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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**

(1) WATER TREATMENT ENGINEERING SERVICES AGREEMENT

On 6 January 2022, the Company and Zhaojin Motian entered into the Water Treatment Engineering Services Agreement in relation to the provision of membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services by Zhaojin Motian and its subsidiaries to the Company from 1 January 2022 to 31 December 2024.

(2) EXPLORATION, ENVIRONMENTAL GOVERNANCE AND RELATED TECHNICAL SERVICES FRAMEWORK AGREEMENT

On 6 January 2022, the Company entered into the Exploration, Environmental Governance and Related Technical Services Framework Agreement with No. 3 Exploration Institute in relation to the provision of exploration, environmental governance and related technical services by No. 3 Exploration Institute and its subsidiaries to the Group during the period from 1 January 2022 to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Zhaojin is the substantial shareholder and controlling shareholder of the Company. Zhaojin Motian is a subsidiary of Shandong Zhaojin. Therefore, Zhaojin Motian is a connected person of the Company according to the Rule 14A.13 of the Listing Rules. In addition, No. 3 Exploration Institute holds 30%, 34% and 30% of the shares in Zaozigou Gold Mine Company, Xinrui Mining and Zhaojin Precious Metal Smelting, which are subsidiaries of the Company, respectively. Therefore, No. 3 Exploration Institute is a connected person of the Company according to the Rule 14A.07 of the Listing Rules. Accordingly, each of the Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement is higher than 0.1% but less than 5%, the Water Treatment Engineering Services Agreement, the Exploration, Environmental Governance and Related Technical Services 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.

(1) WATER TREATMENT ENGINEERING SERVICES AGREEMENT

Date

6 January 2022

Parties

- (i) The Company; and
- (ii) Zhaojin Motian

Duration

From 1 January 2022 to 31 December 2024

Services

Zhaojin Motian and its subsidiaries agreed to provide membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services to the Company. Water treatment engineering services include purification of safe quality drinking water, domestic wastewater treatment and reclaimed water recycling, and mine wastewater treatment services. Steel structure engineering services include piping and equipment installation for industrial construction projects, and fabrication and installation of steel components. Details of the necessary membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services will be set out in separate agreements under the Water Treatment Engineering Services Agreement based on the actual conditions at time.

Pricing and Payment Terms

Zhaojin Motian and the Company will enter into separate agreements or orders concerning the details of the provision of membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services (the “**Specific Agreements**”) from time to time during the term of the Water Treatment Engineering Services Agreement, and the Specific Agreements shall comply with the provisions of the Water Treatment Engineering Services Agreement. Prices and terms relating to membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services to be provided by Zhaojin Motian and its subsidiaries to the Company shall be determined upon fair negotiation according to normal commercial terms during the ordinary course of business. The Company will have a public tender process to invite relevant bidders to participate in the bidding. Specific Agreements will be granted to Zhaojin Motian only if the prices and terms provided by Zhaojin Motian to the Group are not less favourable than the prices and terms provided by an independent third party to the Group, and are not higher than the fee charged by Zhaojin Motian for provision of similar services in the ordinary course of business provided to independent third parties at the same time.

The specific payment terms will be set forth in the Specific Agreements.

Historical Transaction Amounts

The historical transaction amounts with Zhaojin Motian in relation to the provision of water treatment engineering services to the Company are set out below:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(approximately)	(approximately)	(approximately, unaudited)
Transaction amounts with Zhaojin Motian in relation to the provision of water treatment engineering services to the Company	21.54	7.76	17.75

Annual Caps

The Company expects that the annual caps of the transactions contemplated under the Water Treatment Engineering Services Agreement are as below:

	<i>RMB million</i>
For the year ending 31 December 2022	32
For the year ending 31 December 2023	40
For the year ending 31 December 2024	50

The aforesaid annual caps have been determined based on the following considerations: (i) historical transaction amounts with Zhaojin Motian in relation to the provision of water treatment engineering services to the Company; and (ii) an expected increase in demand from the Company for water treatment engineering services and steel structure engineering services, as a result of the integrated production and operation management of the Company with comprehensive planning for safety management and green operation in the ensuing three years, and the follow-up operation and maintenance of the original projects and the needs of the construction of new projects.

