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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)

ANNOUNCEMENT ON CONNECTED TRANSACTION OF ESTABLISHING SHANDONG ZHAOJIN GROUP FINANCE COMPANY LIMITED

The Board is pleased to announce that the Company has agreed to establish Zhaojin Finance Company jointly with Zhaojin Group and Zhaojin Smelting by entering into the Capital Contribution Agreement on 11 February 2015, with the aim of strengthening centralized management of funds, improving efficiency of capital utilization and optimizing resource allocation. Pursuant to the Capital Contribution Agreement, the Company, Zhaojin Group and Zhaojin Smelting will contribute RMB255 million, RMB200 million and RMB45 million, respectively, representing 51%, 40% and 9% of the registered capital of Zhaojin Finance Company, respectively.

The proposal in respect of the establishment of Zhaojin Finance Company was approved at the Board meeting held by the Company on 29 August 2014. Mr. Weng Zhanbin, Mr. Lu Dongshang and Mr. Cong Jianmao, each as a related director, abstained from voting at the meeting. The management is authorized at the meeting to deal with all procedures and matters in relation to the establishment of Zhaojin Finance Company. On 22 January 2015, the Company received the approval letter from the CBRC for the establishment of Zhaojin Finance Company. It was required in the approval letter that preparation work for the establishment of Zhaojin Finance Company shall be completed within 6 months from the date of the approval and application for business opening shall be made to CBRC Shandong bureau in accordance with the relevant rules and procedures.

Following its establishment, Zhaojin Finance Company will become a non wholly-owned subsidiary of the Company, which is intended to provide the member companies with professional financial services, minimise financial risks and enhance the general competitiveness of the Company. Zhaojin Finance Company will be a non-bank financial institute in China, and subject to the supervision and regulation of CBRC. As a financial company, Zhaojin Finance Company will carry out its operations in accordance with the administrative measures of China's group enterprises for the finance companies as well as the other applicable PRC laws and regulations.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhaojin Group is a controlling shareholder of the Company, and Zhaojin Smelting is a wholly-owned subsidiary of Zhaojin Group. Therefore, Zhaojin Group and Zhaojin Smelting are connected persons of the Company under Chapter 14A of the Listing Rules, and the establishment of Zhaojin Finance Company by the Company jointly with Zhaojin Group and Zhaojin Smelting constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the establishment of Zhaojin Finance Company exceeds 0.1% but is less than 5%, the establishment of Zhaojin Finance Company is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

With the aim of strengthening centralized management of funds, improving efficiency of capital utilization and optimizing resource allocation, the Board convened a meeting on 29 August 2014 to consider and approve the proposal for establishing Zhaojin Finance Company jointly with Zhaojin Group and Zhaojin Smelting and authorize the management to deal with the relevant issues and matters.

On 22 January 2015, the Company received the approval letter from the CBRC for the establishment of Zhaojin Finance Company. It was required in the approval letter that preparation work for the establishment of Zhaojin Finance Company shall be completed within 6 months from the date of the approval and application for business opening shall be made to CBRC Shandong bureau in accordance with the relevant rules and procedures.

The Company has agreed to establish Zhaojin Finance Company jointly with Zhaojin Group and Zhaojin Smelting by entering into the Capital Contribution Agreement on 11 February 2015. Pursuant to the Capital Contribution Agreement, the Company, Zhaojin Group and Zhaojin Smelting will contribute RMB255 million, RMB200 million and RMB45 million, respectively, representing 51%, 40% and 9% of the registered capital of Zhaojin Finance Company, respectively.

PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT

1. Composition of the Shareholders of Zhaojin Finance Company

Pursuant to the Capital Contribution Agreement, Zhaojin Finance Company will have a registered capital of RMB500 million, and the Company, Zhaojin Group and Zhaojin Smelting will contribute RMB255 million, RMB200 million and RMB45 million, respectively, representing 51%, 40% and 9% of the registered capital of Zhaojin Finance Company, respectively.

