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ZHAO JIN

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)

CONTINUING CONNECTED TRANSACTIONS

BROKERAGE CONTRACTS

BROKERAGE CONTRACTS

On 9 April 2013, the Company entered into the Brokerage Contracts with Zhao Jin Futures, a non-wholly-owned subsidiary of Zhaojin Group, in relation to the provision of futures brokerage service in the PRC by Zhao Jin Futures to the Company for a term of three years commencing from 9 April 2013 and ending on 31 December 2015. Pursuant to the Brokerage Contracts, the Company is required to place a Security Deposit with and pay the Transaction Fees to Zhao Jin Futures.

The proposed annual caps for the following transactions pursuant to the Brokerage Contracts are:

- (a) the estimated amount of Security Deposit to be placed by the Company with Zhao Jin Futures for each of the three years ending 31 December 2015 will be approximately RMB200 million, RMB230 million and RMB265 million, respectively. The proposed annual cap refers to the maximum daily outstanding balances during the term of the Futures Contracts, and are not cumulative in nature; and
- (b) the estimated Transaction Fees payable by the Group to Zhao Jin Futures for each of the three years ending 31 December 2015 will be approximately RMB550,000, RMB650,000 and RMB750,000, respectively.

As Zhao Jin Futures, being a non-wholly-owned subsidiary of Zhaojin Group, a controlling Shareholder of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules, the placement of such Security Deposit by the Company with Zhao Jin Futures and the payment of the Transaction Fees as contemplated under the Brokerage Contracts constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the amount of Security Deposit to be placed by the Company with Zhao Jin Futures together with the Transaction Fees on an annual basis contemplated under the Brokerage Contracts exceed 0.1% but less than 5%, the Brokerage Contracts constitute continuing connected transactions of the Company and are subject to reporting and announcement requirements but exempt from independent shareholders approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

- (a) In order to minimise the risks of gold price fluctuations and ensure the revenue from the processing business by freezing up the cost of raw materials, the Company intends to freeze the cost of its gold concentrates through futures transaction.
- (b) Gold financial leasing is a type of business in which banks lease gold to qualified enterprises which meet specific conditions and charge them for rents in accordance with the relevant gold leasing contract, and the enterprises are required to return gold of the same quantity and quality upon expiry. Enterprises may fulfil short-term financing by selling the leased gold. In order to reduce the cost of short-term financing, the Company intends to participate in certain gold leasing business of financing nature. Therefore, the Company intends to freeze the price of the leased gold through conducting futures transactions, so as to freeze the financing costs.

Save for the two purposes of trading mentioned above, the Company will not enter into any other futures trades.

BROKERAGE CONTRACTS

Parties

The Company and Zhao Jin Futures

Principal terms

Zhao Jin Futures agrees to provide the Company with brokerage service in relation to gold futures transaction in the PRC as instructed by the Company for a term of three years commencing from 9 April 2013 and ending on 31 December 2015.

The Company entrusts Zhao Jin Futures to trade gold futures contracts at its instruction in accordance with the terms of the Brokerage Contracts. A Security Deposit shall be placed by the Company in a bank account designated by Zhao Jin Futures. Such Security Deposit placed by the Company shall belong to the Company. Zhao Jin Futures shall have the right to utilise the Security Deposit in the following ways:

- (i) in accordance with the instructions by the Company;
- (ii) to pay for the security deposit for the Company or settle the difference;
- (iii) to pay for the sum for the completion of the futures transaction for the Company or any default sum payable by the Company in the event of breach;
- (iv) to pay for the penalty payable by the Company imposed by any regulatory authority in the event of breach of any rules or regulations;
- (v) to pay for the custodian fee or any related fee payable by the Company;
- (vi) to pay for any administrative fee, tax or other related fees payable by the Company;
- (vii) to use the Security Deposit in the manner and amount as agreed by the parties in writing; or
- (viii) in accordance with the requirement under the relevant laws, regulations or by the CSRC.