Reasons for and Benefits of Entering into the Water Treatment Engineering Services Agreement

The Company has greatly valued environmental protection since its establishment. In line with the continuous growth of the Company and the society's rising concern towards environmental protection, our investment in environmental protection has been increasing, where investment in water treatment comprises an integral part. Therefore, the Company anticipates that there will be a continuous and reasonable increase in the demand for water treatment services and steel structure engineering services from 2022 to 2024. Zhaojin Motian is the only enterprise which owns separation membrane materials engineering technology research and development center of provincial level in Shandong Province and has a complete industry chain spanning research and development of separation membrane technology, production of membrane products and design and construction of membrane system, and its advanced separation membrane technology can be applied in solving various problems of water resources. At the same time, Zhaojin Motian has various construction qualifications such as municipal general contracting, environmental protection engineering, construction electromechanical installation engineering and steel structure engineering. Zhaojin Motian also has construction and installation abilities of general contracting of municipal engineering, environmental protection engineering, construction electromechanical installation engineering and steel structure engineering and is familiar with actual conditions of the mines owned by the Company. Therefore, the Company is of the view that Zhaojin Motian is able to provide the Company with reasonable opinions on water treatment engineering and steel structure engineering. Engaging Zhaojin Motian as a supplier of water treatment engineering services and steel structure engineering services may help lower the implementation cost for water treatment and engineering of the Company and bring stronger technological support.

In view of the above reasons, the Directors (including the independent non-executive Directors) consider that the terms of the Water Treatment Engineering Services Agreement are normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) EXPLORATION, ENVIRONMENTAL GOVERNANCE AND RELATED TECHNICAL SERVICES FRAMEWORK AGREEMENT

Date

6 January 2022

Parties

- (i) the Company; and
- (ii) No. 3 Exploration Institute

Duration

From 1 January 2022 to 31 December 2024

Subject to compliance with the applicable laws and regulations, the articles of association of the Company and No. 3 Exploration Institute, and the Listing Rules, the term of the Exploration, Environmental Governance and Related Technical Services Framework Agreement may be extended for three years of both parties.

Services

No. 3 Exploration Institute and its subsidiaries shall provide the exploration, environmental governance and related technical services to the Group, including mine exploration and technical services, drilling works, preparation of annual survey (annual report), geological experimental testing, rock mineral analysis, geological disaster prevention and environmental restoration and governance, as well as to submit materials in accordance with relevant regulations and assist the Group in obtaining mining permits.

Pricing and Payment Terms

No. 3 Exploration Institute and its subsidiaries and the Group shall, from time to time, enter into separate agreement(s) regarding the provision of various services during the term of the Exploration, Environmental Governance and Related Technical Services Framework Agreement to the extent that the terms of such separate agreement(s) shall comply with the terms of the Exploration, Environmental Governance and Related Technical Services Framework Agreement. The fees and terms of the exploration, environmental governance and related technical services to be provided by No. 3 Exploration Institute and its subsidiaries to the Group shall be determined in the ordinary course of business on normal commercial terms upon negotiation on an arm's length basis. The Company will have a public tender process to invite relevant bidders to participate in the bidding. No. 3 Exploration Institute may be awarded with a specific contract only if the fees and terms offered by No. 3 Exploration Institute to the Group are no less favourable than the fees and terms offered by independent third parties to the Group.

The fees for the exploration, environmental governance and related technical services shall include those arising from mine exploration and technical services, drilling works, preparation of annual survey (annual report), geological experimental testing, rock mineral analysis, geological disaster prevention and environmental restoration and governance and other fees to be incurred according to actual circumstances.

The fees for drilling works and geological services are determined with reference to (i) the Budget Standards of Geological Survey Projects of the Geological Survey Bureau of the PRC for 2010; and (ii) the guiding prices of the Company.