2. Capital Contribution Method

The three Parties have agreed to transfer their respective portion of registered capital into the account of Zhaojin Finance Company for verification within the period specified by CBRC and in accordance with the proportion and way of contribution as set forth in the Capital Contribution Agreement.

3. Arrangements for establishing Zhaojin Finance Company

- i After receipt of the approval from CBRC to the establishment of Zhaojin Finance Company, the three Parties should complete the establishment within 6 months from the date of approval. The three Parties also agreed to authorize Zhaojin Group as the applicant representative to deal with the issues in relation to the establishment of Zhaojin Finance Company on behalf of the other Investors and submit to CBRC as well as CBRC Shandong Bureau the application for commencement of operations of Zhaojin Finance Company.
- ii After receipt of the approval from CBRC Shandong Bureau to the commencement of operations of Zhaojin Finance Company, Zhaojin Group is to visit CBRC Shandong Bureau for collection of the financial license, carrying with it the letter of approval to the commencement of operations and the letters of authorization from the other two Investors.
- iii After receipt of the financial license, Zhaojin Group is to visit the relevant industrial and commercial administrative authority for industrial and commercial registration of Zhaojin Finance Company, carrying with it the letter of approval to the commencement of operations as well as the financial license.

4. Organizational Structure of Zhaojin Finance Company

Pursuant to the Capital Contribution Agreement, Zhaojin Finance Company shall have a shareholders' meeting, a board of directors, a board of supervisors and an operating management team.

5. Circumstances under which Zhaojin Finance Company will not be established

- i The Investors agree unanimously not to establish Zhaojin Finance Company;
- ii Breach of the Capital Contribution Agreement by any Investors, which makes it impossible to establish Zhaojin Finance Company;
- iii Force majeure event that makes it impossible to establish Zhaojin Finance Company; or
- iv CBRC refuses to approve the establishment and commencement of operations of Zhaojin Finance Company.

6. Effective Date of The Capital Contribution Agreement

The Capital Contribution Agreement is to take effect upon approval by the board of directors of the respective Investors and duly signed and sealed by the Investors or their authorized representatives.

MAJOR BUSINESS SCOPE OF ZHAOJIN FINANCE COMPANY

- i Provision of financing and fund raising consultation, credit verification and related consultancy and agency services for member companies;
- ii Assisting member companies in payment and collection of trade payables and receivables;
- iii Provision of approved insurance agency services;
- iv Provision of guarantee to member companies;
- v Handling entrusted loans and entrusted investments among member companies;
- vi Provision of bills acceptance and discounting services to member companies;
- vii Account settlement among member companies and designing the relevant settlement and clearance proposal;
- viii Taking of deposits from member companies;
- ix Provision of loans and financial leasing services to member companies;
- x Inter-bank lending and borrowing;
- xi Other businesses approved by CBRC.

The final business scope of Zhaojin Finance Company is subject to the approval of CBRC and registration with the industrial and commercial administrative authorities.

REASONS FOR AND BENEFITS OF ESTABLISHING ZHAOJIN FINANCE COMPANY

1. To improve capital utilization efficiency and reduce financial costs

As the Company expands its business scale, the demand for capital rises. By establishing Zhaojin Finance Company, the capital utilization efficiency can be improved by, firstly, enabling effective adjustments of internal funding of the Company so as to rectify the situation of “high deposits at bank and high indebtedness” to a certain extent; and secondly, effectively promoting synergy of the industrial and financial operations. Zhaojin Finance Company will serve as the sole party to conduct business talks with external financial institutions and by doing so the Company’s bargaining power for its financing business can be improved along with reduced financial costs and thus improving efficiency of resource allocation.

