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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 63.86% EQUITY INTEREST IN SHANDONG RUIYIN**

**Financial Adviser to the Company**



#### **EQUITY TRANSFER**

The Company is pleased to announce that Yantai Jinshi, a wholly-owned subsidiary of the Company, will acquire 63.86% equity interest in Shandong Ruiyin for a total consideration of RMB2.7225 billion. The principal asset of Shandong Ruiyin is the exploration right of the Haiyu Gold Mine in the north of Sanshan Island in Laizhou City (萊州市三山島北部) held by Ruihai Mining.

On 7 January 2012, Laizhou Ruihai as the Vendor and Yantai Jinshi as the Purchaser entered into the Equity Transfer Agreement in respect of the Equity Transfer in which gold resources was expected to be no more than 205 tonnes and the consideration was expected to be no more than RMB1.208 billion. Pursuant to the Equity Transfer Agreement, the Consideration would be determined after taking into account of (i) the gold resources of the Haiyu Gold Mine verified by the Resources Survey Report, mining prospect and exploration potential of the Haiyu Gold Mine for additional gold resources; and (ii) the unit price for 332 class gold resources of RMB12.5 million per tonne (US\$63.53 per ounce) and the unit price for 333 class gold resources of RMB9.52 million per tonne (US\$48.38 per ounce).

According to the Resources Survey Report reviewed and filed by the MLR, Haiyu Gold Mine consists of gold resources in an aggregate amount of approximately 470.47 tonnes (15.126 million ounces) as at 31 March 2014 which was higher than the gold resources originally expected by the parties to the Equity Transfer Agreement. As such, based on the formula set out in the Equity Transfer Agreement, the Consideration would be adjusted to be RMB2.7225 billion.

In view of the above and the potential for additional minable gold resources from the Haiyu Gold Mine, on 30 May 2015, Yantai Jinshi as the Purchaser, Laizhou Ruihai as the Vendor and the Company as the guarantor entered into the Supplemental Agreement to revise certain terms of the Equity Transfer Agreement including, among others, the amount of the Consideration.

Upon Completion, Yantai Jinshi will hold 63.86% equity interest in Shandong Ruiyin. Therefore, Shandong Ruiyin will become a non-wholly owned subsidiary of the Company. The Equity Transfer will increase the potential mineral resources of the Company, improve its competitiveness in the gold industry and achieve sustainable development. It is also in line with the Company's overall strategic planning for the development of its gold business.

## **LISTING RULES IMPLICATIONS**

Given that none of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer Agreement based on the Consideration was more than 5%, the entering into of the Equity Transfer Agreement was not a notifiable transaction required to be disclosed under Chapter 14 of the Listing Rules.

Due to the increase in verified gold resources of the Haiyu Gold Mine stipulated by the Resources Survey Report and the entering into of the Supplemental Agreement, one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Supplemental Agreement based on the Revised Consideration exceeds 5% but is less than 25%. Accordingly, the Supplemental Agreement constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

## **BACKGROUND**

The Company is pleased to announce that Yantai Jinshi, a wholly-owned subsidiary of the Company, will acquire 63.86% equity interest in Shandong Ruiyin for a total consideration of RMB2.7225 billion. The principal asset of Shandong Ruiyin is the exploration right of the Haiyu Gold Mine in the north of Sanshan Island in Laizhou City (萊州市三山島北部) held by Ruihai Mining, which is owned by Shandong Ruiyin as to 83%.

## **MAJOR TERMS OF THE EQUITY TRANSFER**

### **(1) Equity Transfer Agreement**

#### **Date**

7 January 2012

#### **Parties**

Purchaser: Yantai Jinshi, a wholly-owned subsidiary of the Company

Vendor: Laizhou Ruihai

To the best of the Company's knowledge, information and belief having made all reasonable enquiries, each of Laizhou Ruihai and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

## **Subject of the transaction**

Pursuant to the Equity Transfer Agreement, the Vendor agreed to transfer 63.86% equity interest in Shandong Ruiyin to Yantai Jinshi. Upon the completion of the Equity Transfer, Yantai Jinshi will hold 63.86% equity interest in Shandong Ruiyin and the Vendor will hold 36.14% equity interest in Shandong Ruiyin.

