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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)**

## **VOLUNTARY ANNOUNCEMENT**

The Board is pleased to announce that on 13 January 2020, the Company entered into the Management Incentive Agreement for Zhaojin Mining Industry Company Limited\* (招金礦業股份有限公司管理層激勵協議書) with Shanghai Yuyuan and Fosun Industrial Investment, respectively, aiming to provide incentives to the management of the Company to effectively facilitate the full conversion of domestic shares of the Company into listed H shares for full circulation, and the management of market capitalization of the Company. Pursuant to the Agreement, Shanghai Yuyuan and Fosun Industrial Investment shall respectively provide the incentives in cash to the management of the Company conditionally. The conditions of the Incentives are the realization of conversion of domestic shares of the Company into listed H shares for full circulation, management of its market capitalization and gains from any disposal of Shares.

### **MAJOR TERMS OF THE AGREEMENT**

**Date of the proposed signing** 13 January 2020

**Parties** (i) **The Company**

The Company, a company incorporated in the PRC with limited liability, principally engaged in gold exploration, mining, ore processing and smelting, and processing and sale of by-products.

(ii) **Shanghai Yuyuan**

Shanghai Yuyuan, a company incorporated in the PRC with limited liability, principally engaged in jewelry and fashion, cultural catering, cultural commerce, mixed-use real estates and other business operations.

Laomiao Gold, a company incorporated in the PRC with limited liability and a subsidiary wholly owned by Shanghai Yuyuan, principally engaged in the sale business of gold accessories in PRC.

As at the date of this announcement, an aggregate of 763,200,000 Shares are held by Shanghai Yuyuan and its wholly owned subsidiary Laomiao Gold, representing 23.34% of the equity interests and the nature of such shares is domestic.

**(iii) Fosun Industrial Investment**

Fosun Industrial Investment, a company incorporated in the PRC with limited liability, principally engaged in the development and manufacturing of instrumentation, computer software, economic information consulting and other services in the PRC.

As at the date of this announcement, 106,000,000 Shares are held by Fosun Industrial Investment, representing 3.24% of the equity interests and the nature of such shares is domestic.

**The Incentive Payees**

The management of the Company (the distribution plan to be proposed to the Board for approval by the Nomination and Remuneration Committee in due course)

**Method of calculation of the Incentive Amount**

The Incentive Payers shall pay the Incentive Amount to the Company in the following manner:

**(i) Special rewards for the listed H shares in full circulation**

The Company shall complete the Full Circulation of H Shares pursuant to the provisions of the Agreement. Accordingly, Shanghai Yuyuan and Fosun Industrial Investment shall pay the special rewards for the listed H shares in full circulation to the Company, respectively. The amount is calculated with the following formula (“**Calculation Formula for the Special Rewards**”):

$$A=B * 0.5\% * C$$

where,

A = the amount of the special rewards for the listed H shares in full circulation

B= the closing price of the Shares on the date when the Full Circulation of H Shares is completed and the Shares held by Yuyuan Shares and Fosun Industrial Investment are converted into the listed H shares in full circulation for trading

C = number of H shares in full circulation held by Yuyuan Shares and Fosun Industrial Investment

The amounts of the special rewards for the listed H shares in full circulation paid by Yuyuan Shares and Fosun Industrial Investment shall not exceed RMB17.50 million and RMB2.5 million, respectively, and the total amount shall not exceed RMB20 million. The HKD to RMB exchange rate shall be that on the date when the Shares held by Yuyuan Shares and Fosun Industrial Investment are converted into the listed H shares in full circulation for trading, respectively.

**(ii) Rewards for gains sharing**

Based on the gains on reduction in shareholdings of the H shares in full circulation held by Yuyuan Shares/Fosun Industrial Investment, Yuyuan Shares/Fosun Industrial Investment shall pay a certain ratio of profit after tax to the incentive payees as rewards. The costs of the reduction in shareholdings for Yuyuan Shares/Fosun Industrial Investment is calculated with the net assets per share attributable to parent company of the Company in 2018 of RMB3.30 (when calculating the abovementioned net assets per share attributable to parent company, the interests of owner(s) corresponding to the sustainable liabilities of the Company shall be deducted. The net assets per share attributable to parent company of the Company = (the net assets attributable to parent company of the Company at the end of 2018 – the interests of owner(s) corresponding to the sustainable liabilities of the Company at the end of 2018)/the total equity at the end of 2018, and the actual amount shall be referred to the auditor report of the Company in 2018 (in consolidated statements), the same shall be applied to the below). The rewards for gains sharing (“**Calculation Formula for Rewards for Gains Sharing**”) shall be calculated as follows:

$$X=(D-E-F)* G *(1-25%)*3\%$$

where,

X = the amount of rewards for gains sharing

D = the respective price per H share in full circulation disposed by Yuyuan Shares/Fosun Industrial Investment

