

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

THE EXPLORATION, ENVIRONMENTAL GOVERNANCE AND RELATED TECHNICAL SERVICES FRAMEWORK AGREEMENT

On 23 August 2019, the Company entered into the Exploration, Environmental Governance and Related Technical Services Framework Agreement with 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 during the period from 1 January 2019 to 31 December 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, No. 3 Exploration Institute holds 30%, 34% and 30% of the shares in Zaozigou Gold Mine Company, Xinrui Mining and Zhaojin Precious Metal Smelting, which are subsidiaries of the Company, respectively. Therefore, No. 3 Exploration Institute is a connected person of the Company. Accordingly, the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Exploration, Environmental Governance and Related Technical Services Framework Agreement exceeds 0.1% but is less than 5%, the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder are subject to annual review, reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE EXPLORATION, ENVIRONMENTAL GOVERNANCE AND RELATED TECHNICAL SERVICES FRAMEWORK AGREEMENT

Date

23 August 2019

Parties

- (i) the Company; and
- (ii) No. 3 Exploration Institute, a substantial shareholder of certain subsidiaries of the Company

Duration

From 1 January 2019 to 31 December 2021

Subject to compliance with the applicable laws and regulations, the articles of association of the Company and No. 3 Exploration Institute, and the Listing Rules, the term of the Exploration, Environmental Governance and Related Technical Services Framework Agreement may be extended for three years upon the consensus of both parties.

Services

No. 3 Exploration Institute and its subsidiaries shall provide the exploration, environmental governance and related technical services to the Group, including mine exploration and technical services, drilling works, preparation of annual survey (annual report), geological experimental testing, rock mineral analysis, geological disaster prevention and environmental restoration and governance, as well as to submit materials in accordance with relevant regulations and assist the Group in obtaining mining permits.

Pricing and Payment Terms

No. 3 Exploration Institute and its subsidiaries and the Group shall, from time to time, enter into separate agreement(s) regarding the provision of various services during the term of the Exploration, Environmental Governance and Related Technical Services Framework Agreement to the extent that the terms of such separate agreement(s) shall comply with the terms and conditions of the Exploration, Environmental Governance and Related Technical Services Framework Agreement. The fees and terms of the exploration, environmental governance and related technical services to be provided by No. 3 Exploration Institute and its subsidiaries to the Group shall be determined in the ordinary course of business on normal commercial terms upon negotiation on an arm's length basis, and at fees and terms no less favourable to the Group than the fees and terms offered by independent third parties to the Group.

The fees for the exploration, environmental governance and related technical services shall include those arising from mine exploration and technical services, drilling works, preparation of annual survey (annual report), geological experimental testing, rock mineral analysis, geological disaster prevention and environmental restoration and governance and other fees to be incurred according to actual circumstances.

The fees for drilling works and geological services are determined with reference to (i) the Budget Standards of Geological Survey Projects of the Geological Survey Bureau of the PRC for 2010; and (ii) the guiding prices of the Company.

The fees for the exploration, environmental governance and related technical services shall be paid upon the completion of inspection by the Company or its relevant subsidiary.

Annual Caps

The Company expects that the annual caps for the transactions contemplated under the Exploration, Environmental Governance and Related Technical Services Framework Agreement are as follows:

	<i>RMB</i>
For the year ending 31 December 2019	32 million
For the year ending 31 December 2020	32 million
For the year ending 31 December 2021	32 million

The above annual caps are determined based on: (i) the historical transaction amounts regarding the exploration, environmental governance and related technical services provided by No. 3 Exploration Institute and its subsidiaries to the Group; and (ii) the overall business development of the Group and the comprehensive planning of geological exploration in the next three years, especially the expected increase in demand for three services by Zaozigou Gold Mine Company which is expected to range from RMB22 million to RMB24 million for the three years ending 31 December 2021 caused by the increase in its mine exploration and mine reserves expansion activities for the next three years.

Historical Transaction Amounts

The historical transaction amounts regarding the exploration, environmental governance and related technical services provided by No. 3 Exploration Institute to the Company are set out below:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	From 1 January 2019 to the date of this announcement
	<i>RMB million (approximately)</i>	<i>RMB million (approximately)</i>	<i>RMB million (approximately)</i>	<i>RMB million (approximately)</i>
The exploration, environmental governance and related technical services provided by No. 3 Exploration Institute and its subsidiaries to the Group	1.39	5.76	6.40	6.58

The Company confirms that the transaction amount for the provision of exploration, environmental governance and related technical services provided by No. 3 Exploration Institute and its subsidiaries to the Group from 1 January 2019 to the date of this announcement is below the de minimis threshold under Rule 14A.76 of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EXPLORATION, ENVIRONMENTAL GOVERNANCE AND RELATED TECHNICAL SERVICES FRAMEWORK AGREEMENT

No. 3 Exploration Institute possesses profound professional and technical strength with professional qualifications in geological exploration, engineering survey, environmental restoration and governance, rock mineral experiments, etc.. It is well positioned to provide full-process professional and technical services for mining enterprises and enjoys sound social reputation. No. 3 Exploration Institute owns the complete and advanced drilling rigs and drilling equipment, boasts powerful technical forces and is quite familiar with the climatic and stratum conditions in Gansu, and is especially experienced in complex stratum drilling. In recent years, No. 3 Exploration Institute has provided quality geological exploration services to Zaozigou Gold Mine and other mines located in Gansu. After several years of favourable cooperation, it is familiar with the geological conditions and environment of the mines owned by the Company in Gansu.