## **Consideration and payment terms**

The Consideration was agreed to be no more than RMB1.208 billion which was determined after arm's length negotiation between Yantai Jinshi and Laizhou Ruihai after taking into account of (i) the preliminary resources examination results on the Haiyu Gold Mine of not less than 65 tonnes and the estimated gold resources of not exceeding 205 tonnes which will be verified by the Resources Survey Report, mining prospect and exploration potential of the Haiyu Gold Mine for additional gold resources; and (ii) the unit price for 332 class gold resources of RMB12.5 million per tonne (US\$63.53 per ounce) and the unit price for 333 class gold resources of RMB9.52 million per tonne (US\$48.38 per ounce). The unit prices for 332 class gold resources and 333 class gold resources were determined based on the following factors: (i) due diligence investigation and financial analysis on the information on the Haiyu Gold Mine conducted by the Company and advices sought from its professional consultants; (ii) based on their experience, the management of the Company considered that the Haiyu Gold Mine is located in an area with good metallogenetic conditions which has potential for additional gold resources and is favorable in terms of gold ore exploration, mining and processing; and (iii) the location advantage of the Haiyu Gold Mine with established infrastructure, and close proximity to the principal operating region and infrastructure of the Group which will achieve synergic effect in the Group's operation. Pursuant to the Equity Transfer Agreement, the Consideration would be calculated by using the following formula:

$$\text{Consideration} = (A + B) \times C$$

- A: consideration for 332 class gold resources, which is calculated based on the amount of 332 class gold resources of the Haiyu Gold Mine verified by the Resources Survey Report at the price of RMB12.5 million per tonne (US\$63.53 per ounce)
- B: consideration for 333 class gold resources, which is calculated based on the amount of 333 class gold resources of the Haiyu Gold Mine verified by the Resources Survey Report at the price of RMB9.52 million per tonne (US\$48.38 per ounce)
- C: 53%, being the effective controlling interest in Ruihai Mining by the Company indirectly through Shandong Ruiyin, which is calculated by multiplying 63.86% by 83%

Laizhou Ruihai would obtain or procure the Resources Survey Report of the Haiyu Gold Mine to be obtained and caused the Resources Survey Report to be filed with MLR.

Pursuant to the Equity Transfer Agreement, Yantai Jinshi was required to pay a sum of RMB500 million as refundable advance of the Consideration within 20 business days from the date of the Equity Transfer Agreement. In addition, the parties to the Equity Transfer Agreement could, based on the completion progress of the Equity Transfer Agreement, further agree on the amount of advance to a maximum amount of RMB1.2 billion. Based on the exploration progress in the preparation of the Resource Survey Report and the mining prospect of the Haiyu Gold Mine, the total advance amounted to RMB1.2 billion as at the date of this announcement.

The balance of the Consideration would be payable by Yantai Jinshi within 2 months from the date of determining the Consideration.

### **Share Charge**

Pursuant to the terms of the Equity Transfer Agreement and the sincerity of the Vendor in completing the Equity Transfer, Laizhou Ruihai would transfer its 95% equity interest in Shandong Ruiyin to Yantai Jinshi in advance as the Share Charge upon the entering into of the Equity Transfer Agreement. Subsequently, the parties to the Equity Transfer Agreement would make necessary equity transfer or capital contribution in Shandong Ruiyin from time to time such that the shareholding structure in Shandong Ruiyin would be adjusted and the agreed shareholding structure of Yantai Jinshi and Laizhou Ruihai in Shandong Ruiyin of 63.86% and 36.14% respectively could be achieved.

Upon additional capital contribution by Laizhou Ruihai in Shandong Ruiyin, the equity interest of Yantai Jinshi and Laizhou Ruihai in Shandong Ruiyin was 58.86% and 41.14% respectively as at the date of the Supplemental Agreement.

