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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**

#### **EXPLORATION SERVICES AGREEMENT**

The Board announces that on 26 July 2011, the Company entered into the Exploration Services Agreement with Shandong Zhaojin Geological in relation to the provision of exploration services by Shandong Zhaojin Geological to the Company for the period from 26 July 2011 to 31 December 2013.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder of the Company and Shandong Zhaojin Geological is a wholly-owned subsidiary of Shandong Zhaojin. Shandong Zhaojin Geological is therefore a connected person of the Company and the transactions contemplated under the Exploration Services Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Exploration Services Agreement is more than 0.1% but less than 5%, the Exploration Services Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EXPLORATION SERVICES AGREEMENT**

### **Date**

26 July 2011

### **Parties**

- (i) the Company; and
- (ii) Shandong Zhaojin Geological, a wholly-owned subsidiary of Shandong Zhaojin.

### **Term**

From 26 July 2011 to 31 December 2013

Subject to re-compliance with the reporting, announcement and independent Shareholders' approval requirements (to the extent applicable) under Chapter 14A of the Listing Rules and/or any other applicable requirements under the Listing Rules and/or any other relevant laws and regulations at the relevant time and the articles of association of the parties, the Exploration Services Agreement may be renewed for a further term of three years upon further agreement by the parties.

### **Services**

Pursuant to the Exploration Services Agreement, Shandong Zhaojin Geological agreed to provide exploration services to the Company, which includes the compilation of drilling geology works, provision of sampling and lab test, as well as submission of information on exploration results (including geological exploration report) accordingly to the relevant requirements; submission of geological exploration report and provision of assistance to the Company for application for exploration license.

### **Pricing & Payment Term**

Shandong Zhaojin Geological and the Company shall, from time to time during the term of the Exploration Services Agreement, enter into separate agreement(s) in respect of the provision of the exploration services provided that such separate agreement(s) shall always be subject to the terms of the Exploration Services Agreement and the prices and terms with respect to exploration services to be provided by Shandong Zhaojin Geological to the Company shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and terms no less favourable to the Group than prices and terms available from independent third parties to the Group.

The fees for the provision of exploration services are payable by the Company upon completion of inspection.

## MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the maximum aggregate annual values (the “Annual Caps”) in respect of the transactions contemplated under the Exploration Services Agreement will be as follows:

	<i>RMB</i>
For the year ending 31 December 2011	65,000,000 <i>(Note)</i>
For the year ending 31 December 2012	100,000,000
For the year ending 31 December 2013	110,000,000

*Note:* This amounts refers to the anticipated maximum transaction amounts for the period from 26 July 2011 to 31 December 2011.

The above Annual Caps are determined with reference to: (i) the historical transaction amount in respect of the engagement of Shandong Zhaojin Geological for provision of exploration services to the Company in the past; and (ii) the anticipated increase in demand for exploration services by the Company in view of the business development of the Company in the future.

## HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts in respect of the provision of exploration services by Shandong Zhaojin Geological to the Company are set out as follows:

	<b>For the year ended 31 December 2008</b>	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>
Provision of exploration services by Shandong Zhaojin Geological to the Company	RMB27,572,054.28	RMB26,995,566	RMB54,792,408.82

*Note:* Shandong Zhaojin Geological was not a subsidiary of Shandong Zhaojin, nor a connected person of the Company during the above period.

## REASONS FOR AND BENEFITS OF ENTERING INTO THE EXPLORATION SERVICES AGREEMENT

The Company considers that Shandong Zhaojin Geological has well established technical facility, extensive exploration experience and good reputation and is familiar with the geological conditions of the mines owned by the Company, therefore, it will be able to offer reasonable advices to the Company in respect of the geological exploration works. The engagement of Shandong Zhaojin Geological for the provision of exploration services may help to lower the exploration costs of the Company and enhance its technical support to the Company.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Exploration Services Agreement are normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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## **BOARD'S APPROVAL**

The Exploration Services Agreement was approved by the Board and none of the Directors have any material interest in the transactions contemplated thereunder. Mr. Lu Dongshang, Mr. Weng Zhanbin, Mr. Cong Jianmao and Mr. Wang Peifu abstained from voting at the related Board meetings to approve the Exploration Services Agreement by virtue of being the management staff of Shandong Zhaojin.

## **GENERAL**

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.

Shandong Zhaojin Geological is a professional geological exploration company holding a Class B qualification in solid mineral exploration, geological drilling and rock test. It was created by restructuring the Zhaoyuan City Gold Geology Team, which was the earliest county-level municipal professional gold exploration team in China. It has overall exploration capability ranging from general exploration to detailed exploration, from surface exploration to underground exploration, from placer gold exploration or rock gold exploration, and from shallow exploration to deep exploration. It owns advanced mapping, drilling, geological exploration and testing instruments. Prior to its corporate transformation, it also assumed some geological exploration business engagements from the Company. It has won recognition from the Company and market for its quality services, professional technology level and reasonable prices.

## DEFINITIONS

“Board”	board of the 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”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Exploration Services Agreement”	the exploration services agreement dated 26 July 2011 entered into between the Company and Shandong Zhaojin Geological in relation to the provision of the exploration services by Shandong Zhaojin Geological to 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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Zhaojin Geological”	Shandong Zhaojin Geological Prospecting Co., Ltd*(山東招金地質勘探有限公司), a wholly-owned subsidiary of Shandong Zhaojin
“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 as at the date of this announcement
“Share(s)”	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 Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By order of the Board  
**Zhaojin Mining Industry Company Limited**  
**Lu Dongshang**  
*Chairman*

Zhaoyuan, the PRC, 26 July 2011

*As at the date of this announcement, the Board comprises two executive directors, namely Mr. Lu Dongshang and Mr. Weng Zhanbin, five non-executive directors, namely Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Wang Peifu, Mr. Wu Zhongqing and Mr. Chen Guoping, and four independent non-executive Directors, namely Mr. Ye Tianzhu, Mr. Yan Hongbo, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo.*

\* *For identification purposes only*