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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
MAJOR TRANSACTIONS
IN RELATION TO THE GROUP FINANCIAL SERVICES AGREEMENT
AND THE PARENT GROUP FINANCIAL SERVICES AGREEMENT**

GROUP FINANCIAL SERVICES AGREEMENT

On 17 July 2015, the Company and Finance Company entered into the Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services.

PARENT GROUP FINANCIAL SERVICES AGREEMENT

On 17 July 2015, Shandong Zhaojin and Finance Company entered into the Parent Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to Shandong Zhaojin Group, including deposit services, loan services, bill discounting services and settlement services.

LISTING RULES IMPLICATIONS UNDER THE GROUP FINANCIAL SERVICES AGREEMENT AND PARENT GROUP FINANCIAL SERVICES AGREEMENT

As at the date of this announcement, Shandong Zhaojin is the controlling shareholder of the Company and it is therefore a connected person of the Company. Finance Company is a subsidiary of the Company and is also owned as to 40% by Shandong Zhaojin. Finance Company is therefore a connected person of the Company by virtue of being a connected subsidiary of the Company and an associate of Shandong Zhaojin. Therefore, the transactions under the Group Financial Services Agreement and the Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

GROUP FINANCIAL SERVICES AGREEMENT

The loan services to be provided by Finance Company to the Group under the Group Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and which are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the loan.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of deposit services by the Finance Company to the Group under the Group Financial Services Agreement is more than 25%, the provision of deposit services under the Group Financial Services Agreement constitutes a major transaction and non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by Finance Company to the Group under the Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Group Financial Services Agreement are less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

PARENT GROUP FINANCIAL SERVICES AGREEMENT

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of each of (i) deposit services; and (ii) loan services by Finance Company to Shandong Zhaojin Group under the Parent Group Financial Services Agreement is more than 25%, the provision of deposit services and loan services under the Parent Group Financial Services Agreement constitute major transactions and non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by the Finance Company to Shandong Zhaojin Group under the Parent Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Parent Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14A of the Listing Rules.

Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Parent Group Financial Services Agreement is less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

DESPATCH OF CIRCULAR AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISOR

Quam Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders in connection with the Group Financial Services Agreement and the Parent Group Financial Services Agreement.

As additional time is required by the Company in preparing and confirming the data to be contained in the circular containing details of the Group Financial Services Agreement and the Parent Group Financial Services Agreement, a letter from the independent board committee of the Company and a letter from the independent financial adviser, both advising the terms of the Group Financial Services Agreement and the Parent Group Financial Services Agreement, the circular is expected to be dispatched to the Shareholders on or before 31 August 2015.

I) GROUP FINANCIAL SERVICES AGREEMENT

On 17 July 2015, the Company and Finance Company entered into the Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services.

The principal terms of the Group Financial Services Agreement are set out below:

Date:

17 July 2015

Parties:

- (1) The Company
- (2) Finance Company

Term:

Commencing from the effective date of the Group Financial Services Agreement to 31 December 2017.

The Group Financial Services Agreement becomes effective when it is duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services and bill discounting services under the Group Financial Services Agreement are subject to the approval by the Independent Shareholders at the EGM.

Major Terms:

- 1) Finance Company agreed to provide the following major services to the Company and its subsidiaries which satisfy the members qualifications, i.e., any companies which the Company has more than 51% equity interest (the “Controlled Corporations”); any companies which the Company and the Controlled Corporations individually or collectively hold(s) more than 20% equity interest or any companies which the Company and the Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; the institutional entity or social organization legal persons of the Company and the Controlled Corporations:
 - i. financial and financing consultation, credit certification and other relevant advisory and agency services;
 - ii. funds receipt services;
 - iii. provision of guarantees;
 - iv. entrusted loans and entrusted investment services;
 - v. bill discounting services;
 - vi. settlement services and settlement proposal design services;
 - vii. deposit services;
 - viii. loans and finance leasing services;
 - ix. approved insurance agency services;
 - x. consumer credit, buyer credits and financial leasing services of the products of the Group;
 - xi. underwriting services for corporate bonds;
 - xii. other financial services as approved by the CBRC.

