

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 IN RELATION TO A CONNECTED TRANSACTION
IN RESPECT OF THE PROPOSED ACQUISITION OF
THE EXPLORATION RIGHT AND TWO PROJECTS OF
THE CONSOLIDATION OF GOLD MINE
RESOURCES IN ZHAOYUAN DISTRICT**

According to the overall arrangement for consolidation of the mine resources by Zhaoyuan City government, the Group has proposed to acquire an exploration right which constitutes a connected transaction and subject to announcement requirement under Chapter 14A of the Listing Rules. Accordingly, the Group made an announcement in respect of the acquisition and voluntary disclosure relating to the formation of two joint venture companies for the project of cooperative exploring gold mining resources in Zhaoyuan district as follow:

PROPOSED ACQUISITION OF ZAOYANGSHAN EXPLORATION RIGHT

IMPORTANT:

According to the information disclosed by Yantai Joint Property Right Exchange Center, from 7 December 2011 to 20 December 2011, the Vendor ("Zhaoyuan Gold Smelting Company Limited") will dispose of the exploration right in respect of Zaoyangshan Gold Mine located at Zhaoyuan City, Shandong Province and its ancillary assets ("Zaoyangshan Exploration Right") at the quoted price of RMB28 million. The Board has agreed and authorised the Purchaser, being a direct wholly-owned subsidiary of the Company, to bid for the Zaoyangshan Exploration Right and ancillary assets at the quoted price, which will be disposed of through a public auction at Yantai Joint Property Right Exchange Center.

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company and the Vendor is a wholly-owned subsidiary of Shandong Zhaojin. The Vendor is therefore a connected person of the Company and the transactions contemplated under the Acquisition constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. Since the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

SPECIAL RISK NOTICE

The aforesaid transaction is subject to market risk.

Since the Acquisition is made by the Group through bidding at Yantai Joint Property Right Exchange Center, there are on the Zaoyangshan Exploration Right being bid by other investors.

CONSOLIDATION OF DQJ GOLD MINE AND FORMATION OF THE DQJ JV

The disclosures on the formation of the consolidation of DQJ Gold Mine and formation of the DQJ JV are made by the Company on a voluntary basis to allow the public to be informed of the latest information of the Company.

The Company entered into the DQJ JV Agreement and the Supplemental DQJ JV Agreement regarding the formation of the DQJ JV with the DQJ Gold Mine Partner on 1 January 2011 and 1 November 2011 respectively. Pursuant to the framework and principles of the DQJ JV Agreement (as further supplemented by the Supplemental DQJ JV Agreement), the parties have agreed to establish the DQJ JV which will be principally engaged in the mining of gold and its associated ore, and processing and sale of mine products. The registered capital of the DQJ JV will be owned as to 90% and 10% by the Company and the DQJ JV Partner respectively.

CONSOLIDATION OF JISHAN GOLD MINE AND FORMATION OF THE JISHAN JV

The disclosures on the formation of the consolidation of Jishan Gold Mine and formation of the Jishan JV are made by the Company on a voluntary basis to allow the public to be informed of the latest information of the Company.

On 1 December 2011, the Company entered into the Jishan JV Agreement with the Jishan Gold Mine Partner. Pursuant to the Jishan JV Agreement, the parties have agreed to establish the Jishan JV which will be principally engaged in the exploration and exploitation of gold in Zhaoyuan, Shandong Province, the PRC. The registered capital of the Jishan JV will be owned as to 95% and 5% by the Company and the Jishan JV Partner respectively.

Zhaoyuan city in Shandong Province does not only have premium geologic structure of metallogenic belt but also has rich gold resources, therefore, three of the gold projects have located within the Zhaoyuan city and lie in Shuangmuding fracture belt and 招(遠)-平(度)斷裂帶(Zhao(yuan)-Ping(du) Fault Belt), which have ideal condition for mineralization. These three acquisitions is another step taken by the Group towards consolidation and merger of gold resources in Zhaoyuan district after the acquisition of Canzhuang gold mine, which will strengthen our ability on resource consolidation in Zhaoyuan city, so as to enhance our profitability and competitiveness.

