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**ZHAOJIN**

**ZHAOJIN MINING INDUSTRY COMPANY LIMITED\***

**招金礦業股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1818)**

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAPS**

Reference is made to the Announcement.

In order to further enhance the integration level in respect of the “four modernization” (i.e. “mechanization, automation, digitization and intelligence” (機械化、自動化、數字化、智能化)) of the production of the Company’s existing mines and improve the efficiency, quality and production safety of its mines and increase the related investment, the Board anticipates that the Original Digital Mine Construction Technology Services Annual Caps provided for in the Digital Mine Construction Technology Services Agreement will not be sufficient to meet the Company’s requirements for the three years ending 31 December 2018, 2019 and 2020. Accordingly, on 24 August 2018, the Company entered into the Supplemental Digital Mine Construction Technology Services Agreement with Goldsoft Technology to revise the annual caps under the Digital Mine Construction Technology Services Agreement from the Original Digital Mine Construction Technology Services Annual Caps (i.e. RMB30 million, RMB32 million and RMB35 million for each of the three years ending 31 December 2018, 2019 and 2020, respectively) to the Revised Digital Mine Construction Technology Services Annual Caps (i.e. RMB90 million, RMB95 million and RMB95 million for each of the three years ending 31 December 2018, 2019 and 2020, respectively). The Supplemental Digital Mine Construction Technology Services Agreement further clarified that the Digital Mine Construction Technology Services may be provided by Goldsoft Technology and/or its subsidiaries.

**LISTING RULES IMPLICATIONS**

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company. Goldsoft Technology is a subsidiary of Shandong Zhaojin, and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Digital Mine Construction Technology Services Agreement (as supplemented by the Supplemental Digital Mine Construction Technology Services 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) of the Revised Digital Mine Construction Technology Services Annual Caps in respect of the transactions contemplated under the Digital Mine Construction Technology Services Agreement (as supplemented by the Supplemental Digital Mine Construction Technology Services Agreement) is more than 0.1% but less than 5%, the Digital Mine Construction Technology Services Agreement (as supplemented by the Supplemental Digital Mine Construction Technology Services 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.

## **BACKGROUND**

Reference is made to the Announcement. As disclosed in the Announcement, the Company entered into, among other things, the Digital Mine Construction Technology Services Agreement on 31 December 2017. Please refer to the Announcement for a summary of the principal terms agreed under the Digital Mine Construction Technology Services Agreement.

## **SUPPLEMENTAL DIGITAL MINE CONSTRUCTION TECHNOLOGY SERVICES AGREEMENT**

In order to further enhance the integration level in respect of the “four modernization” (i.e. “mechanization, automation, digitization and intelligence” (機械化、自動化、數字化、智能化)) of the production of the Company's existing mines and improve the efficiency, quality and production safety of its mines and increase the related investment, the Board anticipates that the Original Digital Mine Construction Technology Services Annual Caps provided for in the Digital Mine Construction Technology Services Agreement will not be sufficient to meet the Company's requirements for the three years ending 31 December 2018, 2019 and 2020. Up to 31 July 2018, the transaction amount incurred under the Digital Mine Construction Technology Services Agreement was approximately RMB26.5 million, which was close to the annual cap of RMB30 million for the year ending 31 December 2018.

Accordingly, on 24 August 2018, the Company entered into the Supplemental Digital Mine Construction Technology Services Agreement with Goldsoft Technology to revise the annual caps under the Digital Mine Construction Technology Services Agreement from the Original Digital Mine Construction Technology Services Annual Caps to the Revised Digital Mine Construction Technology Services Annual Caps. The Supplemental Digital Mine Construction Technology Services Agreement further clarified that the Digital Mine Construction Technology Services may be provided by Goldsoft Technology and/or its subsidiaries.

Set out below are the principal terms of the Supplemental Digital Mine Construction Technology Services Agreement.

### **Date**

24 August 2018

### **Parties**

- (i) the Company; and
- (ii) Goldsoft Technology, a controlling subsidiary of Shandong Zhaojin

## Revisions

Pursuant to the Supplemental Digital Mine Construction Technology Services Agreement, the Original Digital Mine Construction Technology Services Annual Caps shall be revised to the Revised Digital Mine Construction Technology Services Annual Caps as follows:

	For the year ending 31 December		
	2018	2019	2020
	(RMB million)	(RMB million)	(RMB million)
Original Digital Mine Construction Technology Services Annual Caps	30	32	35
Revised Digital Mine Construction Technology Services Annual Caps	90	95	95

The Supplemental Digital Mine Construction Technology Services Agreement further clarified that the Digital Mine Construction Technology Services may be provided by Goldsoft Technology and/or its subsidiaries.

Save as disclosed above, all other terms of the Digital Mine Construction Technology Services Agreement as disclosed in the Announcement remain unchanged.

## **BASIS OF DETERMINING THE REVISED DIGITAL MINE CONSTRUCTION TECHNOLOGY SERVICES ANNUAL CAPS**

The Revised Digital Mine Construction Technology Services Annual Caps have been determined with reference to: (i) the historical fees paid by the Company to Goldsoft Technology for the provision of the Digital Mine Construction Technology Services; (ii) the need for the Digital Mine Construction Technology Services in upgrading/enhancing the facilities of the existing mines of the Group; (iii) the need for the Digital Mine Construction Technology Services in the newly-acquired mines of the Group; and (iv) the price of the Digital Mine Construction Technology Services as quoted by Goldsoft Technology.

