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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)**

**CONNECTED TRANSACTION  
ACQUISITION OF 60% EQUITY INTEREST IN DONGFANG YANJING**

**EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that on 10 June 2015, the Company received a confirmation from Yantai Joint Property Right Exchange Center regarding the Company's successful bidding at the listing-for-sale of the 60% equity interest in Dongfang Yanjing, and was therefore qualified for acquisition of 60% equity interest in Dongfang Yanjing at a consideration of RMB10,137,000. Subsequently on 15 June 2015, the Company and Shandong Zhaojin entered into the Equity Transfer Agreement.

Upon completion of the acquisition, the Company will hold 60% equity interest in Dongfang Yanjing and Dongfang Yanjing will become a non-wholly-owned subsidiary of the Company. It is anticipated that the acquisition will secure mine engineering design and construction of the Company in future, lower mine engineering design cost of the Company going forward, enable the Company to provide efficient mine engineering design services to its mining subsidiaries at low cost and enhance the profitability and competitive strength of the Company, it will also resolve the continuous increase in connected transactions of the Company as a result of the increased mine engineering design business.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shandong Zhaojin is the controlling shareholder of the Company. Shandong Zhaojin is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and the transaction contemplated under the Equity Transfer Agreement 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 acquisition exceed 0.1% but are less than 5% and all the other applicable percentage ratios are less than 5%, the transaction contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 10 June 2015, the Company received a confirmation from Yantai Joint Property Right Exchange Center regarding the Company's successful bidding at the listing-for-sale of the 60% equity interest in Dongfang Yanjing, and was therefore qualified for acquisition of 60% equity interest in Dongfang Yanjing at a consideration of RMB10,137,000. Subsequently on 15 June 2015, the Company and Shandong Zhaojin entered into the Equity Transfer Agreement, the major terms of which are set out as follows:

**Date**

15 June 2015

**Parties**

**Vendor:** Shandong Zhaojin, the controlling shareholder of the Company

**Purchaser:** The Company

**SUBJECT OF THE TRANSACTION**

Pursuant to the Equity Transfer Agreement, Shandong Zhaojin agrees to transfer its 60% equity interest in Dongfang Yanjing, which is free from any encumbrances (including any guarantee, charge or enforcement measure), to the Company.

**TRANSACTION METHOD**

The 60% equity interest held by Shandong Zhaojin in Dongfang Yanjing was listed for sale at Yantai Joint Property Right Exchange Center by means of public bidding. Since Yantai Joint Property Right Exchange Center has only received the purchase application from one proposed purchaser (i.e. the Company), Shandong Zhaojin decided to proceed with the transfer by way of entering into the Equity Transfer Agreement with the Company.

**CONSIDERATION AND TERMS OF PAYMENT**

The 60% equity interest held by Shandong Zhaojin in Dongfang Yanjing was listed for sale at RMB10,137,000 at Yantai Joint Property Right Exchange Center, and the Company acquired the 60% equity interest in Dongfang Yanjing at a consideration of RMB10,137,000.

The consideration for the equity transfer shall be settled in full by cash in one lump-sum payment. In compliance with the respective requirements of Yantai Joint Property Right Exchange Center, the initial deposit of RMB3,000,000 paid by the Company will automatically become part of the consideration for the equity transfer, the Company shall deposit the remaining consideration to the designated bank settlement account of Yantai Joint Property Right Exchange Center within five working days upon entering into the Equity Transfer Agreement and Yantai Joint Property Right Exchange Center will then pay the full consideration in one lump-sum payment to Shandong Zhaojin. Within five working days upon receipt of the equity transfer certificate, Shandong Zhaojin shall assist the Company in completing the registration of equity transfer of Dongfang Yanjing.

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

The predecessor of Dongfang Yanjing was Beijing Dongfang Yanjing Geological and Mining Design Institute (originally named as Geological and Mining Design Institute of Ministry of Geology and Mineral Resources), which was incorporated on 7 September 1994. Subsequently upon the approval of Beijing Administration for Industry and Commerce, the company was converted into a solely owned limited liability company and renamed as Beijing Dongfang Yanjing Mining Engineering Design Company Limited. As at the date of this announcement, the legal representative of the company is Mr. Shi Wenge and its registered capital is RMB3,000,000, of which Shandong Zhaojin contributed RMB1,800,000, representing 60% of the registered capital and Mr. Li Hong contributed RMB1,200,000, representing 40% of the registered capital. Its scope of business includes engineering design and consultation, technology development, technology consultation, technology training, technology transfer, technology services and sales of machinery and electrical equipment.