The fees for the exploration, environmental governance and related technical services shall be paid upon the completion of inspection of the relevant services by the Group.

Historical Transaction Amounts

The historical transaction amounts with the No. 3 Exploration Institute in relation to the exploration, environmental governance and related technical services to the Group are set out below:

	For the year ended 31 December 2019 <i>RMB million</i>	For the year ended 31 December 2020 <i>RMB million</i>	For year ended 31 December 2021 <i>RMB million</i>
	(approximately)	(approximately)	(approximately, unaudited)
Transaction amounts with No. 3 Exploration Institute in relation to the exploration, environmental governance and related technical services to the Group	14.16	6.04	8.36

Annual Caps

The Company expects that the annual caps for the transactions contemplated under the Exploration, Environmental Governance and Related Technical Services Framework Agreement are as follows:

	<i>RMB million</i>
For the year ending 31 December 2022	29
For the year ending 31 December 2023	23
For the year ending 31 December 2024	22

The above annual caps are determined based on: (i) the historical transaction amounts regarding the exploration, environmental governance and related technical services provided by No. 3 Exploration Institute and its subsidiaries to the Group; and (ii) the overall business development of the Group and the comprehensive planning of geological exploration in the next three years, especially the expected increase in demand for the services by the subsidiaries of the Company in Gansu.

Reasons for and Benefits of Entering into the Exploration, Environmental Governance and Related Technical Services Framework Agreement

No. 3 Exploration Institute possesses profound professional and technical strength with professional qualifications in geological exploration, engineering survey, environmental restoration and governance, rock mineral experiments, etc.. It is well positioned to provide full-process professional and technical services for mining enterprises and enjoys sound social reputation. No. 3 Exploration Institute owns the complete and advanced drilling rigs and drilling equipment, possesses powerful technical forces and is familiar with the climatic and stratum conditions in Gansu, and is especially experienced in complex stratum drilling. In recent years, No. 3 Exploration Institute has provided quality geological exploration services to Zaozigou Gold Mine and other mines located in Gansu. After several years of favourable cooperation, it is familiar with the geological conditions and environment of the mines owned by the Company in Gansu.

The Company believes that, as No. 3 Exploration Institute 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 in Gansu, it is therefore capable of providing reasonable advice to the Company on geological exploration. The engagement of No. 3 Exploration Institute to provide the exploration, environmental governance and related technical services will help to reduce the Company's exploration cost and enhance the technical support to the Company.

In view of the reasons above, the Directors (including independent non-executive Directors) are of the opinion that, the Exploration, Environmental Governance and Related Technical Services Framework Agreement were entered into on normal commercial terms in the ordinary and usual course of business of the Company, and the terms thereof are fair and reasonable and 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 the substantial shareholder and controlling shareholder of the Company. Zhaojin Motian is a subsidiary of Shandong Zhaojin. Therefore, Zhaojin Motian is a connected person of the Company according to the Rule 14A.13 of the Listing Rules. Also, No. 3 Exploration Institute holds 30%, 34% and 30% of the shares in Zaozigou Gold Mine Company, Xinrui Mining and Zhaojin Precious Metal Smelting, which are subsidiaries of the Company, respectively. Therefore, No. 3 Exploration Institute is a connected person of the Company according to the Rule 14A.07 of the Listing Rules. Accordingly, each of the Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement is higher than 0.1% but less than 5%, the Water Treatment Engineering Services Agreement, the Exploration, Environmental Governance and Related Technical Services 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.

APPROVAL OF THE BOARD

The Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement have been approved by the Board on 6 January 2022 and none of the voting Directors has any material interest of the transactions contemplated under the Agreements. As executives of Shandong Zhaojin, Mr. Weng Zhanbin and Mr. Liu Yongsheng have abstained from voting at the Board meeting relating to approval of these Agreements.

