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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 TRANSACTION

FRAMEWORK AGREEMENT FOR SALES OF SULPHUR CONCENTRATE

The Board is pleased to announce that on 22 October 2021, Zhaojin Jinhe entered into the Framework Agreement for Sales of Sulphur Concentrate with Guoda Gold, pursuant to which Zhaojin Jinhe agreed to sell sulphur concentrate to Guoda Gold and its subsidiaries for a term of three years commencing from 1 January 2021 to 31 December 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhaojin Jinhe is a wholly-owned subsidiary of the Company, Shandong Zhaojin is the controlling Shareholder and a substantial Shareholder of the Company. Guoda Gold is a subsidiary of Shandong Zhaojin and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement for Sales of Sulphur Concentrate constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Framework Agreement for Sales of Sulphur Concentrate is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement for Sales of Sulphur Concentrate is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 22 October 2021, Zhaojin Jinhe entered into the Framework Agreement for Sales of Sulphur Concentrate with Guoda Gold, pursuant to which Zhaojin Jinhe agreed to sell sulphur concentrate to Guoda Gold and its subsidiaries for a term commencing from 1 January 2021 to 31 December 2023.

FRAMEWORK AGREEMENT FOR SALES OF SULPHUR CONCENTRATE

Date

22 October 2021

Parties

- (i) Seller: Zhaojin Jinhe; and
- (ii) Buyer: Guoda Gold

Term

From 1 January 2021 to 31 December 2023

Subject to compliance with applicable laws and regulations including but not limited to the Listing Rules, the Framework Agreement for Sales of Sulphur Concentrate may be extended or renewed by the parties.

Products to be sold by Zhaojin Jinhe to Guoda Gold

Sulphur concentrate

Pricing policy and payment terms

Zhaojin Jinhe agreed to sell, and Guoda Gold agreed to buy, sulphur concentrate at market price, which will be determined on a fair basis. In respect of the sulphur concentrate supplied by Zhaojin Jinhe under the Framework Agreement for Sales of Sulphur Concentrate, Zhaojin Jinhe will have a public tender process to invite bids for the purchase of these products. Guoda Gold (or its subsidiaries) may be awarded with a specific contract only if the prices tendered by Guoda Gold (or its subsidiaries) is fair and reasonable having regard to product quality, security of funds and delivery time etc.

The specific unit prices of sulphur concentrate products shall be determined upon the signing of definitive agreements according to specific circumstances. The payment terms shall be determined according to the nature of products when the parties enter into definitive agreements.

Other major terms

According to the Framework Agreement for Sales of Sulphur Concentrate, the entering into the Framework Agreement for Sales of Sulphur Concentrate does not prevent both parties from selecting transaction partner and conduct transactions with such partner independently.

Historical figures

The historical annual transaction amounts for the sales of sulphur concentrate by Zhaojin Jinhe to Guoda Gold were nil.

Annual caps

Zhaojin Jinhe expects the annual caps for the sales of sulphur concentrate for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not exceed RMB20 million, RMB23 million and RMB25 million, respectively, which are determined with reference to: (i) the historical sales of sulphur concentrate to independent third parties by Zhaojin Jinhe; (ii) the price and price trend of sulphur concentrate; and (iii) the production capacity and stock of the sulphur concentrate of Zhaojin Jinhe.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT FOR SALES OF SULPHUR CONCENTRATE

Guoda Gold is a professional manufacturer of sulfuric acid, and has good reputation and strong financial capability. The entering into the Framework Agreement for Sales of Sulphur Concentrate will allow Zhaojin Jinhe to receive a steady, reliable and relatively better income, and Guoda Gold will prepay the full amount and pick up the goods by itself for each specific transaction, which does not only ensure that the credit risks involved will be minimized, but also saves sales costs.

Given the aforesaid and after taking into account the terms of the transactions under the Framework Agreement for Sales of Sulphur Concentrate, the Directors (including the independent non-executive Directors) consider that the entering into of the Framework Agreement for Sales of Sulphur Concentrate is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable, and is entered into on normal commercial terms in the ordinary and usual course of business of the Company.