The services numbered (i) to (viii) above can be provided by Finance Company immediately and the services numbered (ix) to (xi) above can be provided by Finance Company one year after its incorporation upon approval by Shandong Bureau of the CBRC.

- 2) The Group shall choose Finance Company to provide settlement services to the Group and the service fee for the provision of settlement services to be charged by Finance Company shall not be higher than the service fee charged by other independent major commercial banks for the provision of same services in the PRC.
- 3) The Group shall choose Finance Company to provide deposit services to the Group and the deposit services and deposit products to be provided shall comply with the requirements of the PBOC. The interest rate for the deposit provided by Finance Company shall not be lower than the interest rate provided by other independent major commercial banks for the provision of same services in the PRC.
- 4) The Group shall choose Finance Company to provide loan and financing (including bill discounting) services to the Group and the interest rate for the provision of loan and financing (including bill discounting) services to be charged by Finance Company shall not be higher than the interest rate charged by other independent major commercial banks for the provision of same level of loans and financing (including bill discounting) services in the PRC.
- 5) The Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangement in relation to the services to be provided under the Group Financial Services Agreement provided that such specific contracts shall be consistent with the principle and terms of the Group Financial Services Agreement.

In respect of those financial services (apart from deposit services, loan and guarantee services, bill discounting and settlement services) to be provided under the Group Financial Services Agreement, the Company will comply with the applicable reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules as and when the relevant contracts for the provision of such services are entered into.

- 6) Capital Risks Control Measures:
 - i. Finance Company will ensure the safe and stable operation of the funds management information system, which has undergone the security test in respect of connection to the online commercial banking and has reached the national security standards for commercial banks to ensure the security of the funds of the Group.
 - ii. Finance Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.
 - iii. Finance Company will monitor the transactions under the Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the Group Financial Services Agreement.
 - iv. A monthly report of Finance Company and a "comprehensive table of continuing connected transactions" of the preceding month will be delivered by Finance Company to the Company before the tenth day of each month so that the Company can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps.

INTERNAL CONTROL ON PRICING

The interest rates for deposit, loan and bill discounting services and the service fee for settlement services are arrived at after considering the interest rates and service fee charged by/offered by other independent commercial banks and financial institutions in the PRC for provision of similar level of loans, deposit, bill discounting and settlement services.

There are stringent internal control policies with regard to financial service transactions. The finance department of the Company would compare the deposit rates quoted from the counterparties with the terms from other independent third parties (including at least 3 financial institutions and commercial banks in the PRC) to ensure that the most favourable terms are obtained from Finance Company.

In addition, the transactions will be reported to and approved by the head of the finance department of the Company. The internal control policies will also be applied to the transactions with Finance Company to ensure the interest rate payable for the Company's deposits with Finance Company shall not be lower than the interest rate payable by other independent commercial banks for comparable deposits.

By adopting the policy set out above, the Company can ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the loan and bill discounting interest rates and service fee charged by Finance Company shall not be higher than that charged by other independent commercial banks for providing comparable loans and services in the PRC.

HISTORICAL TRANSACTION AMOUNT

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between the Group and Finance Company in the past.

PROPOSED ANNUAL CAPS

Deposit Services

The annual caps for the deposits services (including interest accrued thereon) pursuant to the Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Maximum daily balance of deposits to be deposited by the Group with Finance Company (including interest accrued thereon)	RMB1.5 billion	RMB2 billion	RMB2.5 billion

The above caps in respect of the maximum daily balance of deposits to be deposited by the Group with Finance Company (including interest accrued thereon) are arrived at after considering the following factors:

1. The level of cashflow of the Company and its subsidiaries in the past, e.g., the cash and cash equivalent of the Company and its subsidiaries as at 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB1.35 billion, RMB1.036 billion and RMB1.254 billion, respectively.
2. The expected increase in deposit of the Company and its subsidiaries in 2016 and 2017 resulting from the expected increase in cashflow of the Company and its subsidiaries resulting from the possible implementation of financing plan of the Company in the ensuing two years, including the possible issue of corporate bonds or super-short-term notes, etc.
3. The expected increasing level of deposit of the Company and its subsidiaries every year as a result of the increasing scale of assets of the Company and its subsidiaries in the ensuing two years.

