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ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1818)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 51% EQUITY INTEREST IN BINGHUA MINING**

EQUITY TRANSFER AGREEMENT

The Company is pleased to announce that the Company and Boyan Mining will jointly acquire 80% equity interest in Binghua Mining, of which the Company will acquire 51% equity interest in Binghua Mining for an expected total consideration of not more than RMB900 million, and Boyan Mining will acquire 29% equity interest in Binghua Mining for an expected total consideration of not more than RMB520 million. The Company, Boyan Mining, Zhengxiang Investment and the Four Vendors have entered into the Equity Transfer Agreement in respect of the Equity Transfer on 15 December 2014.

Upon completion of the Equity Transfer, the Company will hold 51% equity interest in Binghua Mining. Therefore, Binghua Mining will become a non-wholly owned subsidiary of the Company. The Equity Transfer is expected to help the Company to increase its mineral reserves and enhance its profitability and competitiveness.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceed 5% but is less than 25%, the Equity Transfer constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

BACKGROUND

The Company is pleased to announce that the Company and Boyan Mining will jointly acquire 80% equity interest in Binghua Mining, of which the Company will acquire 51% equity interest in Binghua Mining for an expected total consideration of not more than RMB900 million, and Boyan Mining will acquire 29% equity interest in Binghua Mining for an expected total consideration of not more than RMB520 million. The principal asset of Binghua Mining is the mining right of the Gold Mine legally owned by it in Jiagantan, Xiahe County (夏河縣加甘灘).

MAJOR TERMS OF THE EQUITY TRANSFER AGREEMENT

Date: 15 December 2014

Parties

(A) *The Four Vendors:*

- (1) Xinxiang Company, holding 30% equity interest in Binghua Mining, is a limited company established in the PRC, which is principally engaged in the development, production and sale of new types of wall-building materials.
- (2) Lin Jinfang, holding 20% equity interest in Binghua Mining.
- (3) Chen Tiande, holding 20% equity interest in Binghua Mining.
- (4) Hong Zhenchao, holding 10% equity interest in Binghua Mining.

(B) *The Purchasers:*

- (1) the Company.
- (2) Boyan Mining.

(C) *The Partner:*

Zhengxiang Investment, holding 20% equity interest in Binghua Mining, is a limited company established in the PRC, which is principally engaged in investment management, corporate marketing planning, economic information consultation and industrial investments.

To the best of the Company's knowledge, information and belief having made all reasonable enquiries, each of the Four Vendors, Boyan Mining and Zhengxiang Investment and their respective ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.

Subject of the transaction

Pursuant to the Equity Transfer Agreement, the Four Vendors agreed to transfer their respective equity interest in Binghua Mining to the Company and Boyan Mining according to the following percentages, which constitute an aggregate of 80% equity interest in Binghua Mining:

	Percentage of the equity interest in Binghua Mining to be acquired by the Company
The Four Vendors	
Xinxiang Company	1%
Lin Jinfang	20%
Chen Tiande	20%
Hong Zhenchao	10%
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Purchaser

The Company	51%
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	Percentage of the equity interest in Binghua Mining to be acquired by Boyan Mining
Vendor	
Xinxiang Company	29%
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Purchaser

Boyan Mining	29%
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CONDITIONS PRECEDENT TO THE EQUITY TRANSFER:

- (1) All the 80% equity interest in the Target Company, instead of a portion thereof, under the Equity Transfer Agreement shall be transferred and acquired in one lot;
- (2) Zhengxiang Investment has approved a resolution which was passed at the general meeting of the Target Company approving the transfer of the 80% equity interest in the Target Company, and has expressly waived its right of first refusal to acquire the equity interest to be transferred under the Equity Transfer Agreement.

Obligations of Zhengxiang Investment

Zhengxiang Investment agreed to perform its obligations under the Equity Transfer in relation to procedures regarding issuance of reserve examination reports, confirmation of final amounts of mineral resources for the transaction, supporting any subsequent expansion of mining areas as those to be performed by the Four Vendors or the Purchasers. Zhengxiang Investment agreed to bear joint liability for all the obligations of the Four Vendors under the Equity Transfer Agreement. Following the Equity Transfer, Zhengxiang Investment shall maintain cooperative relationship with the Purchasers in respect of exploration and mining within the Gold Mine in Jiagantan.

Pursuant to the Equity Transfer Agreement, the Company, Boyan Mining and Zhengxiang Investment agreed to make further capital contribution of RMB19,380,000, RMB11,020,000 and RMB7,600,000, respectively, to the Target Company, based on their respective shareholding of 51%, 29% and 20% in the Target Company within five working days from the Completion Date. The increased capital shall be used for repayment of debts of the Target Company. The Company will make further announcement in respect of the further capital contributions in accordance with the requirements of the Listing Rules as and when appropriate.