(A) PROPOSED ACQUISITION OF ZAOYANGSHAN EXPLORATION RIGHT

According to the information disclosed by Yantai Joint Property Right Exchange Center, from 7 December 2011 to 20 December 2011, the Vendor (“Zhaoyuan Gold Smelting Company Limited*”) will dispose of the exploration right in respect of Zaoyangshan Gold Mine located at Zhaoyuan City, Shandong Province and its ancillary assets (“Zaoyangshan Exploration Right”) at the quoted price of RMB28 million. The Board has agreed and authorized the Purchaser, being a direct wholly-owned subsidiary of the Company, to bid for the Zaoyangshan Exploration Right and its ancillary assets at the quoted price, which will be disposed of through a public auction in Yantai Joint Property Right Exchange Center.

If the Purchaser is confirmed to be the transferee after completion of the auction, an Assets Transfer Agreement will be signed by the Purchaser and the Vendor. Those drafted major terms to the Assets Transfer Agreement are as follows:

Proposed Parties

Purchaser: 招遠市金亭嶺礦業有限公司 (Zhaoyuan Jintingling Mining Industry Company Limited*), a direct wholly-owned subsidiary of the Company

Vendor: 山東招金集團招遠黃金冶煉有限公司 (Zhaoyuan Gold Smelting Company Limited*), a wholly-owned subsidiary of Shandong Zhaojin which is a controlling Shareholder of the Company

Subject of the transaction

The Zaoyangshan Exploration Right and ancillary assets.

Transaction Method

The transaction will take place at Yantai Joint Property Right Exchange Center by means of public auction, in which the Vendor will sell its Zaoyangshan Exploration Right and its ancillary assets through public auction and the Purchaser will complete the transaction by bidding.

Consideration

Based on the appraisal results, the quoted price at Yantai Joint Property Right Exchange Center is RMB28 million. The Purchaser intends to bid for the Zaoyangshan Exploration Right at not more than the quoted price of RMB28 million.

The Purchaser intends to finance the consideration of the Zaoyangshan Exploration Right by the internal resources of the Group.

Payment Method

The payment will be settled in full by cash and the Purchaser will pay the consideration by cash to obtain the Zaoyangshan Exploration Right held by the Vendor.

Time of Payment

In compliance with the respective regulations of Yantai Joint Property Right Exchange Center, the Vendor will pay the security deposit of RMB5 million upon the lodging of the application.

If the bid is successful, the security deposit shall be applied towards the payment of the consideration of the Zaoyangshan Exploration Right, otherwise the security deposit will be fully refunded. The balance of the transfer consideration will be settled within 10 business days from the date that the Purchaser has become the owner of the Zaoyangshan Exploration Right after the transfer has been completed.

Conditions to the transferee

1. Intended transferee shall be an enterprise legal person incorporated in Shandong Province, the PRC and has been legally existing for more than five years with a paid-up registered capital of not less than RMB45 million (according to the operating license of 2010 year-end business registration);
2. Intended transferee as enterprise legal person shall primarily engage in gold mining and ore processing business;
3. Transferee shall have good reputation, financial condition and paying ability;
4. In case of equivalent conditions, a listed company, including its subsidiaries, which satisfies the transfer conditions shall be entitled to priority;
5. Intended transferee shall pay a security deposit of RMB5 million to Yantai Joint Property Right Exchange Center at the time of lodging of the application of bidding, the security deposit will be applied towards the payment of the consideration of the Zaoyangshan Exploration Right upon signing the “Asset Transfer Agreement”;
6. The “Asset Transfer Agreement” shall be signed with the transferor within 3 business days after the transferee has been confirmed.

