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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
HISTORICAL FINANCIAL ASSISTANCE TO RUIHAI MINING**

HISTORICAL FINANCIAL ASSISTANCE TO RUIHAI MINING

In order to provide continues support to the construction and development of Haiyu Gold Mine, on 29 November 2022 and 29 December 2022, the Company (as the lender) provided the First Loan and the Second Loan to Ruihai Mining (as the borrower), being the operating company of Haiyu Gold Mine.

LISTING RULES IMPLICATIONS

At the relevant time of the Historical Financial Assistance and as at the date of this announcement, Ruihai Mining is wholly owned by Shandong Ruiyin, another non wholly-owned subsidiary of the Company; Shandong Ruiyin has been owned by the Company as to 70% and by Zijin Mining (through Zijin Investment) as to 30% since 26 October 2022; and Zijin Mining has been a substantial Shareholder of the Company since 6 November 2022. Pursuant to Rule 14A.16 of the Listing Rules, Shandong Ruiyin and its subsidiaries (i.e., Ruihai Mining and Haiyu Gold Mine) constituted connected subsidiaries of the Company at the relevant time of the Historical Financial Assistance. Accordingly, the provision of the First Loan and the Second Loan constituted the Company's connected transactions under Chapter 14A of the Listing Rules at the relevant time of the Historical Financial Assistance. Furthermore, as the First Loan and the Second Loan were entered into by the Company and Ruihai Mining within a 12-month period, they shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios in respect of the transactions under the Historical Financial Assistance, on an aggregated basis, exceed 0.1% but less than 5%, the provision of the Historical Financial Assistance was subject to the reporting, annual review and announcement requirements but was exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, due to the oversight and inadvertent misunderstanding of the Listing Rules by the relevant finance staff involved in the provision of the Historical Financial Assistance, the transactions under the Historical Financial Assistance were mistakenly treated as inter-group transactions and were not reported to the Board at the material time. Hence, the Company has failed to comply with the aforementioned Listing Rules. See “Reasons for the Non-compliance of the Listing Rules” in this announcement for details.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the relevant requirements under Chapter 14A of the Listing Rules in relation to the Historical Financial Assistance and would like to stress that such non-compliance was inadvertent. In order to ensure the proper compliance of the Listing Rules in the future, the Company is actively taking remedial measures. See “Remedial Measures” in this announcement for details.

HISTORICAL FINANCIAL ASSISTANCE TO RUIHAI MINING

In order to provide continues support to the construction and development of the Haiyu Gold Mine, on 29 November 2022 and 29 December 2022, the Company (as the lender) provided the First Loan and the Second Loan (together with the First Loan, are collectively referred to as the “**Historical Financial Assistance**”) to Ruihai Mining (as the borrower), being the operating company of Haiyu Gold Mine.

Principal terms of the Historical Financial Assistance are summarised as follows:

Major terms of the First Loan

Date of the loan agreement	29 November 2022
Parties	the Company (as the lender); and Ruihai Mining (as the borrower)
Principal amount	RMB600,000,000
Interest rate	3.95% per annum. The interest rate was arrived at arm’s length negotiations between the Company and Ruihai Mining after taking into account of (i) the prevailing interest rates of similar commercial loans available to the Group at the relevant time of the provision of the First Loan; and (ii) the prevailing interest rates of commercial banks for the provision of similar commercial loans at the relevant time of the provision of the First Loan. The finance department of the Company had also compared the terms of the First Loan with that of similar commercial loans provided by commercial banks and available to the Group prior to the provision of the First Loan.

Purpose of the First Loan	The First Loan shall be used for the purpose of financing the working capital of the Target Group and refinancing the debts of the Target Group, both were related to the construction and development of Haiyu Gold Mine.
Term	From 30 November 2022 to 30 November 2026.
Drawdown	The First Loan was fully drawdown by Ruihai Mining on 30 November 2022.
Repayment	Ruihai Mining shall repay the principal amount of the First Loan and the corresponding interest in full upon the expiry of the term of the First Loan.

