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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

FRAMEWORK AGREEMENT FOR SALES OF SILVER

The Board is pleased to announce that on 24 March 2021, the Company entered into the Framework Agreement for Sales of Silver with Zhaojin Refinery, pursuant to which the Group agreed to sell silver to Zhaojin Refinery and its subsidiaries for a term of three years commencing from 1 January 2021 to 31 December 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder and a substantial shareholder of the Company. Zhaojin Refinery is a subsidiary of Shandong Zhaojin and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement for Sales of Silver constitute continuing connected transactions of the Company 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 the Framework Agreement for Sales of Silver is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement for Sales of Silver is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 March 2021, the Company entered into the Framework Agreement for Sales of Silver with Zhaojin Refinery, pursuant to which the Group agreed to sell silver to Zhaojin Refinery and its subsidiaries for a term commencing from 1 January 2021 to 31 December 2023.

FRAMEWORK AGREEMENT FOR SALES OF SILVER

Date

24 March 2021

Parties

- (i) Seller: The Company; and
- (ii) Buyer: Zhaojin Refinery

Term

From 1 January 2021 to 31 December 2023

Subject to compliance with applicable laws and regulations including but not limited to the Listing Rules, the Framework Agreement for Sales of Silver may be extended or renewed by the parties.

Products to be sold by the Group to Zhaojin Refinery

Silver

Consideration and payment

The Group agreed to sell, and Zhaojin Refinery agreed to buy, silver at market price, which will be determined on a fair basis with reference to the real-time prices of Ag T+D on the Shanghai Gold Exchange on the date of price determination during the period from 1 January 2021 to 31 December 2023. The parties to the Framework Agreement for Sales of Silver have agreed that the price at which the Group sells silver to Zhaojin Refinery shall not be lower than the price charged by the Group on independent third parties for the sales of the same type of silver for the same batch.

Payment should be made by Zhaojin Refinery within two days from the date of price determination by bank draft or telegraphic transfer. After full payment of the purchase price by Zhaojin Refinery, Zhaojin Refinery would collect the silver itself.

Other major terms

According to the Framework Agreement for Sales of Silver, each party shall give priority in purchasing silver from, or selling silver to, the other party provided that the terms offered by any other third party are no more favourable than those offered by that other party.

Both parties are entitled to sell silver to, or purchase silver from, any other third parties provided that if such third party purchase or sell the same batch of silver at a more favourable price than the purchase price under the Framework Agreement for Sales of Silver.

The Group may elect to sell the same batch of silver to any other third parties, provided that the selling obligations by the Group under the Framework Agreement for Sales of Silver are complied with.

Subject to the terms of the Framework Agreement for Sales of Silver, Zhaojin Refinery is entitled to purchase the same or similar batch of silver from any other third parties provided that the provision of silver by the Group cannot meet the demand (either quantitative or qualitative) of Zhaojin Refinery.

The parties shall ensure and procure their respective subsidiaries to enter into subsequent supply agreements, subject to the terms of the Framework Agreement for Sales of Silver.

Historical figures

The historical amounts of the fees for sales of silver by the Company to Zhaojin Refinery were nil.

Annual caps

The Company expects the annual caps for the sales of silver (excluding value-added tax) for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB200 million, RMB210 million and RMB230 million, respectively, which are determined with reference to: (i) the historical sales of silver by the Group; (ii) the forecast of market price and price trend of silver for the three years ending 31 December 2023; and (iii) the production capacity and stock of the silver of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT FOR SALES OF SILVER

Zhaojin Refinery is a well-established enterprise and a professional manufacturer of gold and silver processing. The entering into the Framework Agreement for Sales of Silver will allow the Company to receive a steady, reliable and relatively higher income.

As the Company and Zhaojin Refinery are both subsidiaries of Shandong Zhaojin and according to the payment terms of the Framework Agreement for Sales of Silver, Zhaojin Refinery would collect the silver itself after payment is received by the Company, such arrangement does not only ensure that payment will not be delayed and the credit risks involved will be minimized, but also saves delivery costs.

