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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)

ANNOUNCEMENT

**CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAPS**

Reference is made to the Announcement.

In view of the rapid increase in domestic steel price since the beginning of this year, the Board anticipates that the Original Material Procurement Annual Caps provided for in the Material Procurement Framework Agreement will not be sufficient to meet the Company's requirements for the three years ending 31 December 2017, 2018 and 2019. Accordingly, on 20 October 2017, the Company entered into the Supplemental Material Procurement Framework Agreement with the Materials Supply Center to revise the annual caps under the Material Procurement Framework Agreement from the Original Material Procurement Annual Caps (i.e. RMB85,000,000, RMB90,000,000 and RMB98,000,000 for each of the three years ending 31 December 2017, 2018 and 2019, respectively) to the Revised Material Procurement Annual Caps (i.e. RMB130,000,000, RMB140,000,000 and RMB160,000,000 for each of the three years ending 31 December 2017, 2018 and 2019, respectively).

LISTING RULES IMPLICATIONS

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transaction, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company. Materials Supply Center is a subsidiary of Shandong Zhaojin, and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Material Procurement Framework Agreement (as supplemented by the Supplemental Material Procurement Framework Agreement) and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Revised Material Procurement Annual Caps in respect of the transactions contemplated under the Material Procurement Framework Agreement (as supplemented by the Supplemental Material Procurement Framework Agreement) is more than 0.1% but less than 5%, the Material Procurement Framework Agreement (as supplemented by the Supplemental Material Procurement Framework Agreement) and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Announcement. As disclosed in the Announcement, the Company entered into, among other things, the Material Procurement Framework Agreement on 18 January 2017. Please refer to the Announcement for a summary of the principal terms agreed under the Material Procurement Framework Agreement.

SUPPLEMENTAL MATERIAL PROCUREMENT FRAMEWORK AGREEMENT

In view of the rapid increase in domestic steel price since the beginning of this year, the Board anticipates that the Original Material Procurement Annual Caps provided for in the Material Procurement Framework Agreement will not be sufficient to meet the Company's requirements for the three years ending 31 December 2017, 2018 and 2019. Up to 30 September 2017, the transaction amount incurred under the Material Procurement Framework Agreement was approximately RMB84,212,000, which was close to the annual cap of RMB85,000,000 for the year ending 31 December 2017.

Accordingly, on 20 October 2017, the Company entered into the Supplemental Material Procurement Framework Agreement with the Materials Supply Center to revise the annual caps under the Material Procurement Framework from the Original Material Procurement Annual Caps to the Revised Material Procurement Annual Caps.

Set out below are the principal terms of the Supplemental Material Procurement Framework Agreement.

Date

20 October 2017

Parties

- (i) the Company; and
- (ii) Materials Supply Center, a wholly-owned subsidiary of Shandong Zhaojin

Revision to Annual Caps

Pursuant to the Supplemental Material Procurement Framework Agreement, the Original Material Procurement Annual Caps shall be revised to the Revised Material Procurement Annual Caps as follows:

| | For the year ending 31 December | | |
|---|--|-------------|-------------|
| | 2017 | 2018 | 2019 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Original Material Procurement Annual Caps | 85,000,000 | 90,000,000 | 98,000,000 |
| Revised Material Procurement Annual Caps | 130,000,000 | 140,000,000 | 160,000,000 |

Save as disclosed above, all other terms of the Material Procurement Framework Agreement as disclosed in the Announcement remain unchanged.

BASIS OF DETERMINING THE REVISED MATERIAL PROCUREMENT ANNUAL CAPS

The Revised Material Procurement Annual Caps are determined with reference to (i) the historical transaction amounts in respect of the engagement of the Materials Supply Center for the provision of materials procurement services to the Company; (ii) the anticipated constant increase in materials procurement amount by the Company with the Materials Supply Center in view of the business development plan of the Company in the future, which will result in constant increase in production capacity of the Company and it is expected that the amount and scope of materials procurement between the Company and the Materials Supply Center will increase steadily; and (iii) the expected increase in international steel price.

Since the beginning of this year, the domestic steel price has been increasing rapidly. According to the information published by Sublime China Information Co., Ltd., an independent leading intelligence provider for the Chinese commodity market, the average unit price of steel embryo, the raw material for processing steel, in 2016 was RMB1,800/ton while the average unit price of steel embryo during January to September 2017 was RMB3,300/ton, representing an increase of 83% compared to the price in 2016. It is expected that the average unit price of steel embryo in the next 2 years will continue to increase 20% to 30%. Hence, it is expected that the Original Material Procurement Annual Caps will not be sufficient to meet the Company's requirements for the three years ending 31 December 2017, 2018 and 2019 and revisions to the Original Material Procurement Annual Caps are required.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL MATERIAL PROCUREMENT FRAMEWORK AGREEMENT

As disclosed above, in view of the rapid increase in domestic steel price since the beginning of this year, the Board anticipates that the Original Material Procurement Annual Caps provided for in the Material Procurement Framework Agreement will not be sufficient to meet the Company's requirements for the three years ending 31 December 2017, 2018 and 2019. Hence, revisions to the Original Material Procurement Annual Caps are required.