In consideration of the services to be provided by Zhao Jin Futures under the Brokerage Contracts, Zhao Jin Futures will charge the Company Transaction Fees pursuant to the Brokerage Contracts.

The Futures Contracts can be terminated by either party, if terminated by Zhao Jin Futures, by giving two days written notice to the Company; if terminated by the Company, by terminating the account with Zhao Jin Futures.

Pricing determination

The Transaction Fees were calculated on the basis of RMB10 per lot.

The Transaction Fees were arrived at after arm's length negotiation between the parties taking into account of the fee and charge to be charged by other independent service providers for providing similar services in the PRC.

Annual caps

The Company did not conduct any futures transaction with Zhao Jin Futures in the past.

Proposed annual caps

The proposed annual caps for the transactions pursuant to the Brokerage Contracts are:

- (1) the estimated amount of Security Deposit to be placed by the Company with Zhao Jin Futures for each of the three years ending 31 December 2015 will be approximately RMB200 million, RMB230 million and RMB265 million, respectively. The proposed annual cap refers to the maximum daily outstanding balances during the term of the Brokerage Contracts, and are not cumulative in nature; and
- (2) the estimated annual Transaction Fees payable by the Company to Zhao Jin Futures for each of the three years ending 31 December 2015 will be approximately RMB550,000, RMB650,000 and RMB750,000, respectively.

The proposed annual caps of the Security Deposit to be placed by the Company with Zhao Jin Futures are estimated based on the amount of gold concentrates to be bought and the amount of gold to be leased for the three years ending 31 December 2015.

The proposed annual caps for the Transaction Fees are estimated based on the amount of gold concentrates to be bought and the amount of gold to be leased for the three years ending 31 December 2015.

Information on Zhaojin Group

Zhaojin Group 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.

Information on Zhao Jin Futures

Zhao Jin Futures is a licenced brokerage firm registered with and regulated by the CSRC in the PRC. It is also a member of the Shanghai Futures Exchange. It is principally engaged in the business of provision of brokerage and advisory services in relation to futures transactions in the PRC.

Zhao Jin Futures is a company effectively controlled by Zhaojin Group. Zhaojin Group holds 49.96% interests of Zhao Jin Futures through its subsidiary, Zhaojin Refinery.

Information on the Group

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

Reasons for and benefits of the connected transactions between the Company and Zhao Jin Futures

- (1) Trading of futures on the Shanghai Futures Exchange can only be done by members of the Shanghai Futures Exchange. As the Company is not a member of the Shanghai Futures Exchange, it must engage a brokerage firm to trade the futures contract on the Shanghai Futures Exchange on its behalf.
- (2) It is in the interest of the Company to use the futures brokerage service provided by Zhao Jin Futures as it is conducive to the confidentiality of trading.
- (3) Zhao Jin Futures is a qualified and reputable licenced brokerage firm registered with and regulated by the CSRC in the PRC with stringent internal control policies and risk management system. It has a professional market research team which is able to provide professional guidance and advice to the Company. As Zhao Jin Futures has extensive experience and expertise to monitor the transactions in a timely manner and enable the Company to identify and react to the fluctuation in the gold futures trading market. The Directors consider that the engagement of the service of Zhao Jin Futures will be beneficial to the Company.