The Company believes that, as No. 3 Exploration Institute has well-established technical facilities, extensive exploration experience and good reputation, and is familiar with the geological conditions of the mines owned by the Company in Gansu, it is therefore capable of providing reasonable advice to the Company on geological exploration. The engagement of No. 3 Exploration Institute to provide the exploration, environmental governance and related technical services will help to reduce the Company's exploration cost and enhance the technical support to the Company.

In view of the reasons above, the Directors (including independent non-executive Directors) are of the opinion that, the Exploration, Environmental Governance and Related Technical Services Framework Agreement were entered into on normal commercial terms in the ordinary and usual course of business of the Company, and the terms thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, No. 3 Exploration Institute holds 30%, 34% and 30% of the shares in Zaozigou Gold Mine Company, Xinrui Mining and Zhaojin Precious Metal Smelting, which are subsidiaries of the Company, respectively. Therefore, No. 3 Exploration Institute is a connected person of the Company. Accordingly, the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Exploration, Environmental Governance and Related Technical Services Framework Agreement exceeds 0.1% but is less than 5%, the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder are subject to annual review, reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

APPROVAL OF THE BOARD

The Exploration, Environmental Governance and Related Technical Services Framework Agreement has been approved by the Board on 23 August 2019 and none of the voting Directors had any material interest in the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES

The Company has developed various internal control measures to ensure that the transactions contemplated under the Exploration, Environmental Governance and Related Technical Services Framework Agreement shall comply with the pricing policy and that the price and terms of the Exploration, Environmental Governance and Related Technical Services Framework Agreement are on normal commercial terms and shall not be less favourable than the price and terms provided by an independent third party for the provision of similar services so far as the Company is concerned. The internal control measures primarily comprise:

- (i) the manager(s) supervising the transactions will regularly review the terms thereof to ensure that the fees charged by No. 3 Exploration Institute reflect the prevailing market rate and is determined on normal commercial terms and on an arm's length basis;
- (ii) the Company's finance department will, on a monthly basis, calculate the transaction amounts incurred in the previous month under the agreement and report the results to the management of the Company and the Board. In the event that any of the annual caps of the agreement is likely to be exceeded, the finance department shall inform the management of the Company and the Board on a timely basis;
- (iii) the external auditor of the Company will issue a letter to the Board each year to report on the pricing policy and annual caps of the Company's continuing connected transactions (including the transactions contemplated under the Exploration, Environmental Governance and Related Technical Services Framework Agreement) conducted during the previous financial year pursuant to the Listing Rules; and
- (iv) the independent non-executive Directors of the Company will conduct annual reviews on the continuing connected transactions conducted by the Company throughout the previous financial year and confirm the transaction amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirement of the Listing Rules, so as to ensure that the continuing connected transactions are entered into on normal commercial terms, fair and reasonable and are conducted in accordance with the terms of relevant agreement governing the continuing connected transactions.

Through the implementation of the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure that the relevant continuing connected transactions contemplated under the Exploration, Environmental Governance and Related Technical Services Framework Agreement are conducted in accordance with the terms thereof, on normal commercial terms (or terms no less favourable to the Company than the terms offered by an independent third party for the provision of similar services), and in accordance with the Company's pricing policies which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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.

No. 3 Exploration Institute is principally engaged in geological exploration and exploration design, mining development, geological experimental testing, rock mineral analysis, geological disaster prevention and environmental restoration and governance.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Board”	the board of Directors of the Company
“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)”	director(s) of the Company
“Exploration, Environmental Governance and Related Technical Services Framework Agreement”	the exploration, environmental governance and related technical services framework agreement entered into between the Company and No. 3 Exploration Institute on 23 August 2019 in relation to the provision of exploration, environmental governance and related technical services by No. 3 Exploration Institute and its subsidiaries to the Group
“Group”	the Company and its subsidiaries
“H Shares”	H shares with a nominal value of RMB1 each in the share capital of the Company which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“No. 3 Exploration Institute”	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), a substantial shareholder of Zaozigou Gold Mine Company, Xinrui Mining and Zhaojin Precious Metal Smelting
“PRC”	the People’s Republic of China and for the purpose of the announcement only, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Xinrui Mining”	Gansu Xinrui Mining Company Limited* (甘肅鑫瑞礦業有限公司), a non-wholly owned subsidiary of the Company
“Zaozigou Gold Mine Company”	Gansu Province Zaozigou Gold Mine Company Limited* (甘肅省早子溝金礦有限責任公司), a non-wholly owned subsidiary of the Company
“Zhaojin Precious Metal Smelting”	Gansu Zhaojin Precious Metal Smelting Company Limited* (甘肅招金貴金屬冶煉有限公司), a non-wholly owned subsidiary of the Company
“%”	per cent

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

Zhaoyuan, the PRC, 23 August 2019

As at the date of this announcement, the Directors of the Company comprise Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Yao Ziping and Mr. Gao Min 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