Major terms of the Second Loan

Date of the loan agreement	29 December 2022
Parties	the Company (as the lender); and Ruihai Mining (as the borrower)
Principal amount	RMB600,000,000
Interest rate	4.24% per annum. The interest rate was arrived at arm's length negotiations between the Company and Ruihai Mining after taking into account of (i) the prevailing interest rates of similar commercial loans available to the Group at the relevant time of the provision of the Second Loan; and (ii) the prevailing interest rates of commercial banks for the provision of similar commercial loans at the relevant time of the provision of the Second Loan. The finance department of the Company had also compared the terms of the Second Loan with that of similar commercial loans provided by commercial banks and available to the Group prior to the provision of the Second Loan.
Purpose of the Second Loan	The Second Loan shall be used for the purpose of financing the working capital of the Target Group and refinancing the debts of the Target Group, both were related to the construction and development of Haiyu Gold Mine.
Term	From 30 December 2022 to 30 December 2027.
Drawdown	The Second Loan was fully drawdown by Ruihai Mining on 30 December 2022.
Repayment	Ruihai Mining shall repay the principal amount of the Second Loan and the corresponding interest in full upon the expiry of the term of the Second Loan.

INFORMATION OF THE PARTIES TO THE HISTORICAL FINANCIAL ASSISTANCE

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.

