine interest rate through centralized bookkeeping for the members of the underwriting syndicate;
- (viii) Targets of the issuance: institutional investors in the inter-bank markets (other than those investors prohibited by the relevant national laws and regulations); and
- (ix) Validity period for the resolution: 36 months commencing from the date of approving this resolution at the EGM.

2. Authorisation and mandate to be granted to the Board

To grant authority to the Board to deal with all such matters relating to the issuance of the Medium-term Notes in the PRC, including but not limited to the following:

- (i) to the extent permitted by laws and regulations and based on the actual conditions of the Company and the market, to determine the actual plans for the issuance of the Medium-term Notes, to amend and adjust the plans and relevant terms of the issuance of the Medium-term Notes, including but not limited to specific matters such as the timing of issuance, method of issuance, issuance quantity, issue price, issuance term, issuance interest rates, tranche structure, use of proceeds, to determine and appoint the relevant intermediaries to participate in the issuance of the Medium-term Notes, to execute the legal documents, agreements in relation to the issuance and listing of the Medium-term Notes, etc.;
- (ii) should there be any changes in the policies of the PRC regulatory authorities in relation to the registration and issuance of the Medium-term Notes, or any changes in market conditions, save for those matters subject to the resolutions by the Shareholders at general meetings as stipulated by the relevant laws, regulations and the Articles of Association, to amend the specific plan for the issuance of the Medium-term Notes based on the feedback (if any) from the relevant PRC regulatory authorities or exercise discretion to postpone or suspend the issuance of the Medium-term Notes; and
- (iii) subject to the approval at the general meetings, to delegate the power and the authority to the chairman of the Board or the president of the Company, for dealing with the abovementioned matters.

The grant of authority to the Board to deal with the above matters will take effect from the date of passing of such resolution at the EGM.

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

III. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR GENERAL MEETINGS

In accordance with the special provisions of the Company Law and the listing rules of PRC currently in force in respect of external guarantees of listed companies, and taking into account the actual situation of the Company, a special resolution will be proposed at the EGM to approve the amendments to Article 13 of the Rules of Procedures for General Meetings. The Board has considered, approved and proposed the amendments to Article 13 of the Rules of Procedures for General Meetings to bring them in line with the latest position of the Company.

The proposed amendments to Article 13 of the Rules of Procedures for General Meetings are subject to approval by the Shareholders by way of a special resolution at the EGM before they can be implemented.

By order of the Board
Zhaojin Mining Industry Company Limited*
Jiang Guipeng
Chairman

Zhaoyuan, the PRC, 15 January 2024

* *For identification purpose only*

NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

Notes:

1. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 15 January 2024.
2. The Shareholders should note that the register of members of the Company will be closed from 25 January 2024 to 31 January 2024 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged, no later than 4:30 p.m. on 24 January 2024, with (i) the Company's share registrar for H Shares in Hong Kong, 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 Shares), or (ii) the registered address of the Company in the PRC (for holders of Domestic Shares).
3. Shareholders whose names appear on the register of members on 31 January 2024 are 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 Shares who have the right to attend and vote at the EGM are entitled to appoint one or more proxies (whether or not a Shareholder) in writing to attend and vote at the EGM 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. Completion and return of the proxy form of the EGM will not preclude a Shareholder from attending the EGM.
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 Shareholder 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 authorisation documents, such power of attorney or other authorisation documents must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other authorisation documents under which it is signed together with the proxy form must be deposited no later than 9:00 a.m. on Tuesday, 30 January 2024 at (i) the Company's share registrar for H Shares 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 Shares); or (ii) the registered address of the Company in the PRC (for holders of Domestic Shares).
8. 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.

The registered address of the Company is as follows:

No. 118 Wenquan Road, Zhaoyuan City, Shandong Province, the PRC

Tel: (86 535) 8256086

Fax: (86 535) 8227541

Postal code: 265400

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

Executive Directors:

*Mr. Jiang Guipeng, Mr. Duan Lei, Mr. Wang Ligang and
Mr. Chen Lunan*

Non-executive Directors:

Mr. Long Yi, Mr. Li Guanghui and Mr. Luan Wenjing

Independent non-executive Directors:

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