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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)

CONNECTED TRANSACTION
ACQUISITION OF 6.14% EQUITY INTEREST IN SHANDONG RUIYIN

ACQUISITION

The Board is pleased to announce that, on 11 October 2022 (after trading hours), the Company entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Company has agreed to acquire, and the Vendor has agreed to transfer, the Target Equity Interest at a consideration of RMB815.5 million.

LISTING RULES IMPLICATIONS

As of the date of this announcement, the Company holds 63.86% of the equity interest of Shandong Ruiyin, and the remaining 36.14% equity interest of Shandong Ruiyin is held by the Vendor. Accordingly, the Vendor is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Company in respect of the Acquisition exceeds 0.1% but is less than 5%, and the total consideration of the Acquisition exceeds HK\$10,000,000. Accordingly, the Acquisition is subject to reporting and announcement requirements, but is exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 31 May 2015 in relation to the Group's acquisition of 63.86% of the equity interest of Shandong Ruiyin. The Board is pleased to announce that, on 11 October 2022 (after trading hours), the Company entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Company has agreed to acquire, and the Vendor has agreed to transfer, the Target Equity Interest at a consideration of RMB815.5 million.

THE ACQUISITION

Major terms of the Equity Transfer Agreement

Date	11 October 2022
Parties	Purchaser: the Company Vendor: Bowen Mining, which is a connected person of the Company under Rule 14A.07 of the Listing Rules
Subject of the transaction	Pursuant to the Equity Transfer Agreement, the Company has agreed to acquire, and the Vendor has agreed to transfer, the Target Equity Interest at a consideration of RMB815.5 million.
Consideration	The consideration of the Acquisition was agreed to be RMB815.5 million, which will be paid by the internal capital resources of the Company.
Payment terms	The consideration of the Acquisition shall be fully paid by the Company to the Vendor upon the completion of all the registration procedures in relation to the Acquisition with the relevant regulatory authorities.
Completion	The Acquisition will be completed upon the completion of all the registration procedures in relation to the Acquisition with the relevant regulatory authorities. Pursuant to the Equity Transfer Agreement, save as disclosed above, there is no condition precedent to the completion of the Acquisition. Upon the completion, the equity interest of Shandong Ruiyin held by the Company will be increased from 63.86% to 70%.

BASIS OF DETERMINATION OF THE CONSIDERATION

The consideration of the Acquisition was determined after arm's length negotiation between the Company and the Vendor after taking into account of the following factors:

- (i) Shandong Ruiyin is the holding company of Ruihai Mining, and Ruihai Mining owns the entire interest of Haiyu Gold Mine. Save as the equity interest of Ruihai Mining, Shandong Ruiyin does not hold any other material asset as of the date of this announcement;
- (ii) the resource amount of Haiyu Gold Mine – as of 31 December 2021, the recoverable reserves of mineral resources of Haiyu Gold Mine amounted to 562.37 tonnes with an average grade of 4.20 grams per tonne in accordance with the standards set out in JORC Code;
- (iii) Haiyu Gold Mine has obtained a mining permit for a period from 21 July 2021 to 21 July 2036 (the “**License Period**”), and the preparation for the production of Haiyu Gold Mine is under process;
- (iv) the appraised value of the mineral right of Haiyu Gold Mine as of 31 December 2021, which was amounted to approximately RMB16,390.3 million;
- (v) as of 30 June 2022, the total liabilities of Ruihai Mining amounted to approximately RMB4,000.4 million; and
- (vi) the outstanding transfer fee of mineral right* (礦業權出讓收益) of Haiyu Gold Mine to be paid by Ruihai Mining during the License Period.

APPROVAL FROM THE BOARD

The resolution in relation to the Acquisition was approved at the Board meeting of the Company convened on 11 October 2022. None of the Directors had material interests in the Acquisition. The management has been authorised at the meeting to deal with all the procedures and matters in relation to the Acquisition, including but not limited to the execution of the Equity Transfer Agreement.

FINANCIAL INFORMATION OF SHANDONG RUIYIN

The unaudited consolidated financial information of Shandong Ruiyin is set out as follows:

	For the year ended 31 December		For the
	2020	2021	six months
	RMB'000	RMB'000	ended 30 June
Revenue	–	–	2022
Net loss before tax	57,537	68,618	RMB'000
Net loss after tax	57,537	68,618	
	As of 31 December		As of 30 June
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Total assets	2,091,919	4,119,082	4,182,943
Net assets/(liabilities)	(70,713)	(247,331)	424,488

INFORMATION ABOUT THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Company

The Company is 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 (Stock Code: 1818). The Company and its subsidiaries are principally engaged in gold exploration, mining, ore processing and smelting, as well as processing and sale of by-products in the PRC.