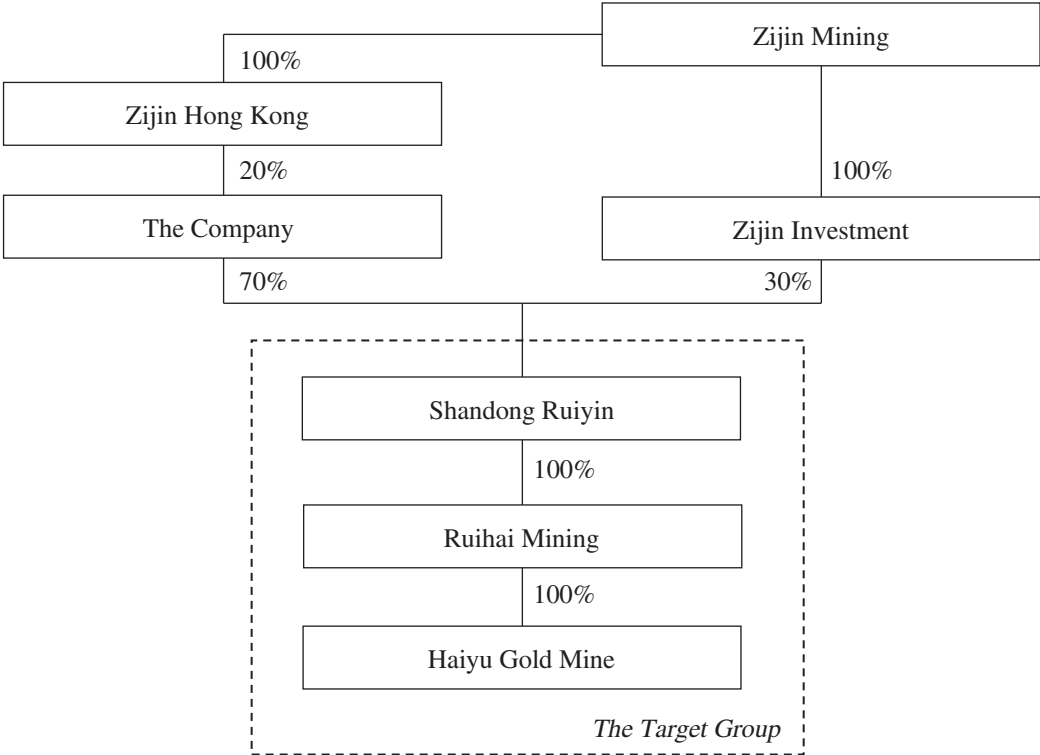
Ruihai Mining and Haiyu Gold Mine

At the relevant time of the Historical Financial Assistance and as at the date of this announcement, Ruihai Mining is wholly owned by Shandong Ruiyin, another non wholly-owned subsidiary of the Company. Ruihai Mining holds the entire interest of Haiyu Gold Mine. Haiyu Gold Mine is a gold mine located at the north of Sanshan Island in Laizhou City, Shandong Province (山東省萊州市三山島北部), which is currently the largest standalone gold mine registered with the Ministry of Natural Resources of the People's Republic of China (中華人民共和國自然資源部). Haiyu Gold Mine obtained the mining permit in July 2021, obtained the approval for simultaneous design, construction, commencement of operation and use of safety facilities in August 2022, and passed the acceptance inspection by the Emergency Management Bureau of Yantai City, Shandong Province* (山東省煙台市應急管理局) in October 2022. Haiyu Gold Mine officially commenced construction in November 2022. As at the date of this announcement, the Group is putting full efforts in the construction of Haiyu Gold Mine. Haiyu Gold Mine is expected to have a mining and processing capacity of 12,000 tonnes per day upon completion of construction. The Group plans to develop Haiyu Gold Mine into a world-class mine with high standards in terms of green, safe and intelligent operation in the future.

CONNECTED RELATIONSHIP BETWEEN THE COMPANY AND RUIHAI MINING AND LISTING RULES IMPLICATIONS

Reference is made to the Company's announcement dated 12 October 2022 in relation to the acquisition of 6.14% equity interest in Shandong Ruiyin. The said acquisition was completed on 26 October 2022 and Shandong Ruiyin has been owned by the Company as to 70% since then. On the same date, Zijin Mining acquired the remaining 30% equity interest of Shandong Ruiyin through its wholly owned subsidiary, Zijin Investment. Furthermore, on 6 November 2022, Zijin Mining acquired 654,078,741 H Shares, representing approximately 20% of the total issued Shares of the Company, through its wholly owned subsidiary, Zijin Hong Kong, and became one of the substantial Shareholder of the Company since then.

A simplified shareholding structure of the abovementioned parties is set forth as below:



As Zijin Mining, a substantial Shareholder of the Company, was also interested in more than 10% of equity interest in Shandong Ruiyin at the relevant time of the Historical Financial Assistance. Pursuant to Rule 14A.16 of the Listing Rules, Shandong Ruiyin and its subsidiaries (i.e., Ruihai Mining and Haiyu Gold Mine) constituted connected subsidiaries of the Company at the relevant time of the Historical Financial Assistance. Accordingly, the provision of the First Loan and the Second Loan constituted the Company’s connected transactions under Chapter 14A of the Listing Rules at the relevant time of the Historical Financial Assistance. Furthermore, as the First Loan and the Second Loan were entered into by the Company and Ruihai Mining within a 12-month period, they shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios in respect of the transactions under the Historical Financial Assistance, on an aggregated basis, exceed 0.1% but less than 5%, the provision of the Historical Financial Assistance was subject to the reporting, annual review and announcement requirements but was exempt from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

However, the Company has failed to comply with the aforementioned Listing Rules as it had failed to make timely disclosure on the Historical Financial Assistance pursuant to the relevant requirements under the aforementioned Listing Rules. See “Reasons for the Non-compliance of the Listing Rules” below for details.

REASONS FOR AND BENEFITS OF THE HISTORICAL FINANCIAL ASSISTANCE

As at the date of this announcement, Haiyu Gold Mine is under full construction and has yet to achieve any production. As such, the Target Group has limited resources and opportunities to independently secure financial support. In addition, Haiyu Gold Mine and the main works of the project (including five shafts and a ramp) are under full construction, which require further funding for construction. As a result, the Target Group has to rely on the financial support from its existing shareholders (i.e., the Company and Zijin Mining) to complete the construction and development of Haiyu Gold Mine.