2. To enhance financial management and reduce operational risk of the Group

As the size of the Company's cash flows gradually increases, stricter risk control is required. Zhaojin Finance Company can help the Company improve its overall risk prevention and control capabilities by independently monitoring changes in payments risk and cash flow of various member companies, and making judgment on risk management of various member companies, based on cash pool management and centralized operation of receipt and payment. Therefore, the establishment of Zhaojin Finance Company will help to conduct a comprehensive, effective and dynamic real-time monitoring of cash flow position of various member companies, thus enabling an effective control of the Company's overall payments and liquidity risks.

3. To provide diversified financial intermediary services and to fulfill different financial needs of the Company

The establishment of Zhaojin Finance Company allows the Company to make full use of sophisticated financial techniques and arrangements in providing diversified financial intermediary services to member companies. Zhaojin Finance Company can assist the Company in a flexible and timely manner in launching financial services jointly with commercial banks and offer functions which a commercial bank cannot match, thereby catering for the diversified financial needs of the Group's member companies.

RELATIONSHIP AMONG THE INVESTORS AND LISTING RULES IMPLICATIONS

First Investor: the Company

Second Investor: Zhaojin Group, which holds 36.63% shares of the Company and is the controlling shareholder of the Company

Third Investor: Zhaojin Smelting, which is 100% owned by Zhaojin Group and is the wholly-owned subsidiary of Zhaojin Group

As such, both Zhaojin Group and Zhaojin Smelting are connected persons of the Company. Therefore, the establishment of Zhaojin Finance Company by the Company jointly with Zhaojin Group and Zhaojin Smelting constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the establishment of Zhaojin Finance Company exceeds 0.1% but is less than 5%, the establishment of Zhaojin Finance Company is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

APPROVAL BY THE BOARD

The proposal in respect of establishment of Zhaojin Finance Company was approved at the Board meeting held by the Company on 29 August 2014. None of the Directors have a material interest in the establishment of Zhaojin Finance Company. Mr. Weng Zhanbin, Mr. Lu Dongshang and Mr. Cong Jianmao, each as a related director because of their present offices in the Zhaojin Group, abstained from voting at the meeting. The management is authorized at the meeting to deal with all procedures and matters in relation to the establishment of Zhaojin Finance Company, including but not limited to the execution of relevant agreements.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transaction under the Capital Contribution Agreement are fair and reasonable, entered into on normal commercial terms and in the ordinary and usual course of business of the Company and the transaction is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

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

Zhaojin Group is principally engaged in capital operation, exploration, mining, processing and smelting of gold and silver ores.

Zhaojin Smelting is principally engaged in smelting of gold and silver, manufacturing and sale of electrolytic copper, sulfuric acid and sulfur concentrate; and sale of precious metal ore, nonferrous metal ore and other types of ores.

DEFINITIONS

“Board”	the board of Directors
“Capital Contribution Agreement”	the capital contribution agreement dated 11 February 2015 entered into among the Company, Zhaojin Group and Zhaojin Smelting in relation to the establishment of Zhaojin Finance Company
“CBRC”	China Banking Regulatory Commission
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Investors” or “Parties”	the Company, Zhaojin Group and Zhaojin Smelting
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhaojin Finance Company”	the new company proposed to be set up by the Company, Zhaojin Group and Zhaojin Smelting pursuant to the Capital Contribution Agreement with the proposed name of Shandong Zhaojin Group Finance Company Limited (山東招金集團財務有限公司)
“Zhaojin Group”	Shandong Zhaojin Group Company Limited (山東招金集團有限公司), the controlling shareholder of the Company, more information is set out under “Information on the Parties”
“Zhaojin Smelting”	Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited (山東招金集團招遠黃金冶煉有限公司), a wholly-owned subsidiary of Zhaojin Group, more information is set out under “Information on the Parties”

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

Zhaoyuan, China, 11 February 2015

As at the date of this announcement, the Board comprises:

Executive Directors: Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Lu Dongshang

Non-executive Directors: Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Xu Xiaoliang and Mr. Kong Fanhe

Independent non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Xie Jiyan and Mr. Nie Fengjun

* *For identification purpose only*