The Vendor

The Vendor is a company established in the PRC with limited liability. The Vendor primarily engaged in investment, exploration and development of mineral resources. The Vendor is indirectly controlled by Beijing Ju Feng Ke Investment Co., Ltd.* (北京聚豐科投資有限責任公司) (“**Ju Feng Ke**”), which is a company established in the PRC with limited liability, primarily engaged in investment management and asset management. Ju Feng Ke is owned by four individuals, namely Yang Tao (楊濤), Lv Chunwei (呂春衛), Yang Qi (楊旗) and Yang Yueli (楊月利). As of the date of this announcement, the Vendor holds 36.14% equity interest of Shandong Ruiyin and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Save as the abovementioned connected relationship, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, there is no other connected relationship between the Company, or any other member of the Group with the Vendor and its ultimate beneficial owners.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Shandong Ruiyin indirectly owns Haiyu Gold Mine, which is located at the north of Sanshan Island in Laizhou City, Shandong Province. Haiyu Gold Mine is the largest standalone gold mine in China with excellent geological conditions of mineralization and great potential for future exploration and reserve increase and is within the Shandong Laizhou – Zhaoyuan Gold Belt, the third largest gold belt in the world. As of 31 December 2021, the recoverable reserves of mineral resources of Haiyu Gold Mine amounted to 562.37 tonnes with an average grade of 4.20 grams per tonne in accordance with the standards set out in JORC Code. The increase in the equity interest in Shandong Ruiyin would result in the corresponding increase in the mineral resources of the Group.

As of the date of this announcement, Haiyu Gold Mine has obtained a mining permit for a period from 21 July 2021 to 21 July 2036. The preparation for the production of Haiyu Gold Mine is under process. Once Haiyu Gold Mine commences production, it will further enhance the total gold production of the Group.

Based on the above, the Directors are of the view that the Acquisition will increase the mineral resources of the Company, improve its competitiveness in the gold industry and achieve sustainable development. It is also in line with the Company's overall strategic planning for the development of its gold business. The Directors (including independent non-executive Directors) have reviewed the Equity Transfer Agreement and are of the view that (i) the terms and conditions of the Equity Transfer Agreement are fair and reasonable; (ii) the Equity Transfer Agreement was entered into on normal commercial terms in the ordinary course of business of the Company; and (iii) the Acquisition contemplated under the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLEMENTATIONS

As of the date of this announcement, the Company holds 63.86% of the equity interest of Shandong Ruiyin, and the remaining 36.14% equity interest of Shandong Ruiyin is held by the Vendor. Accordingly, the Vendor is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Company in respect of the Acquisition exceeds 0.1% but is less than 5%, and the total consideration of the Acquisition exceeds HK\$10,000,000. Accordingly, the Acquisition is subject to reporting and announcement requirements, but is exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Acquisition”	the acquisition of the Target Equity Interest pursuant to the Equity Transfer 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 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 person(s)”	has the meaning ascribed under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 11 October 2022 entered into between the Company and the Vendor in respect of the Acquisition
“Group”	the Company and its subsidiaries
“Haiyu Gold Mine”	a gold mine owned by Ruihai Mining in the north of Sanshan Island in Laizhou City, Shandong Province (萊州市三山島北部)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Ruihai Mining”	Laizhou Ruihai Mining Industry Company Limited* (萊州市瑞海礦業有限公司), an indirect non-wholly-owned subsidiary of the Company, which owns Haiyu Gold Mine

“Shandong Ruiyin”	Shandong Ruiyin Mining Industry Company Limited* (山東瑞銀礦業發展有限公司), a non-wholly-owned subsidiary of the Company, which owns Ruihai Mining
“Share(s)”	ordinary shares of RMB1.00 each in the share capital of the Company, comprising domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Target Equity Interest”	6.14% equity interest of Shandong Ruiyin, which is held by the Vendor as of the date of this announcement
“Vendor” or “Bowen Mining”	Shandong Bowen Mining Co., Ltd* (山東博文礦業有限公司), a company established in the PRC with limited liability, which holds 36.14% equity interest of Shandong Ruiyin as of the date of this announcement, and is therefore a connected person of the Company under 14A.07 of the Listing Rules

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

Zhaoyuan, the PRC, 12 October 2022

As at the date of this announcement, the Board comprises:

Executive Directors: Mr. Weng Zhanbin, Mr. Jiang Guipeng and Mr. Wang Ligang

Non-executive Directors: Mr. Ding Jun, Mr. Li Guanghui, Mr. Gao Min and Mr. Huang Zhen

Independent non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu

* For identification purpose only