### **(2) Supplemental Agreement**

The Target Company has engaged Shandong Provincial No.3 Institute of Geological and Mineral Survey, an independent mining resources expert, to conduct resources examination work on the Haiyu Gold Mine, including but not limited to holes drilling, sampling and assaying, and to produce the Resources Survey Report. The Resources Survey Report was completed in June 2014 and submitted to the China Mining Association in September 2014 for review and approval. Upon reviewed by the organization experts of the China Mining Association, the Resources Survey Report was filed with the MLR on 29 January 2015. According to the Resources Survey Report, Haiyu Gold Mine consists of gold resources in an aggregate amount of approximately 470.47 tonnes (15.126 million ounces) as at 31 March 2014 which was higher than the gold resources originally expected by the parties to the Equity Transfer Agreement. As such, based on the formula set out in the Equity Transfer Agreement, the Consideration applicable to the transaction would exceed RMB1.208 billion. In view of the above and the potential for additional minable gold resources from the Haiyu Gold Mine, on 30 May 2015, Yantai Jinshi as the Purchaser, Laizhou Ruihai as the Vendor and the Company as the guarantor entered into the Supplemental Agreement to revise certain terms of the Equity Transfer Agreement including, among others, the amount of the Consideration.

### **Revised Consideration and payment terms**

The Consideration was adjusted to RMB2.7225 billion which was calculated based on (i) the gold resources of the Haiyu Gold Mine verified by the Resources Survey Report of approximately 470.47 tonnes (15.126 million ounces) as at 31 March 2014, of which 220.896 tonnes (7.1020 million ounces) were 332 class gold resources and 249.574 tonnes (8.0240 million ounces) were 333 class gold resources; and (ii) the formula provided under the Equity Transfer Agreement for calculation of the total consideration of the Equity Transfer.

After setting off the advance of RMB1.2 billion paid by the Group, the outstanding balance of the Revised Consideration is RMB1.5225 billion. The remaining balance of the Revised Consideration is payable by Yantai Jinshi within 5 business days from the date when the Company obtains the approval by the Board for the Equity Transfer.

## **Obligations of the Company**

The Company agrees to provide guarantee as to the contractual performance of Yantai Jinshi and jointly be responsible for all contractual duties of Yantai Jinshi under the Equity Transfer Agreement and the Supplemental Agreement.

## **Conditions precedent to the Equity Transfer**

The Equity Transfer is subject to the approval by the Board. If the Equity Transfer is not approved by the Board, the Supplemental Agreement shall be terminated automatically forthwith and Laizhou Ruihai shall refund the advance paid by Yantai Jinshi and Yantai Jinshi shall release the Share Charge with immediate effect.

## **Completion**

Upon Completion, Yantai Jinshi will hold 63.86% equity interest in Shandong Ruiyin and indirectly hold 53% equity interest in Ruihai Mining. Therefore, Shandong Ruiyin will become a non-wholly owned subsidiary of the Company.

## **BASIC INFORMATION ABOUT LAIZHOU RUIHAI**

Laizhou Ruihai is a limited company incorporated in the PRC. It was previously known as 濟南瑞海礦業發展有限公司 (Jinan Ruihai Mining Development Co., Ltd.\*). To the best knowledge of the Company, after making reasonable enquiry, Laizhou Ruihai is principally engaged in investment in, exploration and exploitation of mineral resources.

## **BASIC INFORMATION OF THE TARGET COMPANY**

Established on 30 August 2006, Shandong Ruiyin was wholly-owned by Laizhou Ruihai as at the date of the Equity Transfer Agreement. The Target Company is principally engaged in mining, processing and trading of gold ores which is conducted through Ruihai Mining, a 83% owned subsidiary of the Target Company. As at the date of the Supplemental Agreement, the Target Company has not conducted any activities other than the exploration of the Haiyu Gold Mine. Ruihai Mining currently holds an exploration license (No. T01120090602030967) of the Haiyu Gold Mine which is valid from 17 January 2014 to 17 January 2016 and has a mining area of 17.91 square kilometers. Pursuant to the Resources Survey Report, the Haiyu Gold Mine has an aggregate of gold resources of no less than 470.47 tonnes (15.126 million ounces), of which 220.896 tonnes (7.1020 million ounces) are 332 class gold resources and 249.574 tonnes (8.0240 million ounces) are 333 class gold resources.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