Dongfang Yanjing possesses the Leading Manufacturing Techniques Grade B Certificate in Metallurgical Industry (Mine Engineering) issued by the Ministry of Construction of the PRC. Besides, Dongfang Yanjing has a fully experienced and professional team which focuses on mine engineering design, engineering consultation, engineering contracting, equipment development, environmental technologies and technology training. It has completed hundreds of small, medium and large design projects for black metal, non-ferrous metal, gold and building materials. It has completed technology improvement projects, shaft well design and feasibility design, participated in other projects of the Company in the past two years and has attained high reputation in the industry.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

The audited financial information of the Target Company based on PRC Generally Accepted Accounting Principles is set out as follows:

	<b>For the financial year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>RMB</b>	<b>RMB</b>
Net profit before taxation	<b>-4,989,437.71</b>	-1,684,675.94
Net profit after taxation	<b>-4,971,017.97</b>	-1,615,455.38

Based on the audited consolidated financial data of the Target Company prepared in accordance with the PRC Generally Accepted Accounting Principles, the audited net assets of the Target Company as at 31 December 2014 amounted to RMB-2,544,817.88.

The unaudited net profit after taxation of the Target Company as at 31 May 2015 was RMB1,174,135.43, and its unaudited net asset value was RMB-1,374,606.83.

## **COMPLETION**

The Equity Transfer Agreement becomes effective upon signing by the Company and Shandong Zhaojin and being approved and sealed by Shandong Property Right Exchange Center. Upon completion of the registration of equity transfer, Dongfang Yanjing will become a non-wholly-owned subsidiary of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

With the expansion of the Company in recent years, the business demand for mine engineering design is increasing. The acquisition will bring positive effects to the Company:

- (1) Improve the industrial chain of the Company and fully capture synergies of upstream and downstream. Upon the completion of the acquisition, the Company will become a listed company with complete industrial chain in mine design, gold exploration, mining, ore processing and smelting. The Company can therefore fully capture the synergies of upstream and downstream.
- (2) Enhance overall competitiveness of the Company. The acquisition will benefit mine engineering design and construction, lower mine engineering design cost and enable centralize management of the Company going forward. The Company can thus provide efficient mine engineering design services to its mining subsidiaries at low cost, and also by actively exploring domestics and overseas markets, the Company can strengthen its own business capability and become a leading mine design company to bring in new profit growth and more room for growth.
- (3) Reduce connected transactions. With the increasing size of the Company, the demand for mine engineering design has also increased annually. The acquisition will resolve the continuous increase in connected transactions of the Company as a result of the mine engineering design business and enhance the development of the Company in a healthy and orderly manner.

Based on the above, the management of the Company believes, after comprehensive analysis, the acquisition is beneficial to the future business development of the Company. Moreover, the directors of the Company (including independent non-executive directors) believe the terms of the Equity Transfer Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, with the bid price being the final consideration for the transaction, which is fair and reasonable and 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. Shandong Zhaojin is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and the transaction contemplated under the Equity Transfer Agreement 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 acquisition exceed 0.1% but are less than 5% and all the other applicable percentage ratios are less than 5%, the transaction contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BOARD'S APPROVAL**

The Board has approved the acquisition at the 15th Meeting of the Fourth Session of the Board conducted on 20 March 2015. None of the directors has any material interests in the proposed transaction under the Equity Transfer Agreement. Directors, Mr. Weng Zhanbin and Mr. Lu Dongshang, being management personnels of Shandong Zhaojin had abstained from voting at the Board meeting for approving the acquisition.

The Directors (including independent non-executive Directors) considered that the transaction terms of this acquisition are fair and reasonable and the Equity Transfer Agreement was entered into on normal commercial terms in the ordinary course of business of the Company, and the transaction contemplated under the Equity Transfer Agreement was in the interests of the Company and its Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

Shandong Zhaojin is principally engaged in gold exploration, mining and refining business as well as investment in gold exploration, mining, smelting and refining and other gold related businesses.

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.

## **DEFINITIONS**

“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 the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Dongfang Yanjing” or “Target Company”	Beijing Dongfang Yanjing Mining Engineering Design Company Limited (北京東方燕京礦山工程設計有限責任公司)
“Equity Transfer Agreement”	the equity transfer agreement dated 15 June 2015 entered into between the Company and Shandong Zhaojin in respect of the equity transfer
“Group”	the Company and its subsidiaries

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Zhaojin”	Shandong Zhaojin Group Company Limited (山東招金集團有限公司), the controlling shareholder of the Company, which holds 60% equity interests of Dongfang Yanjing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Zhaoyuan, PRC, 16 June 2015

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

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

*Non-executive Directors:* Mr. Liang Xinjun, Mr. Xu Xiaoliang and Mr. Wu Yijian

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

\* *For identification purpose only*