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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

CONTINUING CONNECTED TRANSACTIONS

(1) EXPLORATION SERVICES FRAMEWORK AGREEMENT

18 January 2017, the Company and Shandong Zhaojin Geological entered into the Exploration Services Framework Agreement in relation to Shandong Zhaojin Geological's provision of exploration services to the Company from 1 January 2017 to 31 December 2019.

(2) MATERIAL PROCUREMENT FRAMEWORK AGREEMENT

18 January 2017, the Company and Materials Supply Center entered into the Material Procurement Framework Agreement in relation to the provision of material procurement services by Materials Supply Center to the Company in the PRC from 1 January 2017 to 31 December 2019.

CONTINUING CONNECTED TRANSACTIONS

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company. Both of Shandong Zhaojin Geological and Materials Supply Center are the subsidiaries of Shandong Zhaojin, and are connected persons of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Exploration Services Framework Agreement and the Material Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Exploration Services Framework Agreement and the Material Procurement Framework Agreement is more than 0.1% but less than 5%, the Exploration Services Framework Agreement, the Material Procurement Framework Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the date of this announcement, the Company has not entered into any transactions and/or incurred any amounts payable under each of the Exploration Services Framework Agreement and the Material Procurement Framework Agreement.

(1) EXPLORATION SERVICES FRAMEWORK AGREEMENT

Date

18 January 2017

Parties

- (i) the Company; and
- (ii) Shandong Zhaojin Geological, a wholly-owned subsidiary of Shandong Zhaojin.

Term

The term of the Exploration Services Framework Agreement shall commence from 1 January 2017 until 31 December 2019.

Subject to re-compliance with the reporting, announcement and independent Shareholders' approval requirements (to the extent applicable) under Chapter 14A of the Listing Rules and/or any other applicable requirements under the Listing Rules and/or any other relevant laws and regulations at the relevant time and the articles of association of the parties, the Exploration Services Framework Agreement may be renewed for a further term of three years upon further agreement by the parties.

Services

Pursuant to the Exploration Services Framework Agreement, Shandong Zhaojin Geological agreed to provide exploration services to the Company, which includes the geological compilation of drilling works, provision of sampling and lab test, as well as submission of information on exploration results (including geological exploration report) according to the relevant requirements, submission of geological exploration report and provision of assistance to the Company for application for exploration license.

Pricing and Payment Terms

Shandong Zhaojin Geological and the Company shall, from time to time during the term of the Exploration Services Framework Agreement, enter into separate agreement(s) in respect of the provision of the exploration services provided that such separate agreement(s) shall always be subject to the terms of the Exploration Services Framework Agreement, and the fees and terms with respect to the exploration services to be provided by Shandong Zhaojin Geological to the Company shall be determined in the ordinary course of business on normal commercial terms upon negotiation on an arm's length basis, and at fees and terms no less favourable to the Group than fees and terms available from independent third parties to the Group.

The fees for such exploration services include the fees for the implementation of drilling works, geological services fees and other fees to be incurred according to actual circumstances.

The fees for the implementation of drilling works are determined based on the prevailing market fee with reference to the budget standards for geological survey by China Geological Survey Bureau (2010 version). Geological services fees is determined according to the budget standards by Land and Resources Investigation (2007 version). Other fees are to be negotiated and determined upon negotiation according to actual circumstances.

The fees for the provision of exploration services are payable by the Company on an one-off basis upon the completion of inspection.

MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the maximum aggregate annual values (the “Exploration Services Annual Caps”) in respect of the transactions contemplated under the Exploration Services Framework Agreement will be as follows:

	<i>RMB</i>
For the year ending 31 December 2017	100,000,000
For the year ending 31 December 2018	100,000,000
For the year ending 31 December 2019	100,000,000

The above Exploration Services Annual Caps are determined with reference to: (i) the historical transaction amounts in respect of the engagement of Shandong Zhaojin Geological for the provision of exploration services to the Company in the past; and (ii) the anticipated increase in the demand for exploration services by the Company in view of the business development of the Company in the future.

Since resource reserves are the foundation for the Company’s development and the Company will continue to increase the investment in geological and ore exploration in the future, it is therefore estimated that the transaction amounts with Shandong Zhaojin Geological for the coming three years will be increased when compared to the actual transaction amounts in the past three years.