INTERNAL CONTROL MEASURES

The Company has established various internal control measures to ensure that the transactions contemplated under the Framework Agreement for Sales of Sulphur Concentrate is in accordance with the pricing policies and the terms of the Framework Agreement for Sales of Sulphur Concentrate, and is on normal commercial terms which are no less favourable than those offered to independent third parties. Such internal control measures mainly include the following:

- (i) the managers overseeing the transactions will regularly review the terms of such agreement to ensure that the prices paid by Guoda Gold will reflect the prevailing market rates and will be on an arm's length basis under normal commercial terms;

- (ii) the business department of the Company will consolidate, on a monthly basis, the transaction accounts under the agreement incurred for the preceding month, which the accounts will be reported to the management of the Company and the Board. The business department will inform the management of the Company and the Board on a timely basis in the event the annual cap for the agreement is likely to be exceeded;
- (iii) the external auditors of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company (including the Framework Agreement for Sales of Sulphur Concentrate) conducted throughout the preceding financial year pursuant to the Listing Rules in relation to the pricing policies and annual caps therein; and
- (iv) the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transaction amounts and terms of such continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms, which are fair and reasonable, and are in compliance with the terms of the relevant agreements governing the continuing connected transactions.

By implementing the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure the relevant continuing connected transactions under the Framework Agreement for Sales of Sulphur Concentrate are conducted in accordance with the terms of such agreement, on normal commercial terms (or terms no less favourable to the Company than terms available to or offered by independent third parties) and in accordance with the pricing policies of the Company, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

1. As at the date of this announcement, Zhaojin Jinhe is a wholly-owned subsidiary of the Company, and is principally engaged in the processing and sales of precious metal cyanide smelting and by-products, the manufacture of sulfuric acid and the sales of high-sulfur concentrates.
2. As at the date of this announcement, Guoda Gold is indirectly owned by Shandong Zhaojin, the controlling Shareholder of the Company, as to 66.20%, and is principally engaged in the production and sales of gold, silver, electrolytic copper, sulfuric acid, and iron powder.

BOARD'S APPROVAL

The Framework Agreement for Sales of Sulphur Concentrate was approved by the Board on 22 October 2021 and none of the Directors has any material interest in the transactions contemplated thereunder. Mr. Weng Zhanbin and Mr. Liu Yongsheng have abstained from voting at the Board's meeting to approve the Framework Agreement for Sales of Sulphur Concentrate due to their management roles in Shandong Zhaojin.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is the controlling Shareholder and a substantial Shareholders of the Company. Guoda Gold is a subsidiary of Shandong Zhaojin and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement for Sales of Sulphur Concentrate constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Framework Agreement for Sales of Sulphur Concentrate is more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement for Sales of Sulphur Concentrate is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Framework Agreement for Sales of Sulphur Concentrate”	the framework agreement for sales of sulphur concentrate dated 22 October 2021 entered into between Zhaojin Jinhe and Guoda Gold in relation to the sales of sulphur concentrate by Zhaojin Jinhe to Guoda Gold and its subsidiaries
“Guoda Gold”	Shandong Guoda Gold Co., Ltd.* (山東國大黃金股份有限公司), a limited liability company established in the PRC on 25 January 1999, and a subsidiary in which Shandong Zhaojin indirectly holds 66.20% equity as at the date of this announcement
“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
“PRC”	the People's Republic of China

“Shandong Zhaojin”	山東招金集團有限公司 (Shandong Zhaojin Group Company Limited*), a state-owned limited company established in the PRC on 28 June 1992 and a promoter of the Company and the controlling Shareholder as at the date of this announcement
“Share(s)”	share(s) of RMB1 each in the capital of the Company, comprising the domestic Shares of the Company and the H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Zhaojin Jinhe”	Zhaoyuan Zhaojin Jinhe Technology Co., Ltd.* (招遠市招金金合科技有限公司), a limited liability company established in the PRC on 25 January 1999, and a wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent

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

Zhaoyuan, the PRC, 22 October 2021

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as executive Directors; Mr. Zhang Banglong, Mr. Liu Yongsheng, Mr. Gao Min and Mr. Huang Zhen as non-executive Directors; and Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as independent non-executive Directors.

* For identification purposes only