INTERNAL CONTROL MEASURES

The Company has established various internal control measures in order to ensure that the transactions contemplated under the Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement are in accordance with the pricing policies and the terms of each of the Agreements and are on normal commercial terms and no less favourable to the Company than terms quoted by independent third parties. Such internal control measures mainly include the following:

- (i) the managers overseeing the transactions will regularly review the terms of such transactions to ensure that the fees charged by Zhaojin Motian and No. 3 Exploration Institute will reflect the prevailing market rates and will be on an arm's length basis under normal commercial terms;
- (ii) the business departments of the Company will consolidate, on a monthly basis, the transaction amounts under each of the Agreements incurred for the previous month and the results will be reported to the management of the Company and the Board. The business departments will inform the management of the Company and the Board on a timely basis in the event the annual cap for any of the Agreements 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 in relation to the pricing policies and annual caps of the continuing connected transactions (including the transactions contemplated under the Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules; 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 transactional amounts and terms of the 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, are fair and reasonable, and are carried out pursuant to 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 Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement are conducted in accordance with the terms of such Agreements, on normal commercial terms (or terms no less favourable to the Company than terms 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.

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.

Zhaojin Motian commits itself to applying the advanced separation membrane technology to solution of various water problems. Its comprehensive businesses include fabrication of separation membrane, design and installation of water treatment equipment and technology development, covering purification of safe quality drinking water, treatment and recycling of domestic wastewater, treatment and resource utilization of industrial wastewater, etc.

No. 3 Exploration Institute is principally engaged in geological exploration and exploration design, mining development, geological experimental testing, rock mineral analysis, geological disaster prevention and environmental restoration and governance.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“Agreements”	the Water Treatment Engineering Services Agreement and the Exploration, Environmental Governance and Related Technical Services Framework Agreement
“Board”	the board of Directors of the Company
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (Stock Code: 1818), a joint stock limited company 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Exploration, Environmental Governance and Related Technical Services Framework Agreement”	the exploration, environmental governance and related technical services framework agreement entered into between the Company and No. 3 Exploration Institute on 6 January 2022 in relation to the provision of exploration, environmental governance and related technical services by No. 3 Exploration Institute and its subsidiaries to the Group
“Group”	the Company and its subsidiaries
“H Share(s)”	H share(s) of nominal value of RMB1 each in the capital of the Company, which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“No. 3 Exploration Institute”	the Third Institute of Geological and Mineral Exploration of Gansu Provincial Bureau of Geology and Mineral Resources* (甘肅省地質礦產勘查開發局第三地質礦產勘查院), which holds 30%, 34% and 30% of the shares in Zaozigou Gold Mine Company, Xinrui Mining and Zhaojin Precious Metal Smelting, respectively, which are subsidiaries of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“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, the substantial shareholder and controlling shareholder of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Water Treatment Engineering Services Agreement”	the Water Treatment Engineering Services Agreement on supplying membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services for the Company by Zhaojin Motian and its subsidiaries, which was entered into between the Company and Zhaojin Motian on 6 January 2022
“Xinrui Mining”	Gansu Xinrui Mining Company Limited* (甘肅鑫瑞礦業有限公司), a non-wholly owned subsidiary of the Company

“Zaozigou Gold Mine Company”	Gansu Province Zaozigou Gold Mine Company Limited* (甘肅省早子溝金礦有限責任公司), a non-wholly owned subsidiary of the Company
“Zhaojin Motian”	Shandong Zhaojin Motian Co., Ltd.* (山東招金膜天有限責任公司), a subsidiary in which Shandong Zhaojin holds 55% equity
“Zhaojin Precious Metal Smelting”	Gansu Zhaojin Precious Metal Smelting Company Limited* (甘肅招金貴金屬冶煉有限公司), a non-wholly owned subsidiary of the Company
“%”	per cent

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

Zhaoyuan, the PRC, 6 January 2022

As at the date of this announcement, the Board comprises Mr. Weng Zhanbin, Mr. Jiang Guipeng and Mr. Wang Ligang as executive Directors; Mr. Ding Jun, Mr. Li Guanghui, 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*