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts in respect of the provision of exploration services by Shandong Zhaojin Geological to the Company are set out as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For eleven months ended 30 November 2016 (unaudited)	Annual cap for the year ended 31 December 2016
Provision of exploration services by Shandong Zhaojin Geological to the Company	RMB46,966,000	RMB35,723,000	RMB32,000,000	RMB110,000,000

REASONS FOR AND BENEFITS OF ENTERING INTO THE EXPLORATION SERVICES FRAMEWORK AGREEMENT

Since the establishment of Shandong Zhaojin Geological, it is principally engaged in geological exploration of gold, which integrates geology, exploration and research in one entity. It has an integrated exploration capability from general exploration to detailed exploration, from surface to underground, from shallow exploration to deep exploration. Its strong technical capabilities can be shown by its advanced mapping, geological exploration and test equipment as well as various types of exploration construction equipment. Since 2011, Shandong Zhaojin Geological has been providing geological exploration services to the Company for its mines and both parties have maintained good cooperation relationship for years. Shandong Zhaojin Geological is also familiar with the geological conditions and geography of the Company's mines.

The Company considers that Shandong Zhaojin Geological has well-established technical facilities, extensive exploration experience and good reputation and is familiar with the geological conditions of the mines owned by the Company. Therefore, it will be able to offer reasonable advice to the Company in respect of the geological exploration works. The continuous engagement of Shandong Zhaojin Geological for the provision of exploration services may help to lower the exploration costs of the Company and enhance its technical support to the Company.

In view of the above reasons, the Directors (including the independent non-executive Directors) consider that the Exploration Services Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(2) MATERIAL PROCUREMENT FRAMEWORK AGREEMENT

Date

18 January 2017

Parties

- (i) the Company; and
- (ii) Materials Supply Center, a wholly-owned subsidiary of Shandong Zhaojin.

Term

From 1 January 2017 to 31 December 2019

Services

Pursuant to the Material Procurement Framework Agreement, Materials Supply Center agreed to provide materials sales service to the Company. The materials to be sold shall be within the lawful business scope of Materials Supply Center, which include but not limited to steel, chemical products, construction materials, mining machinery and accessories, electrical machinery and accessories, lubricants, chemical raw materials (excluding flammable, explosive, toxic and hazardous chemicals), general merchandise, metals and electrical products, wires and cables, rubber products and plastic products.

Pricing and Payment Terms

The Company will carry out open tender and inquiry process in respect of the materials to be purchased from time to time. The Company will determine the winner of the tender by taking an overall consideration of factors including price offered, quality, service, delivery time and reputation of the tenderers. In the event that Materials Supply Center wins the tender, the Company will, from time to time, enter into separate agreements with Materials Supply Center for the provision of materials sales services, and the prices of the materials to be purchased shall be determined in accordance with the separate agreements and their respective terms based on the actual conditions. The terms of these separate agreements shall not be in contradiction with the terms of the Material Procurement Framework Agreement. The prices and terms of the materials to be supplied by Materials Supply Center to the Company shall be determined in the ordinary course of business on normal commercial terms upon negotiation on an arm's length basis, and at prices and terms no less favourable to the Company than prices and terms provided by independent third parties to the Company.

The purchase prices of materials are payable by the Company upon completion of inspection of the materials. Save for the sales prices of materials, Materials Supply Center will not charge the Company for any fees (including service fee).

MAXIMUM AGGREGATE ANNUAL VALUES

The Company expects that the maximum aggregate annual values (the "Material Procurement Annual Caps") in respect of the transactions contemplated under the Material Procurement Framework Agreement will be as follows:

	<i>RMB</i>
For the year ending 31 December 2017	85,000,000
For the year ending 31 December 2018	90,000,000
For the year ending 31 December 2019	98,000,000

The above Material Procurement Annual Caps are determined with reference to: (i) the historical transaction amounts in respect of the engagement of Materials Supply Center for the provision of materials procurement service to the Company; and (ii) the anticipated constant increase in materials procurement amount by the Company with Materials Supply Center in view of the business development plan of the Company in the future, which will result in constant increase in production capacity of the Company and it is expected that the amount and scope of materials procurement between the Company and the Materials Supply Center will increase accordingly.

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts in respect of the sales of materials by Materials Supply Center to the Company are set out as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For eleven months ended 30 November 2016 (unaudited)	Annual cap for the year ended 31 December 2016
Transaction amounts in respect of the sales of materials by Materials Supply Center to the Company	RMB64,202,000	RMB84,361,000	RMB72,000,000	RMB100,000,000

REASONS FOR AND BENEFITS OF ENTERING INTO THE MATERIAL PROCUREMENT FRAMEWORK AGREEMENT

The Company considers that the procurement of materials from Materials Supply Center has the following advantages:

- (1) Reduction in procurement costs. As a professional purchaser and distributor of mine materials, Materials Supply Center has a well-established materials supply and logistics network which allows it to substantially reduce its procurement costs through centralized large-scale procurement. Given the fact that the quotations of certain materials offered by Materials Supply Center are lower than the retail prices of the same materials in the market, the procurement of certain materials from Materials Supply Center will help the Company to lower relevant procurement costs.
- (2) Enhancement in efficiency and quality of materials procurement. Materials Supply Center is headquartered in Zhaoyuan, Shandong with its offices located in Xinjiang and Gansu, which allows it to integrate its superior capabilities in a swift manner to carry out the procurement business delegated by the Company. Meanwhile, leveraging its strong capabilities in materials procurement and good reputation, Materials Supply Center can provide the Company with high quality and guaranteed materials supply services.
- (3) Reduction in operation costs. With a well-established long-term business relationship between the Company and Materials Supply Center, entering into the Material Procurement Framework Agreement with Materials Supply Center will enable the Company to effectively mitigate contractual risk, thus reducing the Company's operating costs.