Given the aforesaid and after taking into account the terms of the transactions under the Framework Agreement for Sales of Silver, the Directors (including the independent non-executive Directors) consider that the entering into of the Framework Agreement for Sales of Silver is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable, and is entered into on normal commercial terms in the ordinary and usual course of business of the Company.

INTERNAL CONTROL MEASURES

The Company has established various internal control measures in order to ensure that the transactions contemplated under the Framework Agreement for Sales of Silver is in accordance with the pricing policies and the terms of the Framework Agreement for Sales of Silver, and is on normal commercial terms which are no less favourable than those offered to independent third parties. Such internal control measures mainly include the following:

- (i) the managers overseeing the transactions will regularly review the terms of such agreement to ensure that the prices charged on Zhaojin Refinery will reflect the prevailing market rates and will be on an arm's length basis under normal commercial terms;
- (ii) the financial department of the Company will consolidate, on a monthly basis, the transaction accounts under the agreement incurred for the preceding month, which the accounts will be reported to the management of the Company and the Board. The financial department will inform the management of the Company and the Board on a timely basis in the event the annual cap for the agreement is likely to be exceeded;
- (iii) the external auditors of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company (including the Framework Agreement for Sales of Silver) conducted throughout the preceding financial year pursuant to the Listing Rules in relation to the pricing policies and annual caps therein; and
- (iv) the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transaction amounts and terms of such continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms, which are fair and reasonable, and are in compliance with the terms of the relevant agreements governing the continuing connected transactions.

By implementing the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure the relevant continuing connected transactions under the Framework Agreement for Sales of Silver are conducted in accordance with the terms of such agreement, on normal commercial terms (or terms no less favourable to the Company than terms available to or offered by independent third parties) and in accordance with the pricing policies of the Company, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

1. The Group is principally engaged in gold exploration and mining; ore processing and smelting; and processing and sales of by-products in the PRC.
2. Zhaojin Refinery is principally engaged in the smelting of gold and silver, acquisition, processing and sales of precious metal compounds in the PRC.

BOARD'S APPROVAL

The Framework Agreement for Sales of Silver was approved by the Board on 24 March 2021 and none of the Directors has any material interest in the transactions contemplated thereunder. Mr. Weng Zhanbin and Mr. Liu Yongsheng have abstained from voting at the Board's meeting to approve the Framework Agreement for Sales of Silver due to their management roles in Shandong Zhaojin.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company. Zhaojin Refinery is a subsidiary of Shandong Zhaojin and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement for Sales of Silver constitute continuing connected transactions of the Company 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 the Framework Agreement for Sales of Silver is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement for Sales of Silver is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Ag”	the symbol of the chemical element of silver
“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
“Directors”	directors of the Company
“Framework Agreement for Sales of Silver”	the framework agreement for sales of silver dated 24 March 2021 entered into between the Company and Zhaojin Refinery in relation to the sales of silver by the Group to Zhaojin Refinery and its subsidiaries
“Group”	the Company and its subsidiaries from time to time
“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
“Ag T+D”	白銀T+D, being silver ingot with a standard weight of 15 kg and a silver content of not less than 99.99%
“PRC”	the People’s Republic of China
“Shandong Zhaojin”	山東招金集團有限公司 (Shandong Zhaojin Group Company Limited*), a state-owned limited company established in the PRC on 28 June 1992 and a promoter of the Company and the controlling Shareholder as at the date of this announcement
“Share(s)”	share(s) of RMB1 each in the capital of the Company, comprising the domestic shares of the Company and the H Shares
“Shareholder(s)”	holder(s) of Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhaojin Refinery”	山東招金金銀精煉有限公司 (Shandong Zhaojin Gold and Silver Refinery Company Limited*), a limited liability company established in the PRC on 16 October 2001 and a 80.5% owned subsidiary of Shandong Zhaojin as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Zhaoyuan, the PRC, 24 March 2021

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Zhang Banglong, 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 purposes only