Bill Discounting Services

The annual caps for the bill discounting services pursuant to the Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
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Maximum daily balance of bill discounting services (including interest thereon)	RMB0.5 billion	RMB1 billion	RMB1 billion
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The above caps in respect of the bill discounting services are arrived at after considering the anticipated level of bill discounting services required by the Group for the three years ending 31 December 2017 in view of the business plan of the Group to fully utilize the electronic bill discounting system of Finance Company.

Loan Services

The loan services to be provided by Finance Company to the Group under the Group Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and which are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the loan. The annual caps for the loans (including interest accrued thereon) pursuant to the Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are RMB4 billion, RMB6 billion and RMB8 billion, respectively.

Given that the interest rate for the provision of loan and financing services to be charged by Finance Company shall not be higher than the interest rate charged by other independent major commercial banks for the provision of same level of loans and financing services in the PRC, the Directors (including the independent non-executive Directors) consider that the loan services to be provided under the Group Financial Services Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

Settlement Services

The Company expects that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Group Financial Services Agreement are less than 0.1%, the settlement services to be provided by Finance Company are exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

The Company will comply with the applicable reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules if the service fee for the settlement services to be provided by Finance Company to the Group under the Group Financial Services Agreement exceeds the relevant threshold.

II) PARENT GROUP FINANCIAL SERVICES AGREEMENT

On 17 July 2015, Shandong Zhaojin and Finance Company entered into the Parent Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to Shandong Zhaojin Group, including deposit services, loan services, bill discounting services and settlement services.

The principal terms of the Parent Group Financial Services Agreement are set out below:

Date:

17 July 2015

Parties:

- (1) Shandong Zhaojin
- (2) Finance Company

Term:

Commencing from the effective date of the Parent Group Financial Services Agreement to 31 December 2017.

The Parent Group Financial Services Agreement becomes effective when it is duly signed by the legal representatives or authorized agent of the parties and affixed with their respective company chops. The provision of deposit services, bill discounting services and loan services under the Parent Group Financial Services Agreement are subject to the approval by the Independent Shareholders at the EGM.

Major Terms:

- 1) Finance Company agreed to provide the following major services to Shandong Zhaojin and its subsidiaries which satisfy the members qualifications, i.e., any companies which Shandong Zhaojin has more than 51% equity interest (the “Zhaojin Controlled Corporations”); any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) more than 20% equity interest or any companies which Shandong Zhaojin and the Zhaojin Controlled Corporations individually or collectively hold(s) less than 20% but being the single largest shareholder of such companies; the institutional entity or social organization legal persons of Shandong Zhaojin and the Zhaojin Controlled Corporations:
 - i. financial and financing consultation, credit certification and other relevant advisory and agency services;
 - ii. funds receipt services;
 - iii. provision of guarantees;
 - iv. entrusted loans and entrusted investment services;
 - v. bill discounting services;
 - vi. settlement services and settlement proposal design services;
 - vii. deposit services;
 - viii. loans and finance leasing services;
 - ix. approved insurance agency services;
 - x. consumer credit, buyer credits and financial leasing services of the products of Shandong Zhaojin Group;
 - xi. underwriting services for corporate bonds;
 - xii. other financial services as approved by the CBRC.

The services numbered (i) to (viii) above can be provided by Finance Company immediately and the services numbered (ix) to (xi) above can be provided by Finance Company one year after its incorporation upon approval by the Shandong Bureau of the CBRC.

- 2) Shandong Zhaojin shall choose Finance Company to provide settlement services to Shandong Zhaojin Group and the service fee for the provision of settlement services to be charged by Finance Company shall be determined according to the negotiation between the parties with reference to the service fee charged by other independent major commercial banks for the provision of same services in the PRC and the service fee to be charged shall not be lower than the service fee charged by Finance Company for the provision of same services to other parties.