CONSIDERATION AND PAYMENT TERMS

Pursuant to the Equity Transfer Agreement, the Company and Boyan Mining will pay the consideration for the transaction of RMB288,221,400 and RMB163,890,600, respectively, based on the current estimated gold reserve of 40 tonnes in the Gold Mine and the unit price of RMB15 million per tonne (equivalent to approximately US\$76.29 per ounce) plus the carrying amounts of fixed assets of the Target Company of RMB3,140,000 as at 31 October 2014 less the carrying amounts of liabilities of the Target Company of RMB38,000,000 as at 31 October 2014. The Purchasers will pay 50% of the consideration for the transaction to the Four Vendors according to the percentage of the equity interest to be acquired by them, of which, the Company and Boyan Mining will pay an amount of RMB144,110,700 and RMB81,945,300, respectively, within five working days after entering into the agreement and the equity transfer documents. The remaining 50% of the consideration is payable by the Purchasers within five working days from the Completion Date.

Consideration

- (1) The consideration payable by the Company for the 1% equity interest held by Xinxiang Company in Binghua Mining to be acquired by the Company is RMB5,651,400;
- (2) The consideration payable by the Company for the 20% equity interest held by Lin Jinfang in Binghua Mining to be acquired by the Company is RMB113,028,000;
- (3) The consideration payable by the Company for the 20% equity interest held by Chen Tiande in Binghua Mining to be acquired by the Company is RMB113,028,000;
- (4) The consideration payable by the Company for the 10% equity interest held by Hong Zhenchao in Binghua Mining to be acquired by the Company is RMB56,514,000; and
- (5) The consideration payable by Boyan Mining for the 29% equity interest held by Xinxiang Company in Binghua Mining to be acquired by Boyan Mining is RMB163,890,600.

Pursuant to the agreement, the Four Vendors will proceed with exploration of the Gold Mine after the signing of the agreement. The exploration period will terminate on 31 December 2014. Upon completion of exploration, the Four Vendors, under the arrangement by Zhengxiang Investment, will engage an independent third-party institution to prepare a mineral reserve report. After the report is reviewed and approved by the Mineral Resources Reserves Assessment Center of the MLR or China Mining Association (中國礦業聯合會), both the Four Vendors and the Purchasers will, based on the mineral reserves stated in the report, determine the total consideration for the transaction based on the unit price of RMB15 million per tonne (equivalent to approximately US\$76.29 per ounce).

If the final consideration for the transaction payable by the Company based on its shareholding in Binghua Mining is less than RMB288,221,400, the Four Vendors will return the excess amount of the consideration based on the final consideration for the transaction. If the final consideration for the transaction is more than RMB288,221,400 but less than RMB900 million, the Company will pay the balance of the consideration based on the final consideration for the transaction. In the event that the total consideration payable by the Company is more than RMB900 million, the Company will make further announcement in accordance with the requirements of the Listing Rules as and when appropriate.

Basis for determining the consideration for the Equity Transfer: the unit price of RMB15 million per tonne (equivalent to approximately US\$76.29 per ounce) was determined with reference to due diligence investigation and financial analysis on the information from the vendors conducted by the Company and its professional consultants and advices sought from the relevant intermediaries after business negotiation with the Four Vendors. Based on their experience in relation to acquisitions within the industry, the management of the Company considers that the Gold Mine in Jiagantan is located in an area with good metallogenetic conditions. The mine has considerable potential for additional minable mineral reserves and thus has higher investment value. Given that the Mine is located in the surrounding area of Zaozigou Gold Mine of the Company, the Company can therefore carry out integrated planning and intensive mining and achieve synergic effect. The acquisition will also enable the Company to improve its profitability and competitiveness, and the unit price was determined accordingly.

The expected total maximum consideration for the transaction of not more than RMB900 million and RMB520 million, which are to be paid by the Company and Boyan Mining, respectively, were determined based on the results of exploration and examination conducted by an expert team organized by the Company within the Gold Mine in Jiagantan and with reference to the professional advices from intermediaries. Based on the examination results, the existing gold reserve of the Gold Mine in Jiagantan is 40 tonnes, and the estimated total gold reserve of the Gold Mine in Jiagantan will amount to approximately 100 tonnes, but will not exceed 120 tonnes. Accordingly, the Company has determined the maximum consideration for the transaction.

BASIC INFORMATION OF THE TARGET COMPANY

Established in January 2007, Binghua Mining is held as to 30%, 20%, 20%, 20% and 10% by Xinxiang Company, Zhengxiang Investment, Lin Jinfang, Chen Tiande and Hong Zhenchao, respectively. It is principally engaged in mining, processing and trading of gold ores. Binghua Mining holds the mining license for the Gold Mine which covers a mining area of 6.8172 square kilometers. The Mine has a proven reserve of no less than 40 tonnes with an average grade of 3.09 gram per tonne. Components of the ores are relatively simple, and they are easy for processing. It is currently applying for an expansion of its mining area, which is expected to increase by approximately 1.7 square kilometres upon approval.