INFORMATION ON THE ZAOYANGSHAN EXPLORATION RIGHT

The Zaoyangshan Exploration Right enables its holder to conduct exploration in the Mine located at 中國山東省招遠市早陽山 (Zaoyang Shan, Zhaoyuan City, Shandong Province, the PRC*) which occupies an area of 16.20 square kilometers. The Mine possesses good ore-forming conditions and development prospects as well as good infrastructure and facilities. Based on previous exploration works conducted in the Mine, the indicated and inferred ore resources are approximately 379,881 tonnes, gold metal resources are approximately 1,267 kilograms and average grade is approximately 3.34 gram per ton. The Zaoyangshan Exploration Right was granted by Shandong Provincial Department of Land & Resources. The Zaoyangshan Exploration Right was initially granted on 28 January 2011 and will expire on 31 December 2012.

According to the listing information from Yantai Joint Property Right Exchange Center, by virtue of the valuation by the PRC Independent Valuer based on 地質要素評序法 (geology essential factor appraisal method*) which estimated the value of the Zaoyangshan Exploration Right with reference to the cost of exploration works performed, the valuations of the Zaoyangshan Exploration Right and ancillary assets were RMB27,987,600 as at 31 July 2011, of which the valuation of the Zaoyangshan Exploration Right was RMB22,475,300 and the valuation of the ancillary assets was RMB5,512,300. The Zaoyangshan Exploration Right is currently at 普查 (prospecting*) stage.

As at the date of this announcement, the mining operation in the areas of the Mine covered by the Zaoyangshan Exploration Right has not been commenced. No capital commitment has been made by the Company in respect of the Zaoyangshan Exploration Right and the total costs to be incurred on the exploration of the Mine under the Zaoyangshan Exploration Right cannot be ascertained.

The Zaoyangshan Exploration Right was obtained by the Vendor by application to Shandong Provincial Department of Land & Resources. Only original purchase cost paid by the Vendor when obtaining the Zaoyangshan Exploration Right only involves an application fee of insignificant amount.

INFORMATION ON THE GROUP AND THE VENDOR

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.

The Vendor is a wholly-owned subsidiary of Shandong Zhaojin. The Vendor is principally engaged in the smelting of gold and silver and the production and sale of electrolytic copper and sulfate sulfur concentrate.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

It is one of the Company's objectives to continue to strengthen geological exploration and steadily increase mine reserves. The Group has been conducting exploration of gold in the Zhaoyuan district and in other regions of the PRC. Pursuant to the PRC laws and regulations, the holder of an exploration right has a preferential right to obtain the related mining permit after successful discovery of gold resources. As such, the Company considers that the Acquisition is in line with the existing business activities of the Group as well as the business objective of the Group.

With reference to previous exploration works and available geological data on the Mine, the Company expects that its gold metal resources will increase by more than 1,267 kilograms as a result of the Acquisition. Accordingly, the Company considers that the Acquisition will enable the Group to extend its orebodies in/near existing mines of the Group and leverage on its expertise and experience in gold industry, thereby increasing its future gold reserve and enhancing the competitiveness and continuing development capability of the Group.

Having considered the aforesaid factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are on normal commercial terms and are fair and reasonable, and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company and the Vendor is a wholly-owned subsidiary of Shandong Zhaojin. The Vendor is therefore a connected person of the Company and the transactions contemplated under the Transfer Agreement constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. Since the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further announcement will be made following announcement of the bidding results by Yantai Joint Property Right Exchange Center.

The Acquisition 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 have abstained from voting at the related Board meetings to approve the Acquisition by virtue of them being connected persons of Shandong Zhaojin.

(B) CONSOLIDATION OF DQJ GOLD MINE AND FORMATION OF THE DQJ JV

The following disclosures on the formation of the consolidation of DQJ Gold Mine and formation of the DQJ JV are made by the Company on a voluntary basis to allow the public to be informed of the latest information of the Company.