- 3) Shandong Zhaojin shall choose Finance Company to provide deposit services to Shandong Zhaojin Group and the deposit services and deposit products to be provided shall comply with the requirements of the PBOC. The interest rate for the deposit provided by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rate offered by other independent major commercial banks for the provision of same deposit services in the PRC and the interest rate to be offered shall not be higher than the interest rate provided by Finance Company for the provision of same services to other parties.
- 4) Shandong Zhaojin shall choose Finance Company to provide loan and financing (including bill discounting) services to Shandong Zhaojin Group and the interest rate for the loan and financing (including bill discounting) services provided by Finance Company shall be determined according to the negotiation between the parties with reference to the interest rate offered by other independent major commercial banks for the provision of same loan and financing (including bill discounting) services in the PRC. The interest rate for the provision of loan and financing services (including bill discounting) to be charged by Finance Company shall not be lower than the interest rate charged by Finance Company for the provision of same level of loans and financing services (including bill discounting) to other parties.
- 5) The Parent Group Financial Services Agreement is only a framework agreement and the parties shall enter into specific contracts setting out specific terms about the service arrangement in relation to the services to be provided under the Parent Group Financial Services Agreement provided that such specific contracts shall be consistent with the principle and terms of the Parent Group Financial Services Agreement.

In respect of those financial services (apart from deposit services, loan and guarantee services, bill discounting and settlement services) to be provided under the Parent Group Financial Services Agreement, the Company will comply with the applicable reporting, announcement and independent Shareholders' approval requirements of the Listing Rules as and when the relevant contracts for the provision of such services are entered into.

- 6) Capital Risks Control Measures:
 - i. Finance Company will ensure the safe and stable operation of the funds management information system, which has undergone the security test in respect of connection to the online commercial banking and has reached the national security standards for commercial banks to ensure the security of the funds of Shandong Zhaojin Group.
 - ii. Finance Company will ensure that it is in strict compliance with the risk monitoring indicators for financial institutions issued by the CBRC and that its major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.
 - iii. Finance Company will monitor the transactions under the Parent Group Financial Services Agreement and ensure that the transaction amount will not exceed the relevant annual caps under the Parent Group Financial Services Agreement.

- iv. A monthly report of Finance Company and a “comprehensive table of continuing connected transactions” of the preceding month will be delivered by Finance Company to the Company and Shandong Zhaojin before the tenth day of each month so that the Company and Shandong Zhaojin can monitor and ensure the relevant transaction amounts will not exceed its respective annual caps.

INTERNAL CONTROL ON PRICING

The interest rates for the provision of deposit services, loan services and bill discounting services and the service fees for the provision of settlement services have been determined after taking into account the interest rates and service fees charged/provided by other independent major commercial banks and financial institutions in the PRC for provision of similar loan services, deposit services, bill discounting and settlement services.

The Company has adopted stringent internal control policies for the service dealings between Shandong Zhaojin Group and Finance Company. The finance department of the Company will compare the interest rates on deposits, loans and bill discounting and the service fees charged for settlement services offered by Finance Company to Shandong Zhaojin with those offered by Finance Company to other parties.

The Company’s finance department will review the relevant interest rates and fees on a regular basis to ensure due observance and performance of the Parent Group Financial Services Agreement.

By adopting the above measures, the Company can ensure that (i) the interest rates provided on deposits of Shandong Zhaojin will not be higher than those to be provided by the Finance Company to other parties for comparable deposits; and (ii) the interest rates on loans, bill discounting and service fees charged by Finance Company will not be lower than those to be charged by the Finance Company to other parties for the provision of comparable loans and services.

HISTORICAL TRANSACTION AMOUNT

Since Finance Company was only incorporated on 1 July 2015, no transaction was carried out between Shandong Zhaojin Group and Finance Company in the past.