As disclosed above, Haiyu Gold Mine is currently the largest standalone gold mine registered with the Ministry of Natural Resources of the People's Republic of China (中華人民共和國自然資源部), which is located in the Sanshandao-Cangshang fault metallogenic belt, a first-class metallogenic belt in Jiaodong area with excellent conditions of mineralization. The early commencement of production of Haiyu Gold Mine is of great significance to the Company. The Directors are of the view that Haiyu Gold Mine, once commences production, will further enhance the gold reserve and gold production of the Group and hence bringing positive returns to the Company and the Shareholders. Therefore, providing support to the construction and development of Haiyu Gold Mine is in the interests of the Company and the Shareholders as a whole.

Based on the above, the Directors are of the view that the provision of Historical Financial Assistance is a concrete step to provide support to the construction and development of Haiyu Gold Mine. The transactions under the Historical Financial Assistance were entered into in the ordinary and usual course of business of the Company, the terms of which were fair and reasonable and in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE NON-COMPLIANCE OF THE LISTING RULES

Based on the Company's internal investigation, it is discovered that:

- (i) in November 2022, Ruihai Mining made requests to the finance department of the Company for certain financial assistance to Ruihai Mining to meet its funding needs for the construction and development of Haiyu Gold Mine. The finance department of the Company decided to provide the First Loan and the Second Loan to Ruihai Mining upon the receipt of the requests;
- (ii) the relevant finance staff of the Company had mistakenly treated the transactions under the Historical Financial Assistance (i.e., the First Loan and the Second Loan) as inter-group transactions and did not realize that Ruihai Mining constituted a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules at the relevant time of provision of the Historical Financial Assistance; and
- (iii) based on the mistaken understanding, the relevant finance staff of the Company did not report the Historical Financial Assistance to the compliance department of the Company and the Board for further review and approval according to the Group's internal control policies for monitoring connected transactions.

The Directors considered that, due to the oversight and inadvertent misunderstanding of the Listing Rules by the relevant finance staff of the Company involved in the provision of the Historical Financial Assistance, the transactions under the Historical Financial Assistance were mistakenly treated as inter-group transactions and were not reported to the Board at the material time. Hence, the Company did not timely disclose the Historical Financial Assistance as required under the Listing Rules.

In mid-July 2023, in reviewing and formulating the future financing plans of Ruihai Mining and during the course of a regular compliance check, the management of the Company noticed the Historical Financial Assistance and considered that the transactions underlying the Historical Financial Assistance might constitute connected transactions of the Company under the Listing Rules. To further investigate the incident, the management of the Company, together with the compliance department of the Company, further conducted a comprehensive review on the breakdowns and movements of all the balances between the Company and Ruihai Mining. As a result, the abovementioned connected transactions under the Historical Financial Assistance were identified by the management of the Company and reported to the Board. The management of the Company also sought advice from professional advisers to verify their understanding after they identified the Historical Financial Assistance.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the relevant requirements under Chapter 14A of the Listing Rules in relation to the Historical Financial Assistance and would like to stress that such non-compliance was inadvertent. On the other hand, in order to ensure proper compliance of the Listing Rules in the future, the Group is taking the following remedial measures:

- (i) the compliance department of the Company will conduct a comprehensive review on the Company's internal control policies for monitoring fund transfers and connected transactions (especially the transactions with connected subsidiaries) as soon as practicable, and will provide advice to the Board on the enhancement of the relevant internal control policies based on the review result;
- (ii) the Company will arrange its internal control consultant to enhance the review on the Company's internal control policies for monitoring fund transfers and connected transactions in the forthcoming annual internal control review, and provide advice to the Board on the enhancement of the relevant internal control policies based on the review result;
- (iii) the audit committee of the Company, consisting of three independent non-executive Directors, will be entrusted with the responsibility to consistently review and improve the internal control system of the Company (including the internal control policies for monitoring fund transfers and connected transactions);