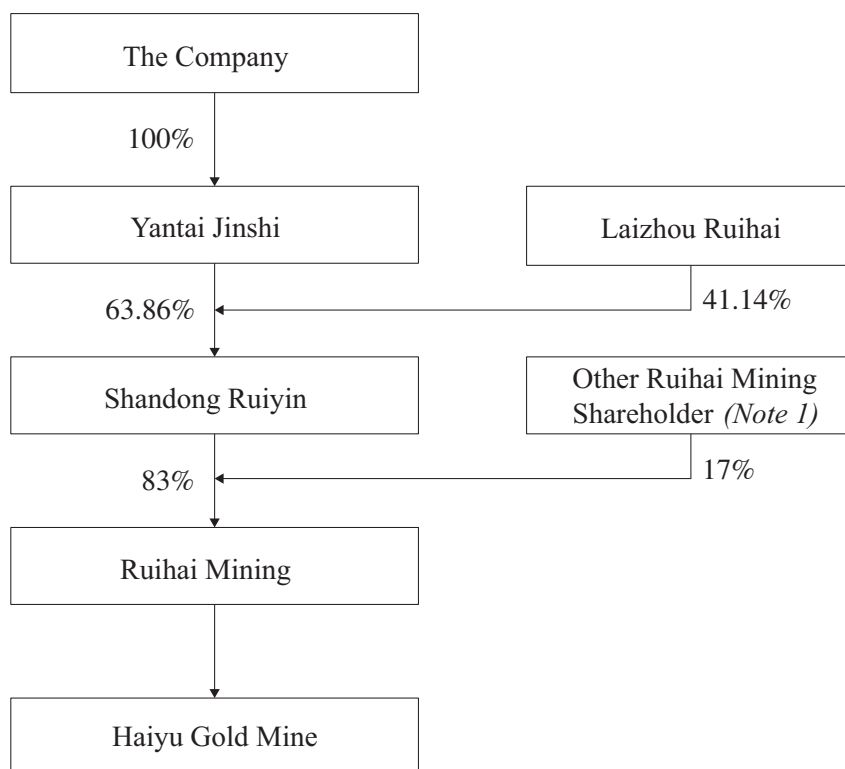
The unaudited consolidated financial information of the Target Company is set out as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	Nil	Nil
Net loss before tax and extraordinary items	2,727	<b>2,998</b>
Net loss after tax and extraordinary items	2,727	<b>2,998</b>

Based on the unaudited consolidated financial information of the Target Company, the unaudited net assets of the Target Company as at 31 December 2014 amounted to RMB253.72 million.

### Shareholding Structure

Upon the completion of the trade, the shareholding structure of the Target Group is set out below:



Notes:

- As at the date of this announcement, to the best knowledge, information and belief of the Company, the beneficial owner of the remaining 17% equity interest in Ruihai Mining is a third party independent of the Company and its connected persons.

## **BOARD'S APPROVAL**

The resolution in relation to the acquisition of 63.86% equity interest in Shandong Ruiyin was approved at the Board meeting of the Company convened on 27 May 2015. None of the Directors has material interests in this acquisition. The management has been authorised at the meeting to deal with all the procedures and matters on the acquisition, including but not limited to the execution of relevant agreements.

The Directors (including independent non-executive Directors) considered that the transaction terms of this acquisition are fair and reasonable and the Agreements were entered into on normal commercial terms in the ordinary course of business of the Company, and the transaction contemplated under the Agreements was in the interests 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.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS**

The Target Company owns the Haiyu Gold Mine, which is located in the north of Sanshan Island in Laizhou City, Shandong Province. The Board considers that the Equity Transfer is beneficial to the Company based on the following factors:

- (1) The Resources Survey Report indicated the total gold resources of the Haiyu Gold Mine amounted to approximately 470.47 tonnes (15.126 million ounces). According to "Specification for Hard-Rock Gold Exploration" (岩金礦地質勘查規範) published by the MLR, Haiyu Gold Mine is classified as a "large size gold mine". Haiyu Gold Mine has considerable resources and potential for additional minable mineral resources which is expected to bring additional economic value for the Company. According to the experience of the management of the Company and their knowledge of metallogenetic conditions in the region, the ore body and quality of the Haiyu Gold Mine are favorable for ore processing and recovery rate during gold refinery and processing. The Equity Transfer will enhance the gold resources of the Company and increase the potential for additional gold output by the Company.
- (2) The Haiyu Gold Mine is located in the north of Sanshan Island in Laizhou City which is adjacent to and approximately 45 kilometers away from Zhaoyuan City, where the head office of the Company is located, and with close proximity to the Company's gold mines and their infrastructure in the Zhaoyuan region. The Haiyu Gold Mine is surrounded by well-established and convenient infrastructure, transportation network and utilities supply which provide a favorable environment for its development and its potential to enhance production capacity, increase output, achieve synergic effect and improve efficiency. The Equity Transfer will enhance the significance and competitiveness of the Company over gold resources in the Shandong region.

In view of the above, the Equity Transfer will increase the potential mineral resources of the Company, improve its competitiveness in the gold industry 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 believe that the terms of the Equity Transfer Agreement and the Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

Given that none of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer Agreement based on the Consideration was more than 5%, the entering into of the Equity Transfer Agreement was not a notifiable transaction required to be disclosed under Chapter 14 of the Listing Rules.

Due to the increase in verified gold resources of the Haiyu Gold Mine as stipulated by the Resources Survey Report and the entering into of the Supplemental Agreement, one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Supplemental Agreement based on the Revised Consideration exceeds 5% but is less than 25%. Accordingly, the Supplemental Agreement constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

“Agreements”	the Equity Transfer Agreement and the Supplemental Agreement
“Board”	the board of directors of the Company
“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”	completion of the Equity Transfer in accordance with the terms and conditions of the Equity Transfer Agreement and the Supplemental Agreement
“connected person(s)”	has the meaning ascribed under the Listing Rules
“Consideration”	the consideration payable by the Yantai Jinshi for the Equity Transfer of no more than RMB1.208 billion pursuant to the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the transfer of 63.86% equity interest in Shandong Ruiyin from the Vendor to Yantai Jinshi pursuant to the Equity Transfer Agreement and the Supplemental Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 7 January 2012 entered into between Yantai Jinshi and the Vendor in respect of the Equity Transfer



“Haiyu Gold Mine”	a gold mine owned by Ruihai Mining in the north of Sanshan Island in Laizhou City, Shandong Province (萊州市三山島北部)
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Laizhou Ruihai” or “Vendor”	萊州瑞海投資有限公司 (Laizhou Ruihai Investment Company Limited*) (previously known as 濟南瑞海礦業發展有限公司 Jinan Ruihai Mining Development Co., Ltd.*), which owns Shandong Ruiyin as at the date of the Equity Transfer Agreement
“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
“Resources Survey Report”	the detailed survey report on the Haiyu Gold Mine issued in 2014 prepared by Shandong Provincial No. 3 Institute of Geological and Mineral Survey
“Revised Consideration”	the consideration of RMB2.7225 billion stipulated under the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Ruihai Mining”	萊州市瑞海礦業有限公司 (Laizhou Ruihai Mining Industry Company Limited*), which owns the Haiyu Gold Mine
“Shandong Ruiyin” or “Target Company”	山東瑞銀礦業發展有限公司 (Shandong Ruiyin Mining Industry Development Company Limited*), which owns 83% of the equity interest in Ruihai Mining
“Share Charge”	the 95% equity interest in Shandong Ruiyin transferred by Laizhou Ruihai to Yantai Jinshi in advance upon the entering into of the Equity Transfer Agreement as security in favor of Yantai Jinshi
“Share(s)”	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)

“Supplemental Agreement”	the supplemental agreement to the Equity Transfer Agreement dated 30 May 2015 entered into between the Company, Laizhou Ruihai and Yantai Jinshi
“Target Group”	Shandong Ruiyin and its subsidiaries
“Yantai Jinshi” or “Purchaser”	煙台金時礦業投資有限公司 (Yantai Jinshi Mining Investment Company Limited*), a limited company incorporated in the PRC and a wholly-own subsidiary of the Company
“332 class gold resources”	the controlled intrinsic economy resources of gold
“333 class gold resources”	the inferred intrinsic economy resources of gold

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

Zhaoyuan, the PRC, 31 May 2015

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

\* *For identification purpose only*