DQJ Gold Mine was established in June 1986 and located in Zhaoyuan City, Shandong Province. DQJ Gold Mine is a comprehensive corporation integrating the businesses of exploration, exploitation and processing of mineral resources and primarily engages in exploration and processing of gold raw ore. According to the valuation report as at 31 December 2010 prepared by PRC Independent Valuer, the Mining Right and Exploration Right obtained by DQJ Gold Mine covers an area of 0.8752 square kilometers. and 6.32 square kilometers. respectively, while the ore resource reserves is approximately 626,133 tonnes.

The Company entered into the DQJ JV Agreement and the Supplemental DQJ JV Agreement regarding the formation of the DQJ JV with the DQJ Gold Mine Partner on 1 January 2011 and 1 November 2011 respectively. Pursuant to the framework and principles of the DQJ JV Agreement (as further supplemented by the Supplemental DQJ JV Agreement), the parties have agreed to establish the DQJ JV which will be principally engaged in the mining of gold and its associated ore, and processing and sale of mine products. The registered capital of the DQJ JV will be owned as to 90% and 10% by the Company and DQJ JV Partner respectively.

The DQJ Gold Mine Partner, being a state-owned institution, is the owner of 100% equity interest in DQJ Gold Mine. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the DQJ JV Partner and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The registered capital of the DQJ JV will be RMB30 million, which shall be contributed (i) as to RMB27 million by the Company in cash; and (ii) as to RMB3 million by the DQJ JV Partner by way of injection of part of the net assets of DQJ Gold Mine. All members of the board of the DQJ JV shall be appointed by the Company.

The Company considers that the establishment of DQJ JV will enhance the Group's ability in exploration and expand ore reserves. Through our efforts in construction project of drilling tunnels and holes, our gold reserves will be enlarged. It is estimated by the geological experts that, as at the date of the announcement, through our efforts in exploration and enlarging reserves, the remaining gold metal quantity owned by DQJ JV are approximately 4,300 kilograms, the remaining gold ore are approximately 1,068,000 tonnes and average grade is 4.03 gram per ton.

(C) CONSOLIDATION OF JISHAN GOLD MINE AND FORMATION OF THE JISHAN JV

The following disclosures on the formation of the consolidation of Jishan Gold Mine and formation of the Jishan JV are made by the Company on a voluntary basis to allow the public to be informed of the latest information of the Company.

Jishan Gold Mine locates in Zhaoyuan City, Shandong Province. Jishan Gold Mine is a comprehensive corporation integrating the businesses of exploration, exploitation and processing of mineral resources and primarily engages in exploration and processing of gold raw ore.

On 1 December 2011, the Company entered into the Jishan JV Agreement with the Jishan Gold Mine Partner. Pursuant to the Jishan JV Agreement, the parties have agreed to establish the Jishan JV which will be principally engaged in the exploration and exploitation of gold in Zhaoyuan, Shandong Province, the PRC. The registered capital of the Jishan JV will be owned as to 95% and 5% by the Company and the Jishan JV Partner respectively.

The Jishan Gold Mine Partner, being a PRC government authority, is the owner of 100% equity interest in Jishan Gold Mine. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Jishan JV Partner and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The registered capital of the Jishan JV will be RMB6.31 million, which shall be made by way of injection of the net assets of Jishan Gold Mine. The Jishan JV will be owned as to 95% by the Company and as to 5% by the Jishan JV Partner. All members of the board of the Jishan JV shall be appointed by the Company.

Pursuant to the Jishan JV Agreement, the parties agreed that the fair value of the net assets of Jishan was RMB6.31 million by reference to a valuation conducted by an independent PRC valuer. The Company shall pay the Jishan Gold Mine Partner RMB6 million, being 95% of the agreed fair value of the net assets of Jishan Gold Mine, and the Jishan Gold Mine Partner shall inject all of the net assets of Jishan Gold Mine, including but not limited to land use rights, land and properties, into the Jishan JV. Jishan Gold Mine Partner will hold 5% registered capital of Jishan Gold Mine by injecting RMB310,000.