- (iv) the Company will, enhance its existing procedures for monitoring fund transfers and connected transactions of the Group under Chapter 14A of the Listing Rules in accordance with the advice of from the compliance department of the Company. In particular, the Company will:
- (a) designate a group of specific personnels (the “**Specific Personnels**”) led by a senior management of the Company’s compliance department with professional knowledge on the Listing Rules to oversee and review the status of fund transfers, including but not limited to the Group’s internal fund transfers, but also include transactions between the Group and its connected persons with ongoing basis. The review and approval from the Specific Personnels from Listing Rules perspective will be integrated into the Group’s existing business approval procedures for all transactions. The Specific Personnels shall have authorization to obtain all necessary information and documentations from the Group’s business and finance departments to perform their duties and directly report to the Board;
 - (b) prepare a list of its connected subsidiaries under rule 14A.16 of the Listing Rules and circulate such list to the management of the Company, as well as the relevant responsible persons of each of the Company’s subsidiaries on a regular basis; and
 - (c) arrange the management of the Company to closely review and monitor the breakdowns and movements of all the balances and check all the relevant transactions between the Company and all connected subsidiaries of the Company on a regular basis.
- (v) the Group will issue relevant guidance and training materials, in particular, on how to identify connected transactions under the Listing Rules, to the relevant departments and employees of the Group. The Group will also arrange training sessions on compliance requirements for connected transactions so as to improve the standard of corporate governance and operating management of the Company; and
- (vi) the Company will seek legal advice and/or other professional advice from time to time as and when it is necessary to ensure proper compliance with the relevant requirements of the Listing Rules by the Group.

DEFINITIONS

Unless otherwise defined, the following expressions in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company”	Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司), a joint stock limited company incorporated in the PRC, whose shares are listed on the Stock Exchange (stock code: 1818)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

“Directors”	directors of the Company
“Domestic Shares(s)”	the ordinary share(s) of the Company with a nominal value of RMB 1 each which one subscribed for and fully paid up in RMB
“First Loan”	a loan provided by the Company to Ruihai Mining on 29 November 2022 with the principal amount of RMB600,000,000
“Group”	the Company and its subsidiaries
“Haiyu Gold Mine”	a gold mine owned by Ruihai Mining located at the north of Sanshan Island in Laizhou City, Shandong Province (山東省萊州市三山島北部)
“H Shares”	overseas listed foreign share(s) of the Company with a nominal value of RMB 1 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 of Hong Kong Limited
“PRC”	the People’s Republic of China, excludes Hong Kong, Macau Special Administrative Region and Taiwan region
“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
“Second Loan”	a loan provided by the Company to Ruihai Mining on 29 December 2022 with the principal amount of RMB600,000,000
“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)”	share(s) of RMB 1 each in the share capital of the Company, comprising of the Domestic Shares and H shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	collectively, Shandong Ruiyin, Ruihai Mining and Haiyu Gold Mine

“Zijin Hong Kong”	Gold Mountains (H.K.) International Mining Company Limited (金山(香港)國際礦業有限公司), a limited company incorporated in Hong Kong and a wholly owned subsidiary of Zijin Mining
“Zijin Investment”	Zijin Mining Group Southern Investment Co., Ltd.* (紫金礦業集團南方投資有限公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of Zijin Mining
“Zijin Mining”	Zijin Mining Group Co., Ltd.* (紫金礦業集團股份有限公司), a joint stock limited company incorporated in the PRC, whose H shares and A shares are listed on the Stock Exchange (stock code: 2899) and the Shanghai Stock Exchange (stock code 601899), respectively
“%”	per cent

By order of the Board
Zhaojin Mining Industry Company Limited*
Jiang Guipeng
Chairman

Zhaoyuan, the PRC, 31 July 2023

As at the date of this announcement, the Board comprises: executive Directors: Mr. Jiang Guipeng, Mr. Duan Lei, Mr. Wang Ligang and Mr. Chen Lunan; non-executive Directors: Mr. Long Yi, Mr. Li Guanghui and Mr. Luan Wenjing; and independent non-executive Directors: Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu.

* For identification purpose only