The Directors (including the independent non-executive Directors) consider that transactions under the Material Procurement Framework Agreement will continue to be conducted in the original and usual course of business of the Group and on arm's length basis, the terms of the Supplemental Material Procurement Framework Agreement have been negotiated on an arm's length basis and are on normal commercial terms, and the terms of the Supplemental Material Procurement Framework Agreement and the Revised Material Procurement Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transaction, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company. Materials Supply Center is a subsidiary of Shandong Zhaojin, and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Material Procurement Framework Agreement (as supplemented by the Supplemental Material Procurement Framework Agreement) and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Revised Material Procurement Annual Caps in respect of the transactions contemplated under the Material Procurement Framework Agreement (as supplemented by the Supplemental Material Procurement Framework Agreement) is more than 0.1% but less than 5%, the Material Procurement Framework Agreement (as supplemented by the Supplemental Material Procurement Framework Agreement) and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

APPROVAL OF THE BOARD

The Supplemental Material Procurement Framework Agreement has been approved by the Board where none of the voting Directors has any material interest in the proposed transactions contemplated under the Supplemental Material Procurement Framework Agreement and the Revised Material Procurement Annual Caps. However, Mr. Weng Zhanbin and Mr. Li Shousheng, being the executives of Shandong Zhaojin, have abstained from voting on the relevant board resolutions approving the Supplemental Material Procurement Framework Agreement and the Revised Material Procurement Annual Caps.

GENERAL INFORMATION

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

Shandong Zhaojin 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.

Materials Supply Center is a company with limited liabilities and is principally engaged in mining steel, equipment accessories and ore selection reagents, etc. Materials Supply Center was formed after the restructuring of Zhaoyuan Materials Supply Center* (招遠市物資供應中心), and earned good credit in the industry it operates and was awarded with various regional and municipal awards for outstanding enterprises. Prior to the restructuring, Materials Supply Center also undertook part of the materials procurement business of the Company, and was well recognized by the Company and the market for its quality after-sales services, good reputation and reasonable prices of products it supplied.

DEFINITIONS

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

| | |
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| “Announcement” | the announcement dated 18 January 2017 of the Company in respect of, among other things, the continuing connected transactions in connection with the Material Procurement Framework Agreement |
| “Board” | the board of Directors |
| “Company” | Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company established in the PRC on 16 April 2004, the issued H Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | directors of the Company |
| “Group” | the Company and its subsidiaries |
| “H Shares” | overseas listed foreign shares of the Company with a nominal value of RMB1 each, which are listed on the Stock Exchange and traded in Hong Kong dollars |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Material Procurement Framework Agreement” | the material procurement framework agreement dated 18 January 2017 entered into between the Company and Materials Supply Center in relation to the provision of materials sales service by Materials Supply Center to the Company |
| “Materials Supply Center” | Zhaoyuan Gold Materials Supply Center Co., Ltd* (招遠市黃金物資供應中心有限公司), a wholly-owned subsidiary of Shandong Zhaojin |

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|---|--|
| “Original Material Procurement Annual Caps” | the annual cap amounts payable by the Company to the Materials Supply Center in respect of the transactions contemplated under the Material Procurement Framework Agreement for each of the three financial years ending 31 December 2019 |
| “PRC” | the People’s Republic of China |
| “Revised Material Procurement Annual Caps” | the annual cap amounts payable by the Company to the Materials Supply Centre in respect of the transactions contemplated under the Material Procurement Framework Agreement (as supplemented by the Supplemental Material Procurement Framework Agreement) for each of the three financial years ending 31 December 2019 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shandong Zhaojin” | Shandong Zhaojin Group Company Limited* (山東招金集團有限公司), a state-owned limited company established in the PRC on 28 June 1992 and a promoter and the controlling Shareholder of the Company |
| “Shares” | share(s) of RMB1 each in the capital of the Company, comprising the domestic shares and H Shares of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Material Procurement Framework Agreement” | the supplemental agreement dated 20 October 2017 to the Material Procurement Framework Agreement entered into between the Company and the Materials Supply Centre in relation to the revision of the Original Material Procurement Annual Caps to the Revised Material Procurement Annual Caps |
| “%” | per cent |

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

Zhaoyuan, the PRC, 20 October 2017

As at the date of this announcement, the Board comprises of three executive Directors, namely Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao; four non-executive Directors, namely Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min; and four independent non-executive Directors, namely Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu.

* For identification purpose only