E = the applicable tax of the corresponding transaction

F = the net asset attributable to parent company of the Company at the end of 2018, being RMB3.30

G = the respective number of H shares in full circulation disposed by Yuyuan Shares/Fosun Industrial Investment

The HKD to RMB exchange rate shall be that on the date of disposal of shareholding.

## **CONDITIONS PRECEDENT**

In addition to the abovementioned conditions, the Agreement shall become effective upon the fulfillment of the following conditions precedent:

- (i) the Company having obtained the approval of the directors of the Company and the consent of the Controlling Shareholder (if any) for the signing of the Agreement;
- (ii) all representations and warranties of the Company under the Agreement being true and accurate as at the signing date of the Agreement;
- (iii) Yuyuan Shares and Fosun Industrial Investment having obtained the approvals from their respective internal authority for the signing of the Agreement; and
- (iv) the matters involving Yuyuan Shares in this transaction being approved at the general meeting of Shanghai Yuyuan.

## **REASONS AND BENEFITS OF THE AGREEMENT**

The Agreement would help facilitate the conversion of domestic shares of the Company into the listed H shares in full circulation, such that the domestic unlisted shares of the Company in PRC can be valued in the market, while enhancing the liquidity of Shares and rebuilding the value of the Company. Since the domestic shares will be listed for trading in the future, the overseas listed shares of the Company will be increased significantly, thus the low valuation caused by the lack of liquidity of Shares can be effectively resolved, improving the market valuation of the Company and it is beneficial to the long-term development of the Company and in the interests of Shareholders in general. The Board (including the independent non-executive directors) considers that the signing of the Agreement will provide the management with effective incentive to create greater values for the Shareholders continuously, to attract more outstanding management talents to join the Company and to provide proactive and positive effect in elevating the market vitality of the Company.

Motivated by the conditional incentives in cash under the Agreement, the management can participate in corporate decision-making more proactively, can share the prosperous results of the corporate development and can take responsibilities and obligations more effectively, so that the management would serve for the long-term development of the Company with due diligence, creating effective synergy among the financial results of the Company, the interests of the Shareholders and the benefits of the management teams.

## DEFINITIONS

“Agreement”	the Management Incentive Agreement for Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司管理層激勵協議書) dated 13 January 2020 entered into by the Company with Shanghai Yuyuan and Fosun Industrial Investment, respectively
“Board”	the board of Directors of the Company
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司)
“Controlling Shareholder”	the controlling shareholder of the Company, Shandong Zhaojin Group Company Limited* (山東招金集團有限公司)
“Directors”	the directors of the Company
“Fosun Industrial Investment”	Shanghai Fosun Industrial Investment Co., Ltd.
“Full Circulation of H Shares”	the non-overseas listed shares of the Company, held by Yuyuan Shares and Fosun Industrial Investment respectively, are fully converted into shares in circulation available for listing and trading on The Stock Exchange of Hong Kong Limited
“HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Incentive Amount”	the Incentive Payers shall pay the entire or partial Incentives in cash to the Company, pursuant to the provisions of the Agreement
“Incentive Payer(s)”	Fosun Industrial Investment, Shanghai Yuyuan and Laomiao Gold
“Incentives”	the Incentive Payers shall pay the Incentives in cash to the Company, pursuant to the provisions of the Agreement
“Laomiao Gold”	Shanghai Laomiao Gold Co., Ltd.

“PRC”	People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan for the purpose of this announcement only
“Nomination and Remuneration Committee”	the nomination and remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Yuyuan”	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.
“Shares”	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic shares and H shares
“Shareholder(s)”	shareholder(s) of the Company
“Yuyuan Shares”	Shanghai Yuyuan and Laomiao Gold

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

Zhaoyuan, the PRC, 13 January 2020

*As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Gao Min and Mr. Huang Zhen as non-executive Directors; and Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as independent non-executive Directors.*

\* For identification purpose only