- (4) The security deposit placed with Zhao Jin Futures are well protected pursuant the following laws and regulations of the PRC:
- (i) the Interim Measures on Separate Management of Security Deposit Taken by Futures Brokers (《期貨經紀公司保證金封閉管理暫行辦法》) specifies that, in order to safeguard the rights and interests of investors, the security deposit taken by futures brokers shall be subject to separate management, which shall be under the supervision from futures brokers' own capital accounts. Therefore, even if the futures brokers run into operational difficulties, the security deposit of the clients will not be misappropriated or affected. Article 69 of the Measures for Administration of Futures Companies (《期貨公司管理辦法》) (Order No. 43 of China Securities Regulatory Commission) also stipulates that futures security deposit placed at futures brokers vest in the clients. Other than the transfer under Article 29 of Administrative Rules for Futures Trading (《期貨交易管理條例》), no entity or individual shall be allowed to use or misappropriate security deposit of the clients in any manner. If a futures company goes into bankruptcy or liquidity, its clients' security deposit or other property used as security deposit shall not be taken as property subject to bankruptcy or liquidity proceedings. No seizure, freeze, transfer or enforcement shall be imposed on the clients' security deposit or other property used as security deposit in cases other than clients in debts or other circumstances as provided by laws and administrative regulations. The security deposit of the clients shall be independent from and managed separately with the future companies' own capital.
 - (ii) pursuant to the Interim Measures for Administration of the Futures Investors Protection Fund (《期貨投資者保障基金管理暫行辦法》), futures exchanges and futures brokers contribute at a certain rate to the investors protection fund, which is a special fund to compensate investors for their loss of security deposit if serious violation of laws and regulations or weakness in risk control on the part of futures brokers leads to the shortage of security deposit and may threaten the social stability and the safety of the futures market.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Futures Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As Zhao Jin Futures, being a non-wholly-owned subsidiary of Zhaojin Group, a controlling Shareholder of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules, the placement of such Security Deposit by the Company with Zhao Jin Futures and the payment of the Transaction Fees as contemplated under the Brokerage Contracts constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the amount of Security Deposit to be placed by the Company with Zhao Jin Futures together with the Transaction Fees on an annual basis contemplated under the Brokerage Contracts exceed 0.1% but less than 5%, the Brokerage Contracts constitute continuing connected transactions of the Company and is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BOARD'S APPROVAL

The Board has approved the Brokerage Contracts and none of the Directors has any material interest in the Brokerage Contracts and none of them was therefore required to abstain from voting on the board resolution of the transactions contemplated thereunder. Mr. Lu Dongshang, Mr. Weng Zhanbin and Mr. Cong Jianmao have abstained from voting at the Board's meeting to approve the Brokerage Contracts by virtue of them being the management staff of Zhaojin Group.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“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
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Brokerage Contracts”	the futures brokerage contract (期貨經紀合同) and the supplemental agreement to the futures brokerage contract (招金期貨有限公司期貨經紀合同) both dated 9 April 2013 entered into between the Company and Zhao Jin Futures in relation to the provision of futures brokerage service in the PRC by Zhao Jin Futures to the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	H share(s) of nominal value of RMB1 each in the capital of the Company, which are listed on the Stock Exchange
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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, which for the purpose of this announcement only, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Security Deposit”	the maximum daily outstanding balance of deposit to be placed by the Company with Zhao Jin Futures pursuant to the Brokerage Contracts, all participants in the futures trading market will be required to place a security deposit with the futures brokerage firm in the ratio typically of 10% to 15% of the total transaction amount in accordance with the requirements of relevant laws and regulations in the PRC
“Transaction Fees”	a commission fee and the handling fees for the trading of futures transaction pursuant to the Brokerage Contracts
“Zhaojin Group”	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 and a controlling Shareholder of the Company
“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
“Zhao Jin Futures”	招金期貨有限公司 (Zhao Jin Futures Co., Ltd*), a licenced brokerage firm registered with and regulated by the CSRC in the PRC, a non-wholly-owned subsidiary of Zhaojin Group
“%”	per cent

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

Zhaoyuan, the PRC, 9 April 2013

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Lu Dongshang, Mr. Weng Zhanbin and Mr. Li Xiuchen; four non-executive Directors, namely Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Ye Kai and Mr. Kong Fanhe; and four independent non-executive Directors, namely Mr. Ye Tianzhu, Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo and Mr. Xie Jiyuan.

* For identification purposes only