PROPOSED ANNUAL CAPS

Deposit Services

The annual caps for the deposits services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
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Maximum daily balance of
deposits to be deposited by
Shandong Zhaojin Group
with Finance Company
(including interest
accrued thereon)

RMB1.5 billion

RMB2 billion

RMB3 billion

The above caps in respect of the maximum daily balance of deposits to be deposited by Shandong Zhaojin Group with Finance Company (including interest accrued thereon) are arrived at after considering the following factors:

- 1) The level of cashflow of Shandong Zhaojin and its subsidiaries in the past, e.g., the cash and cash equivalent of Shandong Zhaojin and its subsidiaries as at 31 December 2012, 31 December 2013 and 31 December 2014 were approximately RMB1.763 billion, RMB1.918 billion and RMB1.896 billion, respectively.
- 2) The expected increase in deposit of Shandong Zhaojin and its subsidiaries in 2016 and 2017 resulting from the expected increase in cashflow of Shandong Zhaojin and its subsidiaries resulting from the possible implementation of financing plan of Shandong Zhaojin and its subsidiaries in the ensuing two years, including the possible issue of corporate bonds or super-short-term notes, etc.
- 3) The expected increasing level of deposit of Shandong Zhaojin and its subsidiaries every year as a result of the increasing scale of assets of Shandong Zhaojin and its subsidiaries in the ensuing two years.

Bill Discounting Services

The annual caps for the bill discounting services pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Maximum daily balance of bill discounting services (including interest thereon)	RMB0.5 billion	RMB1 billion	RMB1 billion

The above caps in respect of the bill discounting services are arrived at after considering the anticipated level of bill discounting services required by Shandong Zhaojin Group for the three years ending 31 December 2017 in view of the business plan of Shandong Zhaojin Group to fully utilize the electronic bill discounting system of Finance Company.

Loan Services

The annual caps for the loan services pursuant to the Parent Group Financial Services Agreement for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Loan (including interest accrued thereon) to be provided by Finance Company to Shandong Zhaojin Group	RMB4 billion	RMB6 billion	RMB8 billion

The above annual caps in respect of the provision of loan services are arrived at after considering the level of loan and financing services required by Shandong Zhaojin Group in view of the development and operation plan of Shandong Zhaojin Group in the three years ending 31 December 2017. Shandong Zhaojin Group is expected to focus on gold refinery, terminal retail, investment, logistics and other relevant industries over the coming three years.

Settlement Services

The Company expects that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Parent Group Financial Services Agreement is less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

The Company will comply with the applicable reporting, announcement and independent Shareholders' approval requirements of the Listing Rules if the service fee for the settlement services to be provided by Finance Company to Shandong Zhaojin Group under the Parent Group Financial Services Agreement exceeds the relevant threshold.

REASONS FOR AND BENEFITS OF ENTERING INTO THE GROUP FINANCIAL SERVICES AGREEMENT AND THE PARENT GROUP FINANCIAL SERVICES AGREEMENT

1. The interest rate to be charged/provided by Finance Company for the provision of deposit, bill discounting services and loans to the Group will be similar to or even more favourable than those provided by other major commercial banks in the PRC;
2. Finance Company will provide the Group and Shandong Zhaojin Group with an advanced capital and settlement platform and high-quality fund settlement services. Through the Finance Company's online fund settlement system, the Group and Shandong Zhaojin Group need not pay most of the fees to other commercial banks for such services, thus resulting in lower settlement and banking costs.
3. Given that the financial services agreements entered into among the Company, Shandong Zhaojin and Finance Company, the Group and Shandong Zhaojin Group will be able to centralize control and management of their financial resources, promote wider uses and effective management of capital and accelerate capital turnover, so as to reduce the transaction costs and financial expenses, and further enhance the utilization of returns on capital. Meanwhile, diverse services can be provided under the financial services agreements to satisfy the business needs of the Group and Shandong Zhaojin Group.
4. Finance Company is a non wholly-owned subsidiary of the Company and the financial services it currently carries out will contribute to the Company in terms of revenue increase and new profit growth points.
5. Subject to supervision and regulation of PBOC and CBRC, Finance Company is a non-bank financial institute and provides services in accordance with rules and operation provisions of such regulatory bodies. In addition, capital risks may be reduced through risk control measures as stipulated in the Group Financial Services Agreement and the Parent Group Financial Services Agreement.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular after considering the advice from the independent financial adviser) are of the view that the terms of the Group Financial Services Agreement and the Parent Group Financial Services Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms in ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole.