According to the valuation report as at 30 June 2011 prepared by PRC Independent Valuer, the mining right and exploration right obtained by Jishan Gold Mine covers an area of 1.4156 square kilometers and 1.34 square kilometers respectively, while the ore resource reserves are 156,130.6 tonnes. It is estimated by the geological experts that, as at the date of the announcement, through our efforts in exploration and enlarging reserves, the remaining gold metal quantity of Jishan JV are approximately 1,510 kilograms, the remaining gold ore are approximately 368,867 tonnes and average grade is 4.09 gram per ton.

The Company considers that the establishment of Jishan JV will enable the Group to explore mines with greater ability and expand our gold reserves.

DEFINITIONS

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

“Acquisition”	the acquisition of the Zaoyangshan Exploration Right from the Vendor by the Purchaser pursuant to the asset transfer agreement to be entered into in the event that the bid is successful
“Board”	the board of Directors
“Business Days”	a day (not being a Saturday, Sunday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 12:00 noon) on which banks are generally open for general banking business in Hong Kong
“Company”	招金礦業股份有限公司 (Zhaojin Mining Industry Company Limited*) (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”	the directors of the Company
“DQJ Gold Mine”	招遠市大秦家金礦 (Zhaoyuan Daqinjia Gold Mine*), a collective ownership enterprise in the PRC
“DQJ Gold Mine Partner”	招遠市人民政府大秦家鎮街道辦事處 (Zhaoyuan People’s Government Daqinjia Town Sub-District*) (formerly known as 招遠市大秦家鎮人民政府 (Zhaoyuan Daqinjia Town People’s Government*)), a PRC government authority
“DQJ JV”	招遠市招金大秦家礦業有限公司 (Zhaoyuan Zhaojin-Daqinjia Mining Company Limited*), a joint venture company to be incorporated in the PRC with limited liability
“DQJ JV Agreement”	the joint venture agreement dated 1 January 2011 entered into between the Company and the DQJ Gold Mine Partner
“DQJ JV Partner”	招遠市秦金實業發展總公司 (Zhaoyuan Qinjin Enterprise Development 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
“Jishan Gold Mine”	a collective ownership enterprise in the PRC
“Jishan Gold Mine Partner”	招遠市張星鎮人民政府 (Zhaoyuan Zhangxing Town People’s Government*), a PRC government authority, owns 100% equity interest in Jishan Gold Mine
“Jishan JV”	招遠市招金紀山礦業有限公司 (Zhaoyuan Zhaojin-Jishan Mining Company Limited*), a joint venture company to be incorporated in the PRC with limited liability
“Jishan JV Agreement”	the joint venture agreement dated 1 December 2011 entered into between the Company and the Jishan Gold Mine Partner in relation to the establishment of the Jishan JV
“Jishan JV Partner”	招遠市張星鎮人民政府 (Zhaoyuan Zhangxing Town People’s Government*), a PRC government authority, owns 5% equity interest in Jishan JV
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mine”	早陽山金礦 (Zaoyangshan Gold Mine*), a gold mine located at 中國山東省招遠市早陽山 (Zaoyang Shan, Zhaoyuan City, Shandong Province, the PRC*)
“PRC”	the People’s Republic of China
“Purchaser”	招遠市金亭嶺礦業有限公司 (Zhaoyuan Jintingling Mining Industry Company Limited*), a company incorporated in the PRC and is a direct wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“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 a controlling Shareholder
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental DQJ JV Agreement”	the supplemental agreement entered into by the parties to the DQJ JV Agreement on 1 November 2011 to supplement certain terms of the DQJ JV Agreement
“Vendor”	山東招金集團招遠黃金冶煉有限公司 (Zhaoyuan Gold Smelting Company Limited*), a company incorporated in the PRC and is a wholly-owned subsidiary of Shandong Zhaojin
“Valuer”	an independent firm of valuers licensed by the Ministry of Land and Resources of the PRC to carry out valuation of state-owned assets and exploration rights in the PRC
“Zaoyangshan Exploration Right”	exploration right of gold in respect of the Mine

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

Zhaoyuan, the PRC, 7 December 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.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.

* For identification purpose only