Since commencement of production in 2007, Binghua Mining has adopted open-pit mining and heap leaching. It currently has an annual ore extraction of 700,000 to 800,000 tonnes, and a gold output of approximately 750 kilograms in 2014. Located in Gannan Tibetan Autonomous Prefecture, Gansu Province, the Gold Mine has a bright metallogenic prospect.

Binghua Mining currently holds a mining license (No. C6200002011034110111540) of the Gold Mine which is valid from 2 April 2014 to 2 April 2024.

BASIC INFORMATION ABOUT BOYAN MINING

The full name of Boyan Mining is 山東博岩礦業有限公司 (Shandong Boyan Mining Industry Company Limited*), a limited company incorporated in the PRC. Its scope of business is investment in exploration and development of mineral resources.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The unaudited consolidated financial information of the Target Company is set out as follows:

	2012	2013
	<i>RMB</i>	<i>RMB</i>
Total assets	12,567,192.97	52,612,874.12
Net profit before taxation	6,149,738.07	5,523,945.90
Net profit after taxation	5,635,157.36	4,142,959.42

Based on the unaudited consolidated financial information of the Target Company prepared in accordance with the PRC Generally Accepted Accounting Principles, the unaudited net assets of the Target Company as at 31 December 2013 amounted to RMB37,858,302.57.

COMPLETION

The Company anticipates that the mineral reserves assessment work will be completed for preparation of the relevant mineral reserves assessment report on or before 31 March 2015. Upon completion of the review of the mineral reserves assessment report, the Company will issue an announcement in respect of the subsequent development of the acquisition after the mineral reserves and final consideration for the transaction have been determined.

The Equity Transfer Agreement will take effect when it is duly executed by the Company, Boyan Mining, the Four Vendors and Zhengxiang Investment. Upon completion of the Equity Transfer, the Company will hold 51% equity interest in Binghua Mining. Therefore, Binghua Mining will become a non-wholly owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Target Company owns the Gold Mine, which is located in Gannan Tibetan Autonomous Prefecture, Gansu Province. It covers the major metallogenic belt and the gold concentration zone in the western section of Xi Qinling orogenic belt, and have good metallogenetic conditions. A number of extra large and large and medium-sized gold deposits were discovered in the region. The mine has considerable potential for additional minable mineral reserves, and the acquisition will help the Company to increase its gold reserves.

Since commencement of production in 2007, the Gold Mine has adopted open-pit mining and heap leaching and is a productive mine. Therefore, it will enable the Company to increase its output rapidly upon completion of the acquisition.

Given that the Gold Mine is located in the surrounding area of Zaozigou Gold Mine of the Company, the Company can therefore carry out integrated planning and intensive mining and achieve synergic effect. It will also enable the Company to explore its mineral reserves in a systematic, scientific and rational manner, thereby reducing our overall costs and improving our efficiency. The acquisition will enhance the Company's influence in Gannan Tibetan Autonomous Prefecture, and provide abundant mineral resources to the Gannan production base of the Company for exploration, mining, processing and smelting of gold ores.

The Equity Transfer will increase the mineral reserves of the Company, improve its profitability and competitiveness and achieve sustainable development. It is also in line with the Company's overall strategic planning for the development of its gold business.

The Directors of the Company believe that the terms of the Equity Transfer Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION ABOUT THE GROUP

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

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Binghua Mining” or “Target Company”	夏河縣冰華礦業有限責任公司 (Xiahe Binghua Mining Industry Company Limited*)
“Boyan Mining”	山東博岩礦業有限公司 (Shandong Boyan Mining Industry Company Limited*)
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company incorporated in the PRC on 16 April 2004 and the H Shares of which are listed on the main board of Hong Kong Stock Exchange

“Completion Date”	the date of completion of all the industry and commerce registration procedures for the change of ownership in Binghua Mining under the Equity Transfer Agreement
“Equity Transfer”	the transfer of 80% equity interest in Binghua Mining from the Four Vendors to the Company and Boyan Mining under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 15 December 2014 entered into between the Company and the Four Vendors in respect of the Equity Transfer
“Four Vendors”	Xinxiang Company, Lin Jinfang, Chen Tiande and Hong Zhenchao
“Gold Mine”	a gold mined owned by Binghua Mining in Jiagantan, Xiahe County (夏河縣加甘灘)
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“MLR”	the Ministry of Land and Resources of the People’s Republic of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares
“Xinxiang Company”	喀什鑫響坪環保建材有限公司 (Kashgar Xinxiangping building materials Company Limited*), which holds 30% equity interest in Binghua Mining
“Zhengxiang Investment”	浙江政響投資管理有限公司 (Zhejiang Zhengxiang Investment Management Company Limited*), which holds 20% equity interest in Binghua Mining

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

Zhaoyuan, China, 15 December 2014

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Lu Dongshang as executive Directors, Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Xu Xiaoliang and Mr. Kong Fanhe as non-executive Directors, and Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Xie Ji Yuan and Mr. Nie Fengjun as independent non-executive Directors.

* For identification purpose only