In particular, since the signing of the Digital Mine Construction Technology Services Agreement, the Company intends to increase its investment in the “four modernization” (i.e. “mechanization, automation, digitization and intelligence” (機械化、自動化、數字化、智能化)) integration work of its existing mines so as to improve the efficiency, quality and production safety of its mines. It is expected that the increased investment will amount to approximately RMB100 million for each of the next three years ending 31 December 2020, and a substantial part of the relevant work will be performed by Goldsoft Technology and/or its subsidiaries. Hence, the annual caps for the provision of Digital Mine Construction Technology Services are correspondingly increased to RMB90 million, RMB95 million and RMB95 million for each of the three years ending 31 December 2020.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL DIGITAL MINE CONSTRUCTION TECHNOLOGY SERVICES AGREEMENT**

As disclosed above, in order to further enhance the integration level in respect of the “four modernization” (i.e. “mechanization, automation, digitization and intelligence” (機械化、自動化、數字化、智能化)) of the production of the Company’s existing mines production, improve the efficiency, quality and production safety of its mines and increase the related investment, the Board anticipates that the Original Digital Mine Construction Technology Services Annual Caps provided for in the Digital Mine Construction Technology Services Agreement will not be sufficient to meet the Company’s requirements for the three years ending 31 December 2018, 2019 and 2020. Hence, revisions to the Original Digital Mine Construction Technology Services Annual Caps are required. As the Digital Mine Construction Technology Services may be provided by Goldsoft Technology and/or its subsidiaries (and not just Goldsoft Technology only), the Supplemental Digital Mine Construction Technology Services Agreement further clarified that the Digital Mine Construction Technology Services may be provided by Goldsoft Technology and/or its subsidiaries.

The Directors (including the independent non-executive Directors) consider that transactions under the Digital Mine Construction Technology Services Agreement will continue to be conducted in the original and usual course of business of the Group and on arm’s length basis, the terms of the Supplemental Digital Mine Construction Technology Services Agreement have been negotiated on an arm’s length basis and are on normal commercial terms, and the terms of the Supplemental Digital Mine Construction Technology Services Agreement and the Revised Digital Mine Construction Technology Services Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

As at the date of this announcement, Shandong Zhaojin is a controlling Shareholder of the Company. Goldsoft Technology is a subsidiary of Shandong Zhaojin, and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Digital Mine Construction Technology Services Agreement (as supplemented by the Supplemental Digital Mine Construction Technology Services 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) of the Revised Digital Mine Construction Technology Services Annual Caps in respect of the transactions contemplated under the Digital Mine Construction Technology Services Agreement (as supplemented by the Supplemental Digital Mine Construction Technology Services Agreement) is more than 0.1% but less than 5%, the Digital Mine Construction Technology Services Agreement (as supplemented by the Supplemental Digital Mine Construction Technology Services 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.

## **APPROVAL OF THE BOARD**

The Supplemental Digital Mine Construction Technology Services Agreement has been approved by the Board where none of the voting Directors has any material interest in the proposed transactions contemplated under the Supplemental Digital Mine Construction Technology Services Agreement and the Revised Digital Mine Construction Technology Services Annual Caps. However, Mr. Weng Zhanbin and Mr. Liu Yongsheng, being the executives of Shandong Zhaojin, have abstained from voting on the relevant board resolutions approving the Supplemental Digital Mine Construction Technology Services Agreement and the Revised Digital Mine Construction Technology Services Annual Caps.

## **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.

Goldsoft Technology is principally engaged in the provision of information and automated systems for mines and digital mine and smart mine construction in the PRC.

## **DEFINITIONS**

In this announcement, the following terms have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement dated 31 December 2017 of the Company in respect of, among other things, the continuing connected transactions in connection with the Digital Mine Construction Technology Services Agreement
“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(s)”	has the meaning ascribed to it under the Listing Rules
“Digital Mine Construction Technology Services”	digital mine construction software and digital mine system integration, details of which are set out in the paragraph headed “Digital Mine Construction Technology Services” in the section headed “Digital Mine Construction Technology Services Agreement” in the Announcement

“Digital Mine Construction Technology Services Agreement”	the framework agreement dated 31 December 2017 entered into between the Company and Goldsoft Technology in relation to the provision of Digital Mine Construction Technology Services by Goldsoft Technology to the Group
“Director(s)”	directors of the Company
“Goldsoft Technology”	山東金軟科技股份有限公司 (Shandong Goldsoft Technology Company Limited*), a limited liability company established in the PRC on 27 August 2001, which is owned as to 67.37% by Shandong Zhaojin as at the date of this announcement
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) 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
“Original Digital Mine Construction Technology Services Annual Caps”	the annual cap amounts payable by the Group to the Goldsoft Technology in respect of the transactions contemplated under the Digital Mine Construction Technology Services Agreement for each of the three financial years ending 31 December 2020
“PRC”	the People’s Republic of China
“Revised Digital Mine Construction Technology Services Annual Caps”	the annual cap amounts payable by the Group to Goldsoft Technology in respect of the transactions contemplated under the Digital Mine Construction Technology Services Agreement (as supplemented by the Supplemental Digital Mine Construction Technology Services Agreement) for each of the three financial years ending 31 December 2020
“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
“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 the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Digital Mine Construction Technology Services Agreement”	the supplemental agreement dated 24 August 2018 to the Digital Mine Construction Technology Services Agreement entered into between the Company and Goldsoft Technology in relation to the revision of the Original Digital Mine Construction Technology Services Annual Caps to the Revised Digital Mine Construction Technology Services Annual Caps
“%”	per cent.

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

Zhaoyuan, the PRC, 24 August 2018

*As at the date of this announcement, the Board comprises of three executive Directors, namely Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang; four non-executive Directors, namely Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Yao Ziping 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