BOARD'S APPROVAL

The Board has approved the Group Financial Services Agreement and the Parent Group Financial Services Agreement. None of the Directors has any material interests in the proposed transactions under the Group Financial Services Agreement and the Parent Group Financial Services Agreement. Mr. Weng Zhanbin and Mr. Lu Dongshang, being management personnel of Shandong Zhaojin had abstained from voting at the Board meeting for approving the Group Financial Services Agreement and the Parent Group Financial Services Agreement.

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.

Shandong Zhaojin is principally engaged in gold exploration, mining and refinery business, as well as investing in gold exploration, mining, smelting and refinery, and other gold-related industries.

Established on 1 July 2015, Finance Company is a non wholly-owned subsidiary of the Company and is principally engaged in, among others, providing internal financial services to the Group and Shandong Zhaojin Group.

LISTING RULES IMPLICATIONS UNDER THE GROUP FINANCIAL SERVICES AGREEMENT AND THE PARENT GROUP FINANCIAL SERVICES AGREEMENT

As at the date of this announcement, Shandong Zhaojin is the controlling shareholder of the Company and it is therefore a connected person of the Company. Finance Company is a subsidiary of the Company and is also owned as to 40% by Shandong Zhaojin. Finance Company is therefore a connected person of the Company by virtue of being a connected subsidiary of the Company and an associate of Shandong Zhaojin. Therefore, the transactions under the Group Financial Services Agreement and the Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

GROUP FINANCIAL SERVICES AGREEMENT

The loan services to be provided by the Finance Company to the Group under the Group Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and which are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the loan.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of deposit services by Finance Company to the Group under the Group Financial Services Agreement is more than 25%, the provision of deposit services under the Group Financial Services Agreement constitutes a major transaction and non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by the Finance Company to the Group under the Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the under the Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Group Financial Services Agreement is less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

PARENT GROUP FINANCIAL SERVICES AGREEMENT

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of (i) deposit services; and (ii) loan services by Finance Company to Shandong Zhaojin under the Parent Group Financial Services Agreement is more than 25%, the provision of deposit services and loan services under the Parent Group Financial Services Agreement constitute major transactions and non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by the Finance Company to Shandong Zhaojin under the Parent Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Parent Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Parent Group Financial Services Agreement is less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

DESPATCH OF CIRCULAR AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Quam Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders in connection with the Group Financial Services Agreement and the Parent Group Financial Services Agreement.

As additional time is required by the Company in preparing and confirming the data to be contained in the circular containing details of the Group Financial Services Agreement and the Parent Group Financial Services Agreement, a letter from the independent board committee of the Company and a letter from the independent financial adviser, both advising the terms of the Group Financial Services Agreement and the Parent Group Financial Services Agreement, the circular is expected to be dispatched to the Shareholders on or before 31 August 2015.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“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 subsidiary”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company to, amongst others, consider and approve the deposit services and bill discounting services under the Group Financial Services Agreement and the deposit services, loan services and bill discounting services under the Parent Group Financial Services Agreement and their respective annual caps
“Finance Company”	Shandong Zhaojin Finance Company Limited (山東招金集團財務有限公司), details of which please refer to the section headed “INFORMATION ON THE PARTIES”
“Group”	the Company and its subsidiaries which satisfy the members qualifications
“Group Financial Services Agreement”	the financial services agreement dated 17 July 2015 entered into between the Company and Finance Company for the provision of various financial services
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBOC”	People’s Bank of China
“Parent Group Financial Services Agreement”	the financial services agreement dated 17 July 2015 entered into between Shandong Zhaojin and Finance Company for the provision of various financial services
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Zhaojin”	Shandong Zhaojin Company Limited (山東招金集團有限公司), the controlling shareholder of the Company, details of which please refer to the section headed “INFORMATION ON THE PARTIES”
“Shares”	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares
“Shareholders”	shareholders of the Company
“Shandong Zhaojin Group”	Shandong Zhaojin and its subsidiaries which satisfy the members qualifications

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

Zhaoyuan, China, 17 July 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*