In view of the above reasons, the Directors (including the independent non-executive Directors) consider that the Material Procurement Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, 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. Both of Shandong Zhaojin Geological and Materials Supply Center are the subsidiaries of Shandong Zhaojin, and are the connected persons of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Exploration Services Framework Agreement and the Material Procurement Framework Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company.

As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Exploration Services Framework Agreement and the Material Procurement Framework Agreement is more than 0.1% but less than 5%, the Exploration Services Framework Agreement, the Material Procurement Framework Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the date of this announcement, the Company has not entered into any transactions and/or incurred any amounts payable under each of the Exploration Services Framework Agreement and the Material Procurement Framework Agreement.

APPROVAL OF THE BOARD

The Exploration Services Framework Agreement and the Material Procurement Framework Agreement have been approved by the Board where none of the voting Directors bears any material interest in the proposed transactions contemplated under these agreements. As the executives of Shandong Zhaojin, Mr. Weng Zhanbin and Mr. Li Shousheng have abstained from voting at the Board meeting relating to approval of these agreements.

INTERNAL CONTROL MEASURES

The Company has developed a set of internal control measures to ensure that the transactions as contemplated under the Exploration Services Framework Agreement and the Material Procurement Framework Agreement shall comply with the pricing policy and the terms of the respective agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms shall not be less favourable than the terms provided by an independent third party for the provision of similar services so far as the Company is concerned.

GENERAL INFORMATION

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

Shandong Zhaojin is principally engaged in the business of gold exploration, mining and refining, and has investments in gold exploration, mining, smelting and refining and other gold related businesses.

Shandong Zhaojin Geological is a professional geological exploration company holding a Class B qualification in solid mineral exploration, geological drilling and rock test. It was formed after the restructuring of the Zhaoyuan City Gold Geology Team, which was the earliest county-level municipal professional gold exploration team in China. It has overall exploration capability ranging from general exploration to detailed exploration, from surface exploration to underground exploration, from placer gold exploration to rock gold exploration, and from shallow exploration to deep exploration. It owns advanced mapping, drilling, geological exploration and testing instruments. Prior to its corporate restructuring, it also assumed part of the geological exploration business engagements from the Company. It has won recognition from the Company and market for its quality services, professional technology level and reasonable prices.

Materials Supply Center is a company with limited liabilities and is principally engaged in mining steel, equipment accessories and ore selection reagents, etc. The Materials Supply Center was formed after the restructuring of Zhaoyuan Materials Supply Center* (招遠市物資供應中心), and earned good credit in the industry it operates and was awarded with various regional and municipal awards for outstanding enterprises. Prior to the its corporate restructuring, Materials Supply Center also undertook part of the materials procurement business of the Company, and was well recognized by the Company and the market for its quality after-sales services, good reputation and reasonable prices of products it supplied.

DEFINITIONS

“Board”	the board of Directors
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company established in the PRC on 16 April 2004, the issued H Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Exploration Services Framework Agreement”	the exploration services framework agreement dated 18 January 2017 entered into between the Company and Shandong Zhaojin Geological in relation to the provision of exploration services by Shandong Zhaojin Geological to the Company
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of the Company with a nominal value of RMB1 each which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Material Procurement Framework Agreement”	the material procurement framework agreement dated 18 January 2017 entered into between the Company and Materials Supply Center in relation to the provision of materials sales service by Materials Supply Center to the Company
“Materials Supply Center”	Zhaoyuan Gold Materials Supply Center Co., Ltd* (招遠市黃金物資供應中心有限公司), a wholly-owned subsidiary of Shandong Zhaojin
“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), a state-owned limited company established in the PRC on 28 June 1992 and a promoter and the controlling Shareholder of the Company
“Shandong Zhaojin Geological”	Shandong Zhaojin Geological Prospecting Co., Ltd* (山東招金地質勘查有限公司), a wholly-owned subsidiary of Shandong Zhaojin
“Share(s)”	share(s) of RMB1 each in the capital of the Company, comprising the domestic shares and H Shares of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Zhaoyuan, the PRC, 18 January 2017

As at the date of this announcement, the Board comprises of three executive Directors, namely Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao; four non-executive Directors, namely Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min; and four independent non-executive Directors, namely Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu.

* For identification purpose only